

# **OFFICIAL RECORD OF PROCEEDINGS**

**Wednesday, 1 December 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

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

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

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

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

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

THE HONOURABLE LEUNG KWOK-HUNG

DR THE HONOURABLE KWOK KA-KI

DR THE HONOURABLE FERNANDO CHEUNG CHIU-HUNG

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

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

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

THE HONOURABLE CHIM PUI-CHUNG

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

THE HONOURABLE ALBERT JINGHAN CHENG

THE HONOURABLE KWONG CHI-KIN

THE HONOURABLE TAM HEUNG-MAN

**MEMBERS ABSENT:**

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

THE HONOURABLE MA LIK, 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 HENRY TANG YING-YEN, G.B.S., J.P.  
THE FINANCIAL SECRETARY

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

THE HONOURABLE JOSEPH WONG WING-PING, G.B.S., J.P.  
SECRETARY FOR THE CIVIL SERVICE

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

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

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

MS PAULINE NG MAN-WAH, ASSISTANT SECRETARY GENERAL

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT SECRETARY  
GENERAL

## TABLING OF PAPERS

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

- No. 31 — Emergency Relief Fund  
Annual Report by the Trustee for the year ending  
31 March 2004

## ORAL ANSWERS TO QUESTIONS

**PRESIDENT** (in Cantonese): Questions. According to House Rules, question time normally does not exceed one and a half hours, that is, each question is allocated about 15 minutes on average. 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 Rule 26(5) of the Rules of Procedure.

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

### **Retired Senior Civil Servant Taking up Job in Private Sector**

1. **MR KWONG CHI-KIN** (in Cantonese): *Madam President, it has been reported that a civil servant, who had held the position of Deputy Director, Housing Department before her retirement at the end of November last year, joined a ferry company as the director in its business development department in April this year. The scope of work of the director includes the cultural items relating to the West Kowloon Cultural District (WKCD) project, for which the holding company of the ferry company has submitted a development proposal. In this connection, will the Government inform this Council:*

- (a) *whether the above retired civil servant had been given approval to take up appointment in the ferry company; if so, of the position of the approving officer, the Policy Bureau or government department to which the officer belonged and when the approval was given;*
- (b) *whether the authorities were aware of the scope of work of the director's post before the retired civil servant took up the appointment, and whether further approval was given in respect of the particular scope of work; if so, of the position of the approving officer, the Policy Bureau or government department to which the officer belonged and when the approval was given; and*
- (c) *given that the retired civil servant has worked in the former Urban Services Department and the Housing Department, whether the authorities have assessed if there is any conflict of interest between her present work and her previous work in those departments, and whether her taking up the present post is in breach of the restrictions for retired civil servants in taking up appointments in the private sector; if they have, of the assessment results?*

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, under the pensions legislation, all retired civil servants have to seek prior permission from the Chief Executive before they enter into business, become partners or directors, or become employees, if the principal part of the business or employment is carried on in Hong Kong, within two years after their retirement, or within three years for officers retiring at the rank of AOSGA1 or above. All retired civil servants, irrespective of ranks, are covered by the relevant legislation and are subject to the above requirement governing post-retirement employment.

The fundamental principle of the policy is that there should be no impropriety in the business or employment which former civil servants propose to undertake. In this regard, the Administration takes into account the following factors:

- (i) whether the officer, while serving in the Government, was involved in policy formulation or decisions which could have benefited his prospective employer;

- (ii) whether the prospective employer might gain an unfair advantage over competitors because of the officer's previous knowledge and experience; and
- (iii) the public perception of the officer taking up the proposed business or employment.

Under the present mechanism, the Chief Executive has delegated the approving authority for applications from directorate officers up to the rank of AOSGA1 to the Secretary for the Civil Service and for applications from non-directorate officers to the Heads of Department or Heads of Grade.

In respect of directorate officers, all applications are considered by the Advisory Committee on Post-retirement Employment (the Advisory Committee) which is an independent body to advise the Government on matters related to post-retirement employment of former civil servants. Members of the Advisory Committee are appointed by the Chief Executive. The approving authority would carefully take into account the advice and recommendations of the Advisory Committee before arriving at a decision on an application.

I will now answer the individual parts of the question:

- (a) While we do not normally disclose details of the post-retirement employment of former civil servants in order to respect the privacy of individuals, since the current employer of the retired civil servant has issued press releases in relation to the matter, I can confirm that in March 2004 I gave approval, in accordance with the procedures and criteria mentioned in the preamble, for the retired civil servant to take up employment with a ferry company.
- (b) The application was processed on the basis of the information contained in the application submitted which provided that the scope of employment would include work in the field of cultural service but not land and property. In this regard, I approved the application on the basis of the scope of employment as set out in the application which was confined to employment with the ferry

company. Since the duties of the former civil servant have not changed, the question of separate or further approval does not arise.

- (c) The former civil servant served in the then Urban Services Department between 1997 and 1999, the then Housing Bureau between 1999 and 2002 and the Housing Department from 2002 to 2003. In accordance with the principles set out above, we have assessed the propriety of her proposed employment and are satisfied that there is no conflict of interest between her approved employment with the ferry company and her previous duties in the Civil Service. In view of the public concern in recent days, we have contacted the former civil servant and understand that her current job is consistent with the scope of her approved employment. Therefore, she has not breached the terms of our approval. We have reminded the former civil servant that unless separate permission has been given, she is not allowed to take part in any work which is outside the approved scope of her employment.

**MR KWONG CHI-KIN** (in Cantonese): *Madam President, in the main reply, the Secretary mentioned two points. First, the officer concerned had worked in the Housing Bureau and the Housing Department; and second, the approved scope of work is based on the information contained in the application submitted which provided that the scope of employment would include work in the field of cultural service but not land and property. Madam President, according to the letter to the mass media by the relevant employer, we know that the Government, apart from its confirmation on 29 March 2004, also reconfirmed the areas of work of the retired civil servant in May and September. My supplementary question to the Secretary is: When the Government reconfirmed the scope of work of the retired civil servant, did it know that she would participate in the WKCD project? If it did, it should be aware that the WKCD project is closely related to property development even though it is not a property project, and apparently there is conflict of interest between her scope of work and the project. Why does the Government still say that it does not constitute conflict of interest and approve her employment?*

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, first of all, I think it is inappropriate for me to comment on the correspondence between the Civil Service Bureau and the retired civil servant. But I can point out that, first, since her involvement in the work has been covered by the media, we have contacted her in the hope of gaining a clear idea of whether her job is consistent with the scope of work initially approved. Besides, I have made it clear in the main reply that we clearly know that her work is consistent with the scope of work initially approved. Second, as regards the connection between the retired civil servant and the WKCD project, I would like to clarify again that we have approved the former civil servant to take up cultural work in a ferry company. She has told us that an associated company of the company for which she works with has participated in the WKCD project. So, she might possibly have taken part in the WKCD project indirectly in her service for the company.

In this connection, we have reminded her that, first, our approval was for her employment in a ferry company, and secondly, even though she can provide internal advice on cultural matters concerning the WKCD project to her employer, her work should not include sitting on the bidding group of the WKCD project. Neither should she take part in the bidding process in a direct or indirect manner. So, through our contact with her, we have confirmed that her job is consistent with the scope of her employment originally approved. Through this opportunity, we have also reminded her of her scope of work and that she is employed by the company concerned.

**PRESIDENT** (in Cantonese): Honourable Members, there are a total of 10 Members waiting for their turns to raise supplementary questions on this question. I hope Members will ask questions as briefly as possible so that more Members can raise questions.

**MS LI FUNG-YING** (in Cantonese): *Madam President, in his reply to part (a) of the question, the Secretary made it clear from the very beginning that details of the post-retirement employment of former civil servants would not be disclosed in order to respect the privacy of individuals. That being the case, may I ask the Secretary what criteria are adopted by him to assess the public perception of the officer taking up the relevant work?*

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, as I have mentioned in the main reply, in respect of directorate officers, all applications are considered by the Advisory Committee. Appointed by the Chief Executive, its chairman and members are independent individuals who will give advice on this. Meanwhile, decisions on general policies will be made according to the advice of the Advisory Committee.

**MISS TAM HEUNG-MAN:** *Madam President, I need to refer to part (b) of the question itself. When the Secretary answered the question, he said he gave approval for the applicant to work in the ferry company, however, later on, we found that the woman was working in a land development company which submitted a proposal to the Government in relation to the West Kowloon Cultural District development project. So my question is, does that constitute any breach in terms of approval given to the lady to work in a ferry company in the first instance, but later she worked in a different capacity, will that constitute any breach in terms of approval given to her in the first place?*

**SECRETARY FOR THE CIVIL SERVICE:** Madam President, the approval given to the officer concerned is that she can work in a ferry company, and her work is related to the cultural aspects. It is a fact that her company provides services to an associated company, which is involved in the West Kowloon Cultural District development project. But she remains to work in the ferry company and her work is to provide service to the ferry company, not to the associated company of the ferry company.

**PRESIDENT** (in Cantonese): Miss TAM Heung-man, has your supplementary not been answered?

**MISS TAM HEUNG-MAN** (in Cantonese): Yes.

**PRESIDENT** (in Cantonese): Could you repeat the part of your supplementary that has not been answered?

**MISS TAM HEUNG-MAN:** *I want to ask, since the original approval was given to her work contract with the ferry company, would any additional work on her part in the associated company constitute a different contract altogether?*

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

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): I can only reiterate that she works for the ferry company, not for any other company.

**MR CHEUNG MAN-KWONG** (in Cantonese): *Madam President, as far as the retired senior officer of the Housing Department is concerned, even though she works with a ferry company and her job is related to culture and arts, the holding company has bid for the WKCD project, which is a property project involving enormous interests. Can the Government inform this Council whether the conduct of the retired senior officer has violated the first and second fundamental principles of the retirement policy. In other words, her prospective employer could have benefited or might gain an unfair advantage over competitors because of her previous knowledge and experience. Will the Government deal with the case of the retired senior officer in accordance with the regulations and demand her to withdraw from any work and organization which have conflict of interests?*

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, in fact, using the factors just mentioned by Mr CHEUNG Man-kwong and contained in the main reply to assess whether the employment of the former civil servant constitutes conflict of interest, our conclusion is in the negative. First of all, it is not only because she currently works for the ferry company and is responsible for cultural service. Even if we refer to her previous employment in the Government, her job is not related to the planning of the WKCD project. So after careful consideration, we do not think there is any conflict of interest.

**MR CHEUNG MAN-KWONG** (in Cantonese): *Madam President, the Secretary has not answered my supplementary question. The WKCD project involves culture, arts, land and property. So, the retired senior officer is involved in land and property project in the name of culture and arts. Has she violated the two fundamental principles to be considered by retired officials who intend to involve in business and that is, it could have benefited their prospective employer and their prospective employer might gain an unfair advantage over competitors? How will the Government deal with such conduct?*

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

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, I do not have anything to add. Perhaps let me clarify again. We did not think that there was conflict of interest after a re-examination. I do not want to repeat my earlier reply. However, we have reminded her that she should refrain from participating not only in any property project in respect of West Kowloon but also in the bidding for the WKCD project on behalf of any company. Even involvement in the promotion of cultural activities is not allowed.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, it is indeed a joke for a ferry company to seek involvement in cultural affairs. But everyone knows that she helps its holding company to take part in these activities. Madam President, I would like to ask the Secretary a question. When approval was granted, the Secretary knew that the company she would join would participate in the WKCD project. I would like to ask the Secretary: How does he define the nature of the WKCD project? In the project, property and cultural elements are interrelated. Does the Secretary think that the cultural element can be separated from the property element? If he was not worried about conflict of interest, why did he remind Ms Elaine CHUNG time and again that she should not take part in the bidding group? Even though she has been reminded not to take part in the bidding group, how can he exercise day-to-day supervision so that he can know whether or not she has given advice to the bidding group? It is impossible to know. Clearly she has put herself in a situation which will arouse suspicion.*

**PRESIDENT** (in Cantonese): You need not express your opinion but just raise your question direct because many Members are waiting for their turns to ask questions.

**MR LEE CHEUK-YAN** (in Cantonese): *Yes, I am asking him about .....*

**PRESIDENT** (in Cantonese): Please come to your question direct.

**MR LEE CHEUK-YAN** (in Cantonese): *Yes, apparently, this is a situation which will arouse suspicion. Does the Secretary admit that this will arouse suspicion? In the eyes of other people, this is basically unfair. Just now I asked the Secretary whether the WKCD project was defined as a cultural or property project. These two elements are basically inseparable. Does he not admit that?*

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, if the supplementary question asks me about the nature of the WKCD project, then I can only say that, as far as I am aware, this is basically a cultural project which involves some elements of property development. But this is outside the scope of this question.

(Mr LEE Cheuk-yan indicated that the Secretary had not answered his supplementary question)

**PRESIDENT** (in Cantonese): Has your supplementary question not been answered?

**MR LEE CHEUK-YAN** (in Cantonese): *He has just confirmed that it is a cultural project with some elements of property development. But my supplementary question is: Does he admit that this is a situation which will arouse suspicion? This is very important.*

**PRESIDENT** (in Cantonese): Mr LEE Cheuk-yan, please sit down. Members, from this we can see that if your supplementary questions are too long, the government official cannot be blamed for omitting part of your question in his answer to your question. So, if your supplementary question is simple, the official can answer it precisely and you will then know whether he has answered your question or not. Right?

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, regarding her current scope of work approved by us, I have mentioned time and again that since some people share Mr LEE Cheuk-yan's views, we have, through the clarification process with her, reminded her of her scope of work and made it clear to her that she could not take up any job that may cause misunderstanding, including not to take part in the bidding or promotion of the WKCD project.

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

**MR LEUNG KWOK-HUNG** (in Cantonese): *Should I stand up?*

**PRESIDENT** (in Cantonese): You should stand up when you ask and answer a question.

**MR LEUNG KWOK-HUNG** (in Cantonese): *Through the President, I would like to ask Secretary Joseph WONG whether the former civil servant he has just mentioned is Ms Elaine CHUNG. I do not know whether my understanding is right.*

**PRESIDENT** (in Cantonese): Is this your supplementary question?

**MR LEUNG KWOK-HUNG** (in Cantonese): *No, no.*

**PRESIDENT** (in Cantonese): Please raise your supplementary question.

**MR LEUNG KWOK-HUNG** (in Cantonese): *I have no idea whom Members are talking about. If it is her, then I am sure because I had no idea whom they were talking about. Now this Council has no idea whom we are talking about.*

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, please ask your supplementary question direct. I believe other Members clearly understand whom they are referring to.

**MR LEUNG KWOK-HUNG** (in Cantonese): *Fine.*

**PRESIDENT** (in Cantonese): We do not mention her name because we want to ask supplementary questions on the policy and principles as far as possible.

**MR LEUNG KWOK-HUNG** (in Cantonese): *OK, I understand. It is said that a government official has taken up a job related to cultural items in a company after retirement. Later she was involved in the lobbying work related to the relevant items of the WKCD project. I think what she has done will not only arouse suspicion but is brazen. According to my observation, Mr TSANG Yam-pui, Mr HUI Ki-on and Mr Rafael HUI did not comply with the policy principles mentioned by the Secretary before they joined the business sector. Have they been given special approval? The period of time they were prohibited from re-employment after leaving the Civil Service was shorter than the rule. In other words, they soon joined the business sector without going through a sanitization period of one or two years. According to the Secretary's understanding, are their cases not consistent with the policy principles? Do I have to remind the Secretary? They are Mr TSANG Yam-pui, Mr HUI Ki-on and Mr Rafael HUI.*

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, we have heard your question clearly. But if you do not sit down, I cannot invite the Secretary to answer your question.

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, this case and all other cases just mentioned by Mr LEUNG Kwok-hung were processed in accordance with our established policy and procedures. There were no special circumstances.

(Mr LEUNG Kwok-hung indicated that he wished to raise a question)

**MR LEUNG KWOK-HUNG** (in Cantonese): *Yes, I would like to ask a further question.*

**PRESIDENT** (in Cantonese): A follow-up question is about the part of the supplementary question that has not been answered by the Secretary. So Members can follow up. But asking a further question is to raise another supplementary question. So, do you follow up or ask a further question?

**MR LEUNG KWOK-HUNG** (in Cantonese): *To ask a further question or a follow-up ..... I have no idea. You will know after I have raised it, (laughter) it is ruled by you.*

**PRESIDENT** (in Cantonese): Yes. Mr LEUNG Kwok-hung, I just wish to remind you that after a Member has asked a supplementary question, he has to wait for another turn again if he wants to ask a second supplementary question. However, if the Secretary has not answered the Member's supplementary question, he can raise a follow-up question.

**MR LEUNG KWOK-HUNG** (in Cantonese): *I would like to ask a further question in order to follow up.....*

**PRESIDENT** (in Cantonese): That is a follow-up question.

**MR LEUNG KWOK-HUNG** (in Cantonese): *Yes, follow-up.*

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, please stand up when you ask a question.

**MR LEUNG KWOK-HUNG** (in Cantonese): *It is a follow-up question. Many civil servants have phoned me, saying that these three people did not comply with the regulations and public opinion said the same thing.*

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, sorry, it seems that I have always been interrupting you. But your question must be relevant to your previous supplementary. What you have just said is not part of the supplementary question you asked just now.

**MR LEUNG KWOK-HUNG** (in Cantonese): *Yes.*

**PRESIDENT** (in Cantonese): You have introduced some other new elements, this is not consistent with the Rules of Procedure. You only have to mention the part of your supplementary question that has not been answered by the Secretary.

**MR LEUNG KWOK-HUNG** (in Cantonese): *I ask him whether it has gone through a special approval procedure and whether someone has granted special approval. That is my question. Under the regulation, approval by the Chief Executive is required for special circumstances. My question is: Insofar as their cases are concerned, was approval given by the Secretary or by the Chief Executive?*

**PRESIDENT** (in Cantonese): Secretary, were there been any special circumstances?

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): No, as I have said earlier, their cases were processed in accordance with established policy and procedures.

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

**Provision of Services to Mental Patients**

2. **DR FERNANDO CHEUNG** (in Cantonese): *Madam President, it has been reported that not long ago an ex-mental patient, who relapsed due to a divorce, died after having jumped from Lei Chak House of Ap Lei Chau Estate, carrying his six-year-old son with him. The incident causes extensive concern in the social work sector regarding family services, as well as treatment and rehabilitation services provided for mental patients. In this connection, will the Government inform this Council:*

- (a) *whether the five Single Parent Centres will be reopened; if so, of their reopening time; if not, the reasons for that;*
- (b) *of the total number of mental patients receiving services from public psychiatric specialist out-patient clinics in Hong Kong at present, as well as the number of medical social workers in these clinics; and whether the Social Welfare Department (SWD) still maintains its personnel policy of "triennial transfer" for medical social workers; and*
- (c) *whether the Hospital Authority (HA) and the SWD have any plan to provide services to those mental patients who have not taken the initiative to contact medical social workers?*

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

- (a) The service needs of the socially disadvantaged including the single parents have always been high on the Administration's agenda. Improvement has also been made to the services through regular reviews and service restructuring to achieve better quality and cost-effectiveness.

The SWD commissioned the University Professionals to conduct a Consultancy Study on the Review of Family Services in August 2000. According to the report which was published in June 2001, the service model under which new services were introduced in response to newly emerged family problems would lead to gaps and overlaps in service boundaries. This arrangement was not cost-effective as well. In this connection, the report recommended that various family services, including services exclusively for single parents, be restructured and merged to form into the Integrated Family Services Centres (IFSCs).

The IFSCs will be in a position to provide more holistic and user-friendly services to families in need, including the single-parent families. All services currently provided by the Single Parent Centres are also available in the IFSCs, and the new service model which put a premium on early prevention and intervention can better meet the needs of the clients.

- (b) At present, the SWD and the HA have a total of 168 medical social workers on its establishment providing welfare services to the psychiatry departments of public hospitals and specialist out-patient clinics in Hong Kong. Until November 2004, they are handling some 13 500 cases (among them, 3 200 are in-patient cases and 10 300 are specialist out-patient cases).

Regarding the posting arrangement for SWD staff, the Department has been following a set of policies underpinned by established principles and a mechanism, with the objectives of enhancing the overall service quality, achieving the vision and mission of the SWD, and facilitating career development of the staff. The basic principle is to bring the transfer in alignment with the needs and demands of various SWD services, and service needs would invariably be the prime consideration. Regular transfers also enable the staff to gain wide exposure from different types of services and/or service units, bringing into full play their strengths and potential. Therefore, medical social workers under the social worker grade are subject to posting every three to four years in accordance with the established mechanism as long as the delivery of services remains unaffected.

- (c) At present, medical social workers are attached to the psychiatry department of all hospitals and specialist clinics and they work closely with other colleagues including health care professionals (such as medical practitioners, nurses and occupational therapists) in assessing the social and psychological condition of discharged mentally ill and devise suitable rehabilitation plan to help them to adjust to normal life, to control their temperament, to establish social relationship with others, on their finance and to provide them with counselling services. In assessing and following up the service needs of patients and their families, medical social workers will take the initiative to contact or visit them even if the latter show no intention of seeking help. Regular follow-up action will be taken to provide them with the necessary counselling and support services.

A mechanism has also been established in the 14 psychiatric specialist clinics under the HA to trace patients who fail to turn up for the scheduled follow-up consultation. As a common practice, staff of the clinics would first call the patients and their families to enquire why the patients failed to turn up for the scheduled follow-up consultation. If need arises, proactive follow-up actions would also be taken by sending staff to pay home visits to the patients.

In addition, medical social workers have also posted and handed out service leaflets in hospitals and clinics to inform patients of the medical social services available. These services are primarily provided through the HA's community psychiatry outreaching teams, each comprising a multi-disciplinary crew of psychiatric personnel including medical social workers, psychiatrists, community psychiatric nurses, clinical psychologists and rehabilitation therapists. They are mainly engaged in outreach visits to discharged mentally ill and their families living in the community and providing crisis intervention in urgent cases. Medical social workers will also involve themselves actively in publicity, promotion and public education programmes at district level to give individuals and families in the community a better idea about the plight and needs of discharged mentally ill and members

of their families, as well as disseminate information on medical social services.

**DR FERNANDO CHEUNG** (in Cantonese): *Madam President, the Secretary has not given a clear answer to part (a) of my main question, which is on whether the five Single Parent Centres will be reopened. The Secretary has only mentioned that the SWD commissioned experts of the University of Hong Kong to conduct a study in 2000. But as far as I am aware, even the report of this study did not state clearly that the five Single Parent Centres should be closed down. In fact, in December 2003, I myself also conducted a study and held a press conference subsequently to announce the findings. According to the findings, when the clients of the Single Parent Centres covered in the survey were asked to compare the services provided by the Single Parent Centres and the IFSCs, they disclosed that the services of the former were better able to cater for their needs. And, they also said that in the transition period in which they became single parents after the trauma, the Single Parent Centres could give them the feeling of another home. I wish to put my question clearly to the Secretary again: Will the five Single Parent Centres be reopened?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Let me repeat clearly that we do not intend to reopen the five Single Parent Centres because their services will be combined with those of the 61 IFSCs.

**DR JOSEPH LEE** (in Cantonese): *Madam President, the Secretary's main reply mentioned an outreaching team comprising community psychiatric nurses. According to available statistics, there are only 21 community psychiatric nurses for the whole of Hong Kong Island, and they have to look after all the discharged mentally ill in Ap Lei Chau. In other cases, such as the New Territories East and the New Territories West, there are only about 20 community psychiatric nurses for each area. This means each community psychiatric nurse has to attend to some 70 discharged mentally ill living in the community. In addition, all community psychiatric nurses also have to indirectly handle the cases of emotional disturbance referred to them by the SWD. May I therefore ask the Secretary whether there is any specific plan to reduce the ratio of community*

*psychiatric nurses to the discharged mentally ill, so that these nurses can more effectively handle the common problems encountered in the provision of community psychiatry outreaching services, such as crisis evaluation, rehabilitation follow-up and emotion management?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Madam President, as far as I know, the HA has been constantly increasing the resources committed to psychiatric services, especially the prevention of suicide attempts. Additional resources have been committed not only to the provision of nurses but also to the provision of psychiatrists and outreaching services. Community psychiatric health networks have recently been established, and there are currently 12 such networks. All these networks are operated in collaboration with social workers. I must emphasize that the provision of psychiatric rehabilitation services cannot depend solely on any single type of professionals. The approach must be holistic. In other words, there must be a multi-disciplinary team. We will therefore conduct reviews from time to time, so as to find out which types of manpower or professionals are in short supply before introducing the necessary redeployments or providing the training required.

**MR PATRICK LAU** (in Cantonese): *Madam President, Members who asked their supplementary questions just now all thought that this type of service was inadequate. I also know that in many cases, the sites for new community centres are simply left idle, resulting in the breeding of pests. May I ask the Secretary whether the provision of this type of service is related in any way to the construction of community centres? Is it correct for one to say that since hardware facilities are not available, no software can be provided?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Madam President, according to our plan, the 61 IFSCs will be completed within this financial year. Undeniably, in the cases mentioned by Mr LAU, temporary difficulties in identifying an ideal site for service provision may have resulted in an unsatisfactory situation in the meantime. But we still hope that the completion dates will not be delayed.

**MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, when replying to Dr Fernando CHEUNG's supplementary question just now, the Secretary made it very clear that the five Single Parent Centres would not be reopened mainly because their services would be combined with those of the IFSCs under planning. May I ask the Secretary whether he is aware of, or whether he can tell us, how the Single Parent Centres operated in the past? Are there any differences between these centres and the IFSCs under planning, or the IFSCs in actual operation? If yes, what are the differences? As far as I know, and as Dr Fernando CHEUNG has just said, the Single Parent Centres can in fact serve as second homes for single parents. And, besides serving as second homes, the Single Parent Centres can also assist single parents in many other respects. Therefore, will the Secretary please explain in detail the differences or similarities between these two types of centres? Will the Secretary please do so?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): According to our experts, the problems encountered by single-parent families are not unique to these families. All families may encounter some problems, especially problems connected with their children. This explains why we wish to set up the IFSCs to deliver a comprehensive range of services. What is more, the five Single Parent Centres were scattered in five places all over Hong Kong. As a result, many people not living close to any of these centres must travel all the way to the centres nearest to their homes. But in the future, there will be 61 IFSCs, which means that in a way, they will be much closer to the homes of their clients. This is especially significant to those places which we consider as having a relatively high risk of running into problems. One example is Tin Shui Wai, where three such centres will be established.

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

**MR LEUNG YIU-CHUNG** (in Cantonese): *No, the Secretary has not answered my supplementary question. My question for the Secretary was on the similarities and differences between the Single Parent Centres and the IFSCs in*

*terms of their respective range of services. I hope that the Secretary can give us an answer to this. In fact, as far as I know, the main difference is that the IFSCs will only provide case-specific services. In contrast, this was not the case with the Single Parent Centres. Instead, they adopted a group approach, and they even organized .....*

**PRESIDENT** (in Cantonese): Mr LEUNG Yiu-chung, you are just trying to follow up .....

**MR LEUNG YIU-CHUNG** (in Cantonese): *The Secretary has not answered my supplementary question.*

**PRESIDENT** (in Cantonese): I see your point, but this does mean that you can then tell the Secretary how to answer the question.

**MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, I have not tried to tell the Secretary how to answer the question. I am just trying to provide some information, so that he can answer my question.*

**PRESIDENT** (in Cantonese): If you have already pointed out all the differences, why should the Secretary still answer the question?

**MR LEUNG YIU-CHUNG** (in Cantonese): *Which was why I asked the Secretary whether he could tell us in detail, to the best of his understanding, the differences between the Single Parent Centres and the IFSCs, or the similarities and differences between these two types of centres.*

**PRESIDENT** (in Cantonese): That is the point. That is precisely the part of the question that you said the Secretary had not answered. Secretary, Mr LEUNG Yiu-chung thinks that you have not answered this part of his supplementary question.

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Madam President, as far as I know, the IFSCs are of course slightly different from special centres in terms of service provision. But I can assure Members that we will continue to review their range of services and effectiveness. We must also incorporate the services we provided in the past. Our hope is to continue to provide the services we have all along been delivering.

**DR KWOK KA-KI** (in Cantonese): *Madam President, in part (c) of the main reply, the Secretary mentioned those patients who would fail to turn up for follow-up consultations, and it was also said that the Government had established a multi-disciplinary outreaching team comprising psychiatrists, psychiatric nurses and medical personnel from other disciplines. I understand that all psychiatric personnel, especially those on the front line (including psychiatrists) are already hard-pressed by massive workloads and under very heavy pressure. They have told me that it is very difficult for them to assume the additional responsibility of tracing patients. May I ask the Secretary to provide us with some statistics on the number of mental patients who failed to turn up for scheduled follow-up consultations? Under the existing arrangement, how many patients can be traced? And, what is the number of those who cannot be traced?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Madam President, I do not have any specific statistics on the number of patients who can be, or cannot be, traced. However, generally speaking, if a patient fails to turn up for a scheduled appointment, we will definitely call his family. If it comes to our notice that he is living alone or if he cannot be contacted, we will pay him a home visit. Usually, the patient will thus turn up again for treatment. But I do not have any statistics to hand now. The important point is that besides the follow-up actions in clinics, we have also put in place community psychiatric health networks to help contact mental patients. In other words, other service organizations and centres will also assist in tracing patients. This explains why the results in this respect have been quite satisfactory.

**DR KWOK KA-KI** (in Cantonese): *Madam President, will the Secretary please provide the two figures in writing at a later time? Please give us a written reply.*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Yes, I will. (Appendix I)

**MS EMILY LAU** (in Cantonese): *Madam President, I also wish to ask a question on tracing patients. I hope that the relevant figures can be provided to us as soon as possible. The Secretary mentioned in his main reply that usually, clinic staff would first call the patient or his family to enquire why he had failed to turn up for the scheduled follow-up consultation, and it was also mentioned that the proactive action of paying a home visit would be taken only "if need arises". When he gave his reply just now, the Secretary also said that this was the usual practice. But just when I was about to ask him to clarify the meaning of "if need arises", the Secretary, in his reply to Dr Kwok Ka-ki's supplementary question a moment ago, disclosed that home visits would definitely be paid. Well, which is the case anyway — "definitely" or "if need arises"? If the latter is the case, what circumstances will make the Secretary think that there is such a need?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): I believe our colleagues will try to trace such patients as far as possible. When doing so, our staff will not approach a patient's family only. We will visit all places connected with the patient — his dwelling place, his usual workplace, that of his family members and even the social venues frequented by him. Therefore, what I mean is that the doctor will determine whether there is a need in the light of the patient's conditions. Once it is determined that a person is a high-risk patient, we will definitely take follow-up actions. In the case of depression patients or those who have displayed a suicidal tendency, we will certainly take follow-up actions.

**MS EMILY LAU** (in Cantonese): *Madam President, I cannot but say that the more I listen, the more confused I become. The initial reply was that in general, home visits would be paid in all cases. But when I questioned why such visits would be paid only "if need arises", the real answer seemed to be that they would do so only with high-risk cases, not with all cases. Am I correct?*

**PRESIDENT** (in Cantonese): Secretary, any clarification?

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): As far as I know, we will do so in general. I was just trying to explain how long it will take before such actions are taken. And, this in turn will depend on whether the patient is diagnosed to be high-risk.

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

### **Building Height Restrictions**

3. **MISS CHAN YUEN-HAN** (in Cantonese): *Madam President, regarding the preservation of the ridgelines and the views of the Victoria Harbour, will the Government inform this Council:*

- (a) *when it will publish the results of the consultation conducted by the Planning Department (PlanD) a few months ago on the building height restrictions for coastal areas along the Victoria Harbour, and whether it will enforce, by way of legislation, the height limits resulting from the consultation; if not, the reasons for that;*
- (b) *whether the authorities conducted the consultation exercises on the building height restrictions for all the selected areas concurrently or set different consultation periods for individual selected areas; if the latter mode of consultation was adopted, of the reasons and justifications for that; and*
- (c) *for those lots the land leases of which did not include any building height restrictions, whether the authorities have taken remedial measures to restrict the height of buildings which are being and will be built on such lots, so as to avoid such buildings damaging the ridgelines in the vicinity; if they have, of the details; if not, the reasons for that?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, the following is my reply to the three parts of the question:

- (a) Miss CHAN Yuen-han asked about the PlanD's consultation conducted a few months ago. I understand that this should refer to the public consultation on the building height restrictions for the Kwun Tong and Kowloon Bay business areas conducted between May and July this year for the purpose of implementing the Urban Design Guidelines for Hong Kong. Temporary restrictions on building heights in the two areas were imposed at the same time. Majority of the public views received during the consultation period supported the incorporation of building height restrictions into the statutory outline zoning plans (OZP) in order to preserve the ridgelines and to enhance the appearance of the business areas. Results of the public consultation were reported to the Town Planning Board (TPB) on 12 November 2004. At that meeting, the TPB agreed to incorporate the proposed building height restrictions into the Kwun Tong (South) and Ngau Tau Kok and Kowloon Bay OZPs. The corresponding amendments to the OZPs and the results of the public consultation will be announced in early 2005.

In the course of consultation on the Study on Urban Design Guidelines for Hong Kong in 2000, we explored whether building height restrictions for the purpose of preserving the ridgelines and view of the Victoria Harbour should be enforced through legislation. At the time, most respondents agreed that a more direct and flexible way than the legislative approach was to incorporate building height restrictions into the statutory OZPs, as the public could participate in the process of preparing and amending the OZPs in accordance with the Town Planning Ordinance. The abovementioned Study was discussed at the meeting of the Legislative Council Panel on Planning, Lands and Works on 7 December 2001 and the approach of incorporating building height restrictions into OZPs was agreed.

- (b) On part (b) of the question, given the differences in respect of land area, history, geographical environment, economic development and special features of individual districts, the PlanD conducted consultation exercises on building height restrictions for selected individual areas. With a view to implementing the proposed building height restrictions in the Urban Design Guidelines for

Hong Kong, the PlanD has selected Kwun Tong and Kowloon Bay as a pilot scheme because these two districts are adjacent to the harbour-front and are transforming into areas mainly for business developments. Under such circumstances, the planning brief including building height restrictions will need to be updated to provide guidelines for the transformation of these two areas. As a next step, the PlanD will review the height restrictions laid down in the Kai Tak (South) and Kai Tak (North) OZPs.

- (c) On part (c) of the question, even if building height restrictions are not included in land leases, the proposed developments still have to comply with the relevant requirements stipulated in relevant OZPs and the Buildings Ordinance. The PlanD will regularly review the OZPs, with a view to deciding whether building height restrictions are needed.

Building height restrictions have been incorporated into 15 of the 21 OZPs along the harbour-front of the Victoria Harbour. The TPB has agreed that height controls should be included in the appropriate OZPs to preserve the ridgelines and the view of the Victoria Harbour. The PlanD has accorded priority to the Kwun Tong and Kowloon Bay business areas. The review of height controls under the Kai Tak (South) and Kai Tak (North) OZPs has commenced under the Kai Tak Planning Review.

**MISS CHAN YUEN-HAN** (in Cantonese): *Madam President, I have raised his question in the Legislative Council several times. When Kai Tak Airport was about to be removed, we were gravely concerned because building height restrictions were enforced before the relocation of the airport that the height of buildings should not rise above the flight path, therefore residents could view the beautiful ridgeline of the Lion Rock from a number of buildings in the vicinity. The Administration told us then that we should not worry about it. Madam President, I am going to raise my supplementary now. The Government makes me feel that it acts in a sedate way, I think it is still acceptable if no property project is underway. But now that the property market is blooming, I therefore have to query the Government how the target of a view corridor and a ventilation breezeway which is frequently mentioned by the Government can be achieved;*

*and how the wall effect can be avoided. Given that the Government acts so slowly but the property market is so thriving, developers are erecting one building after another, may I ask how the Government can stop them? That included the Sha Po Road development project near the old airport, and the issue of changing the plot ratio of Hopewell's Wan Chai hotel project. How would the Government enforce the restrictions?*

**PRESIDENT** (in Cantonese): Miss CHAN, you have asked a series of supplementaries, can you please make it simpler by asking one supplementary, so as to let the Secretary know how he should reply?

**MISS CHAN YUEN-HAN** (in Cantonese): *Madam President, I was in fact quite upset, that is why I am so enraged. Let me consolidate my supplementaries. Now that the Government acts in a sedate way, but property developers keep on making applications to the Application List for land auctions and constructing high-rise buildings, may I ask how the Secretary can restrict them from so doing, and how the Government can achieve the objective of a view corridor and ventilation breezeway?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, just as I have explained in the main reply earlier, we conducted two rounds of comprehensive public consultations in 2000 and 2001 on the Urban Design Guidelines for Hong Kong. Madam President, we always say that we have to gauge public views constantly, and it is inevitable that the process needs time to carry out. Our current practice is to incorporate building height restrictions into the statutory OZPs so as to make them part of the OZPs. Just now I have explained that building height restrictions have been incorporated into 15 of the 21 OZPs along the harbour-front of the Victoria Harbour. As to the remaining OZPs, we will incorporate building height restrictions into them according to their priority, but it is a quite lengthy process.

Madam President, I hope Members can understand that the terrain on Kowloon Peninsular is relatively flat where the ridges are at a distance from the harbour-front along the Victoria Harbour, for that reason, it is rather unrealistic to expect that one could see the ridges and ridgelines of Kowloon from Central,

because part of the ridgelines are already blocked by existing buildings. The proposal of view corridor and ventilation breezeway is proposed according to the current situation, we only hope that the situation will not deteriorate. The so-called ridgelines that one could see do not mean all of the ridgelines. Back then, we selected and decided through public consultations to retain several vantage points that most people agreed that would offer the most significant view on parts of the ridgelines. This is what we can do. Nevertheless, as to other parts, we have not prohibited the construction of high-rise buildings entirely. But we will apply the height restrictions in the OZPs appropriately as I have explained in the main reply. If the heights of the building concerned are compliant with the relevant height restrictions, then of course we will not stop any development project in the relevant vicinity.

**DR RAYMOND HO** (in Cantonese): *Madam President, besides the preservation of the ridges, the ridgelines can also help to preserve the views of the Lion Rock along the harbour-front. But if the Secretary considers that one could only see the ridgelines from the harbour-front of the Harbour, may I ask whether the Secretary will consider conducting the consultation in districts further away from the Harbour? There are adequate professionals working within the Government, why can we not wait until they have drawn up the ridgelines before a public consultation is conducted, instead of asking the public to tell the Government how the ridgelines should be preserved? Will it be a more practical way?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, we consulted a lot of people during the 2000 and 2001 public consultations, which included the professional bodies mentioned by Dr Raymond HO, and we have also convened several meetings in the Legislative Council for consultation purposes. Back then, everybody considered that they should be concentrated in districts which might attract more tourists (because the purpose of their visit was the landscape) and which would allow people to rally more conveniently, such as places people would choose to stay and watch the fireworks and so forth. This is exactly how we chose the seven vantage points, as we made the decision according to public views. In view of that, one should know that we have not worked behind closed doors. In fact, we conducted comprehensive public consultations and gauged public views before drawing up the standard.

**MR PATRICK LAU** (in Cantonese): *Madam President, after listening to the reply of the Secretary just now, I know that there are building height restrictions in a number of places, that is, buildings should not be built too tall and they must expand horizontally, thus they would become "fat" and "short", because the density remains the same. Subsequently, it will cause major problems in ventilation and air pollution that Miss CHAN Yuen-han feels concerned very much. May I ask the Secretary whether he will consider reviewing the current Buildings Ordinance? It is because the Ordinance allows a site to be completed within 50 ft, and this will block the ventilation of air. Moreover, the most important issue is whether a territory-wide review of the density of buildings will be conducted.*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, we should take all the points raised by Mr Patrick LAU into consideration. Nevertheless, just as I explained in the main reply, one of the critical considerations was how we could arrest the situation from further deterioration by imposing certain controls in some vital areas. It was therefore agreed that height restrictions be incorporated into the OZPs. As regards whether it will cause other problems, we have to strike a balance. For example, the current approach of imposing building height restrictions through OZPs will cause certain impact on the potentials of land development, because once the height of the buildings is restricted while the demand in residential blocks rises, new buildings can only be built in other places. This will have implications on the capacity of community services such as open space in other districts. For that reason, we have to strike a balance.

Mr Patrick LAU asked in particular whether we would consider impose the restriction through a review of the Buildings Ordinance. I consider that it is a long-term solution, but we will not amend the Ordinance now for that purpose alone. Members should remember that various issues under the Buildings Ordinance have not been completely dealt with in the previous term. We are currently working on those issues and hope to bring them up all together granting the opportunity.

**MR WONG KWOK-HING** (in Cantonese): *Madam President, may I ask the Secretary whether he can gauge the views of the Legislative Council about the vantage points once again, so as to allow Members know the setting of these*

*vantage points and whether they are reasonably set. As new Members of this term, we are eager to know the actual situation of the matter. I am concerned that the Government will conduct planning on the one hand while developers will erect columns of high-rise buildings swiftly which will ruin the existing views.*

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

Madam President, of course we understand that new Members do not quite understand some of the issues since they did not participate in the last round of consultation, for that reason, I agree that the relevant papers and information should be provided to Members for reference. As to whether we have to overrule all the decisions agreed previously, I think we should give this cautious consideration because we have made huge efforts in the areas that we have agreed upon. So if we hastily overrule those decisions, then it is quite likely that we cannot restart a number of tasks all over again. Of course, I agree we should explain the relevant information to Members. If necessary, we can explain to Members in the meetings of the panels concerned. Member may decide how to follow up after listening to our explanation.

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

#### **Importation of Chilled Pork from the Mainland**

4. **MR TOMMY CHEUNG** (in Cantonese): *Madam President, since 1 January 2002, the mainland authorities have lifted the export quota control over chilled meats for supply to Hong Kong, and have also abolished the restriction in relation to the granting of export business operating right and the sole agency system. However, I have learnt that so far no chilled pork has been allowed to be imported from the Mainland. In this connection, will the Government inform this Council of the reasons for that, and when chilled pork will be allowed to be imported from the Mainland?*

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

Madam President, since the export quota control over chilled meats for supply to Hong Kong was abolished in 2002, the Food and Environmental Hygiene

Department (FEHD) has engaged the mainland authorities in a step-by-step negotiation over detailed inspection and quarantine arrangements for various types of meat. Chilled chickens from the Mainland were first imported to Hong Kong at the end of 2002 and a comprehensive inspection and quarantine mechanism for chilled chicken imports has now been put in place.

Since April this year, the FEHD has also actively engaged the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) in the discussion about chilled pork imports to Hong Kong.

To obtain permission to supply chilled pork to Hong Kong, all chilled pork exporters (including the Mainland) must prove that their chilled pork meets the required hygiene standards by submitting the following information to the FEHD in advance and passing through the vetting procedures:

- (a) the legislation regulating hygiene standards of meat;
- (b) animal disease situation;
- (c) training, qualification and international recognition of veterinary officers and inspection and quarantine officers;
- (d) facilities (including storage and transportation) and hygiene standards of farms, slaughterhouses and processing plants;
- (e) production process of pork intended for export (including details of both ante-mortem and post-mortem inspection and quarantine procedures, and so on);
- (f) issuing authority and accreditation details of health certificates; and
- (g) monitoring and regulation of veterinary drug residues.

The FEHD visited four chilled pork processing plants and their associated farms in Shandong, Sichuan, Guangdong and Shenzhen respectively in May. The FEHD will continue to discuss with the AQSIQ about the inspection and quarantine requirements for chilled pork intended for Hong Kong and prepare the relevant documents before setting down detailed import arrangements and timetable.

**MR TOMMY CHEUNG** (in Cantonese): *Madam President, the Secretary mentioned a series of actions to lift restrictions on chilled pork imports from China. However, chilled meat from other countries has already been granted import permission. Besides, the Secretary has not answered many parts of my question. Madam President, is the Secretary aware of the progress of the negotiation between the Director of FEHD and the mainland authorities? Have the parties reached any consensus on items (a) to (g) listed in the Secretary's main reply? Having visited the farms and slaughterhouses in May, does the Administration consider it now a suitable time to import chilled pork? If not, what conditions are lacking?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): *Madam President, as far as I know, we have done the necessary homework to facilitate communication and understanding with the other party. Once the relevant documents and information are submitted to us by the suppliers, we would make arrangements for chilled pork to be supplied to Hong Kong as soon as possible.*

**MR TOMMY CHEUNG** (in Cantonese): *Madam President, can I take the Secretary's reply to mean that Hong Kong is ready to import chilled pork and it is only waiting for notification from the mainland authorities?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): *Madam President, as far as I know, we have put in place a mechanism. However, if a supplier wishes to import chilled pork, it has to provide us with the necessary documentation. Once our vetting procedures are completed, permission would be granted for chilled pork to be imported. I believe it can be done anytime.*

**MR JEFFREY LAM** (in Cantonese): *Madam President, may I ask the Secretary whether any timetable has been set down for importation of chilled pork? If not, the reasons for that?*

**PRESIDENT** (in Cantonese): Mr Jeffrey LAM, would you please take your seat before the Secretary replies.

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Madam President, I think no timetable has been set down for importation of chilled pork. However, as I said before, Hong Kong is ready to import chilled pork from the Mainland anytime.

**MR FRED LI** (in Cantonese): *Madam President, may I ask the Secretary whether he has considered the issue of chilled pork imports from the perspective of competition? At present, most of the chilled pork consumed by the people of Hong Kong is imported from Thailand. What are the reasons for the delay in granting permission to the Mainland where there is good chilled pork? According to the Secretary's reply, the FEHD had visited the farms in May, but permission had still not been granted for chilled pork to be imported after more than six months. Has the Secretary considered the issue from the perspective of competition so as to enable Hong Kong people who consume pork to benefit from competition?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Madam President, as far as I know, the Mainland began to pay attention to the supply of chicken in 2002 as a start and then pork. As the quarantine procedures for chilled pork only began this year, the question of competition has not arisen in terms of timing. Certainly, we believe that in the long term, suppliers will decide on the origin of pork imports in the light of the cheapest or best price available. Our main responsibility is to facilitate pork imports into Hong Kong from suppliers of all origins after the standard quarantine procedures have been completed.

**MR WONG YUNG-KAN** (in Cantonese): *Madam President, I would like to ask the Secretary about the continuous problem of drug residues found in chilled pork imported from Thailand since 1999. The Administration has not set down any timetable for pork imports from the Mainland, but if pork is to be imported, what measures will the Government take to ensure that pork imported from the Mainland is safe for consumption by the people of Hong Kong? Can we simply*

*rely on documentation issued by China to show that a few standards have been met? Is there anything the Hong Kong Government can do?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Madam President, I think we will tackle the issue not only from the point of shipment or place of manufacture of the pork. But after their arrival in Hong Kong, we would also carry out checks at different places to ensure that the pork imports at various points meet certain standards.

**MR HOWARD YOUNG** (in Cantonese): *Madam President, I do not understand one point. Although chilled chicken and chilled pork share the same place of origin — the Mainland, it seems that it is easier for chilled chicken to be imported than chilled pork. Is the difference in progress caused by any particular difficulties in technology or health?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Insofar as I understand it, it is not a problem of health or technology.

**MR LAU KONG-WAH** (in Cantonese): *Madam President, the Secretary indicated that the FEHD had visited Shandong, Sichuan, Guangdong and Shenzhen. Probably these places are preparing to export chilled pork to Hong Kong. May I ask the Secretary whether the FEHD staff will still undertake to visit and check on each and every processing plant if these plants should increase in number and operate in more remote locations? If not, how can the quality of pork from remote locations be guaranteed?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): We would consider the issue from many perspectives, for there are designated units in mainland China to supply pork for exports. We would certainly make our decision taking into consideration the locations of supply, check related documents and send staff members to carry out visits and checks where necessary to ensure that their standards meet our requirements. Certainly, these will depend on the number of units involved and the quantity of chilled pork to be supplied to us.

**MR LAU KONG-WAH** (in Cantonese): *The Secretary has not answered whether he will make an undertaking to visit and check each and every place in the future.*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Madam President, we can guarantee that a certain standard will be maintained, but right now, I cannot answer whether visits and checks will be conducted in person.

**MR TOMMY CHEUNG** (in Cantonese): *Madam President, may I ask the Secretary whether he thinks that the long delay in granting permission for chilled pork imports is caused by the lack of initiative on the part of the Department? As the Bureau Director, does he feel that he should step up his efforts in enabling chilled pork from the Mainland to be imported into Hong Kong as soon as possible?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): I can assure Mr Tommy CHEUNG that I have had many discussions with the Director of the Department and I hope he can make arrangements for chilled pork to be imported as soon as possible.

**DR KWOK KA-KI** (in Cantonese): *Madam President, the Secretary indicated in his main reply seven standards for consideration in granting chilled pork import permission. May I know which one or two are the more important standards that suppliers have failed to meet resulting in the failure to gain chilled pork import permission? What can the Government of the Special Administrative Region do to help and resolve the problem?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Madam President, I think the present problem is not related to any one of the seven standards.

**MR LAU KONG-WAH** (in Cantonese): *Madam President, may I ask whether it will really be the first time for the Mainland to export chilled pork? Was there*

*been any export to other countries in the past? Are we using the same vetting standards used by other countries to which exports have been made? If so, why is it so difficult for chilled pork to be imported into Hong Kong?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): As far as I know, the Mainland has its own export standards and we have adopted international standards in determining the standards for Hong Kong. Therefore, when we communicated with the Mainland, we asked them to comply with our standards. The standards we have set down are equally applicable to other countries which supply chilled pork to Hong Kong. For example, Thailand which we mentioned earlier, Denmark and others. Our main objective is to ensure that the chilled pork shipped to Hong Kong meets our hygiene standards.

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

### **Air Pollution**

5. **MR JAMES TIEN** (in Cantonese): *Madam President, as air pollution continues to worsen in Hong Kong, will the Government inform this Council whether:*

- (a) it has assessed the losses to the local economy caused by air pollution; if so, of the outcome of the assessment;*
- (b) it has offered any assistance to the Guangdong authorities in reducing the emissions; if so, of the details of such assistance; and*
- (c) it will discuss with the Guangdong authorities enhanced efforts to reduce emissions in Guangdong, so that the emission reduction targets for 2010 can be achieved at an earlier date?*

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

- (a) According to a study commissioned by the Environmental Protection Department (EPD) and conducted by the University of Hong Kong and The Chinese University of Hong Kong in 2002, using the air quality and population data for 2000, economic losses (including consultation and hospitalization fees and productivity loss incurred) caused by respiratory and cardiovascular diseases possibly related to air pollution may total \$1.7 billion each year.

Economic burdens and losses attributable to air pollution are often indirect, long-term and inconspicuous. However, expenditure on air quality improvement, such as switching to liquefied petroleum gas (LPG) taxis and reducing power plant emissions, is both direct and immediate. In addition, changes in the economy are determined by a multitude of factors. For example, while the deterioration of air quality and the smog problem in the whole Pearl River Delta (PRD) Region became noticeable since late 1990s, the number of regional headquarters and regional offices established by foreign enterprises in Hong Kong increased from 816 to 1 098 and from 1 491 to 2 511 respectively between 1999 and 2004. It is however impossible to collect statistical data or confirm whether there have been investors who are turned away by the air pollution problem.

- (b) Improving the air quality of the whole PRD Region is the common aspiration of Guangdong and Hong Kong and the two Governments are working in co-operation to reduce regional emissions on the basis of equality and mutual respect.

Since air pollution control started earlier in Hong Kong, we are often able to share our experience with the mainland authorities responsible for environmental protection in our co-operation. Apart from putting forward our views and providing information for their reference, we also assist in the training of environmental protection staff in the Mainland through exchanges and visits.

For instance, on the establishment of a regional air quality monitoring network, the EPD of Hong Kong and the environment monitoring authorities of Guangdong Province have conducted many exchanges, including site selection for monitoring stations,

compilation of the operation manual, quality control manual and data management and user manual for the monitoring network and acceptance tests for monitoring stations. In addition, the environmental protection authorities of the two places are jointly compiling an emission inventory of air pollutants and a manual on the compilation of such inventories so that the two places can adopt a common approach in assessing the quantities of emissions and the progress of emission reduction efforts annually. Experience-sharing workshops on the compilation of such inventories have also been organized.

Guangdong and Hong Kong have also run workshops on controlling air pollution caused by motor vehicles to allow provincial and municipal authorities in the PRD and relevant authorities in Hong Kong to share experience with a view to further enhancing the measures to reduce motor vehicle emissions in the region. Technical officers from the Guangdong Environment Monitoring Centre have come to the EPD of Hong Kong for three weeks under an exchange programme to gain practical experience. On the other hand, our officers have conducted site visits jointly with their Guangdong counterparts to inspect the progress of emission reduction and the installation of desulphurization facilities at nine power plants in Guangdong Province.

Our Bureau will continue to do its best to enhance, both in depth and in scope, the co-operation between Hong Kong and Guangdong Province on technical and policy exchanges in respect of air quality improvement.

- (c) In April 2002, Guangdong and Hong Kong reached a consensus on emission reduction with a view to improving the air quality of the whole region. To ensure that the measures taken by both sides can achieve the ultimate objective of improving regional air quality, the two Governments are setting up a regional air quality monitoring network which will come into operation next year. Based on the data collected by the monitoring network and the results of other detailed analyses, the two places will review annually the progress of the Pearl River Delta Regional Air Quality Management Plan and

consider whether it is necessary and practicable to introduce additional emission reduction measures or shorten the emission reduction timetable.

**MR JAMES TIEN** (in Cantonese): *Madam President, the Government has stated that 85% of the polluted air in Hong Kong now comes from the wind blown from the Mainland while only 15% is produced by Hong Kong people themselves. So I am most concerned about the co-operation between Hong Kong and Guangdong Province. With respect to part (b) of my main question, the Government replied that many manuals have been compiled and a lot of work has been done. On this idea of "the two places can adopt a common approach", may I know if that means the Hong Kong Government had noticed the problem some time ago and it was only after talking to the Guangdong authorities that they adopted a common approach — that is our approach and our standards and it is on the basis of this common approach which recognizes these standards — that efforts are being made in this direction to achieve the objectives and it is not that they have some other lower standards?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Cantonese): Madam President, with respect to this common approach, apart from the means to control air pollution, there are also some other very technical issues, and the manual on the emission inventory of air pollutants is one of them. As there are international codes of practice regarding emission inventories, these will enable comparisons to be made between countries and regions. An emission inventory is much more than giving us a set of figures and the emission rate can be determined only after taking into account evidence from three aspects. We have a common understanding on that, and that is, to abide by codes of practice which are on par with international standards. As to other approaches to control pollution, we cannot use the same standards throughout as emission reduction measures and monitoring frequency practised on the Mainland may be different from ours.

**PRESIDENT** (in Cantonese): There are altogether eight Members waiting for their turn to ask supplementary questions, so would Members be as concise as possible.

**MS MIRIAM LAU** (in Cantonese): *Madam President, with respect to emission reduction in motor vehicles, a lot of work has been done in Hong Kong, including the use of ultra low sulphur diesel, requiring vehicles of the initial Euro stages to install catalytic converters, particulate collectors or filters, the use of LPG in taxis, minibuses, and so on. These are obvious achievements. Part (b) of the main question mentioned the exchanges and workshops undertaken by Guangdong and Hong Kong on the prevention and control of air pollution caused by motor vehicles. May I know whether or not the experience of Hong Kong has been shared, if so, why is it that we cannot see the Mainland adopt or about to adopt those effective measures which have been adopted in Hong Kong?*

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

(in Cantonese): Madam President, when we have exchanges with the mainland authorities, the topic of emissions from motor vehicles is of course an important subject and we have shared with them our experience in this regard. However, they have a very different consideration, and that is, on the distribution of energy resources. There is an energy policy on the Mainland. For example, there is a finite amount of coal and petroleum with a low sulphur content and they will be distributed to the major cities like Beijing, Shanghai, Guangzhou, and so on. This type of energy resources will be allocated according to the annual production. So very often they may not be able to meet our requirements because for us our energy resources are imported and we can buy the kinds of fuels we want at a particular price. But on the Mainland, though they are aware of our approach and they would very much want to use these measures to reduce emissions, they may not have such a policy for the time being. Having said that, with respect to imposing stringent emission standards on motor vehicles, they have raised the standards on the quality of fuels. Their objective is to enforce standards equivalent to Euro III by 2006. With respect to fuels, this has not yet met our standards for ultra low sulphur fuels. This is due to the fact that the production of this kind of fuels is limited on the Mainland and supplies may not be enough.

Besides, the design of their motor vehicles does not meet our standards. It was only in July this year that they started to produce Euro II motor vehicles and these vehicles can only be used in January next year. What we can do is to urge them to speed up the process, but they have their own production lines and these are in turn linked to industrial policies. Our long-term plan is to urge them to speed up this process in their industrial policies to enable the country's

supply of motor vehicles to meet Euro III standards and to be complemented by the right kind of fuels. However, this has not become a reality yet.

**MR MARTIN LEE** (in Cantonese): *Madam President, can the Secretary advise this Council whether or not the progress in co-operation with Guangdong Province on the reduction of emissions during the past five years has been too slow and whether or not this is related to the difference in control standards and law enforcement in the two places which has prevented the plan from becoming successful early?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Cantonese): Madam President, I must admit that I do not have as much experience as five years of service in the Government. However, in other areas, that is, in my previous position, I have worked closely with Guangdong Province. I can say that, from the perspective of economic development, they are of course very much behind Hong Kong and so their requirements in environmental protection are also lower than ours. Though the environmental protection laws laid down by the State Environmental Protection Administration are very stringent and in some cases they are even more stringent than ours, the pace they would enforce these laws is not in strict accordance with those laws. The laws are enforced in each locality taking into consideration their viability and the level of economic development of the place concerned.

In addition, in Guangdong Province, though its economic development can be said to be on the high side in the whole of China, its development in some areas may be too fast and in many cases environmental protection facilities lag behind the pace of economic development. They think that the economy should be developed first before the environment is to be protected and that with money everything is possible. I would think this is a problem with their mentality. For us we will certainly think that past mistakes must not be repeated. Western countries have had the painful experience of developing the economy first and tackling the environment later. So we have always told them that they should include environmental protection in their development projects from the very beginning. Speaking from my own experience, the awareness of environmental protection in Guangdong now has been enhanced and we find the governments at provincial, municipal and county levels all attach importance to protecting the environment. This is especially seen in some of the industrial cities there. In

these cities, though they are making a lot of money and their economic conditions have been greatly improved, there has been deterioration in other areas such as the quality of life, air quality and water quality. I have a feeling, though that is not backed up by any data, that they are now taking a much more positive approach in this regard and they have devised some very concrete plans. However, it remains uncertain whether or not these plans can be completed and that their operation can sustain.

**MS AUDREY EU** (in Cantonese): *Madam President, when giving a reply to a question raised by Mr Martin LEE earlier, the Secretary said that she was aware that the mainland people were taking a much more positive approach to environmental protection and they had devised many concrete plans. Part (c) of the main reply mentioned that a review would be made annually. Since this agreement was reached in April 2002 and if a review is conducted annually, at least two reviews should have been conducted to date. As the Secretary said in her reply to a question raised by Mr Martin LEE earlier that the mainland people had become more positive and they had many concrete plans in place, may I ask the Secretary whether or not at least two reviews have been conducted since April 2002? If so, when were the reviews conducted? With respect to the present timetable and the objectives to be reached, are we going to hear any good news from the findings of these reviews?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Cantonese): Madam President, in 2004 we conducted a review. As a matter of fact, we have done an overall stock-taking, that is, counting the tasks we have completed, for the purpose of mapping out our direction for the coming year. We find that the outlook in a few areas is promising. These include the emission standards that I have mentioned. These standards are what we have been striving to achieve for a long time and what Guangzhou Municipality has been doing the same as well. So Ms EU may find this promising. Starting from July 2005, the Mainland will require all vehicles sold and registered to comply with the Euro II emission standards. Members may think that Euro II standards are very low, for obviously we have reached Euro IV standards already. But what they have done is to jump from the pre-Euro standards to Euro II standards and they have been successful in skipping Euro I standards and they have jumped from pre-Euro standards to Euro II standards. As for the amount of sulphur in the emissions of their motor vehicles, we have noticed in

the review that this has dropped from 0.5 to 0.2 since the end of 2002. Such a level is of course not as low as ours but our next goal is that they should reduce the sulphur content to 0.05. I have also explained just now that in terms of energy resources, they can only reduce the sulphur content in diesel gradually.

With respect to the overall transport and traffic policy, we would want very much to make Members see the point that speaking from the standards of many countries or developing countries, for every person to own a small saloon is an indicator of a moderately affluent society, but we are also promoting our public transport policy to them. It is because this will help reduce their use of motor vehicles. We know that there are presently 2.5 million motor vehicles in Guangdong Province and that is five times higher than the number in Hong Kong. Though they have a larger area than Hong Kong, as many as 1.7 million motor vehicles are found in Guangzhou Municipality alone. Their urban rail and light rail systems have been approved by the national authorities and these systems are what they have been lacking for a long time. But as a result of the macro-regulation measures, all these large-scale infrastructure projects have yet to obtain the final approval of the State Council. An exception is the light rail system in Guangdong Province which has been given the green light. This is really a giant step forward in transport.

Recently, we have imposed restrictions on the content of volatile organic compounds in products and we have made the same request to them at once for we are convinced that such compounds are a major cause of haze. They have phased out the use of xylene as a solvent for paints and it is now strictly prohibited. Only some substitutes can be used. In their five-year plan they will have four power plants fuelled by natural gas by 2006. This is something they plan to do in the long run and though this is not yet a reality, this is a goal and we are expecting them to put this plan into practice.

This year, that is, in end 2004, we notice that four power plants in Shenzhen, units 5 and 6, that is, plant A and unit 5 in the Shajiao Power Plant in Dongguang and the power plant in Taishan, have installed desulphurization facilities. Our colleagues will visit and inspect these places and it is reported that they have been completed. There are also other measures that will be done in future. Our goal is to monitor how they will proceed with emission reduction in 2005, 2006 and 2007 and our study groups will make the inspections when each stage is completed.

**MS AUDREY EU** (in Cantonese): *Madam President, the Secretary has not replied my supplementary question. My supplementary question is actually about the annual reviews. I have asked about the period from April 2002 to the present. The Secretary in her reply seemed to have mentioned that a review had been made in 2004. Then there is only one review from April 2002 to the present. Madam President, could the Secretary inform us at what month of the year in 2004 was the review conducted so that we can know when we can ask the Secretary again about the next review? If a review is conducted annually, I would want to know at which month it will be conducted.*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Cantonese): *Madam President, as a matter of fact we do conduct a review every year, but what I will be doing is to read the overall report. We will usually review in the second or the third quarter every year, but the actual timing is determined by many other aspects. Each time when we conduct the study tours we will want to get more jobs done and we will formulate plans for the next year. I know Ms EU would like us to disclose the details of these plans. We are seeking the consent of the Guangdong authorities for that matter and with their consent the information can be made public.*

**PRESIDENT** (in Cantonese): *Although we have spent 21 minutes on this question, as only three Members have asked supplementary questions, I will allow two more Members to ask their supplementary questions.*

**MR ALBERT CHENG** (in Cantonese): *Madam President, I believe we all have no doubts about the sincerity of the Secretary in tackling environmental protection problems in Hong Kong. She should be commended in particular for making her stand known yesterday on the environmental protection issues related to the demolition of the Hunghom Peninsular. However, when we are to address the pollution problem in Guangdong Province which is close to us, we should think again whether or not our Government has been acting as a role model, that it has spearheaded the efforts and become an example to which we can look up to. Take as an example the fleet of government vehicles, which is within the jurisdiction of the Secretary herself. Has the Secretary ever thought about using LPG in government vehicles? There are many vehicles in the government fleet, and the one used by the Secretary, as far as I know is about 10*

*years old and in terms of fuel consumption, all these vehicles are fuel thirsty and they are not environmentally friendly. Are there any plans to replace the fleet? When replacing the fleet, including the President's car, will environmental protection considerations be taken into account? (Laughter)*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**  
(in Cantonese): Madam President, that includes your car.

Madam President, I am very glad that Mr CHENG has raised this supplementary question. I made a request to replace government vehicles when I first assumed office but the funding to replace government vehicles would have to be decided by Mr Frederick MA, Secretary for Financial Services and the Treasury. Actually, if cars can still be used, replacing them would be a waste. Members can see that Ms Emily LAU is nodding her head in approval. I do not think that she would give her consent if we want to replace all government vehicles in one go. I would very much want to replace these cars with those using LPG or those hybrid cars, for so doing will certainly reduce a lot of pollution. Mr Martin LEE also makes signs to suggest that we should use bicycles. *(Laughter)* I know how to ride a bicycle. But given the terrains in Hong Kong, it would be difficult to ride a bicycle, that is, when we want to go uphill. But that could be a direction which we may aim at when we are to replace our cars next time. Now we have tested some hybrid cars and not only can these reduce fuels but they can also cut remissions, not just exhausts like nitrogen oxide, and so on, but carbon dioxide, that is, CO<sub>2</sub>, which will have an impact on global changes in climate. As a matter of fact, all people who drive cars with large horsepower engines should think about this.

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

**MISS CHOY SO-YUK** (in Cantonese): *Madam President, with respect to air quality control, the Secretary has said before that the Government is prepared to introduce hi-tech measures like the use of remote sensing, satellite pictures, and so on, to monitor air pollution so as to track down sources of pollution. May I ask the Secretary what the actual timetable is with respect to implementing these measures and whether or not the Mainland will join such monitoring efforts and what the specific moves to be taken are?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Cantonese): Madam President, we have begun working with The Hong Kong University of Science and Technology on this. They are using satellite pictures to gauge the situation of air pollution in the region. The EPD is looking for other means such as remote control to explore into the causes of air pollution and its combinations. However, the only means adopted so far are satellite pictures.

**PRESIDENT** (in Cantonese): Has your supplementary question not been answered?

**MISS CHOY SO-YUK** (in Cantonese): *No, Madam President. The Secretary has not answered the part of my question on whether or not the Mainland will take part and what the timetable is roughly.*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Cantonese): Madam President, there is no mainland institution involved in this for the time being. It seems that Guangdong Province is not an expert on this, but we will look into that.

**PRESIDENT** (in Cantonese): Oral questions end here.

## **WRITTEN ANSWERS TO QUESTIONS**

### **Review of Function and Composition of District Councils**

6. **MR LAU WONG-FAT** (in Chinese): *Madam President, the Chief Executive indicated in the 2004 policy address that the Government would review the function and composition of District Councils (DCs) at a suitable time. It is the hope of DC members that the Government will conduct the review as soon as possible to further strengthen the role of DCs in district affairs. In this connection, will the Government inform this Council of:*

- (a) *the time for commencement of the review by the Administration, as well as the anticipated timetable of the review exercise;*
- (b) *the scope of the review; and*
- (c) *the ways to consult the public on the review?*

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in Chinese): Madam President, our reply to the Honourable LAU Wong-fat's question is as follows:

- (a) The Chief Executive indicated in the 2004 policy address that the Government would review the function and composition of DCs at a suitable time. The Government is currently concentrating on the work relating to the amendments to the methods for electing the Chief Executive and the Legislative Council in 2007-08. When work on that front has reached a more mature stage, the Government will proceed with conducting the review on DCs. In the meantime, the Constitutional Affairs Bureau will continue to work closely with the Home Affairs Bureau and other relevant bureaux and departments to make suitable preparations for the review. Our current plan is that we hope to discuss with the Legislative Council Panel on Constitutional Affairs in October 2005 issues relating to the review. We will announce further details of our work plan when these have been established.
- (b) The review will cover the roles, functions and composition of DCs, and other relevant issues. In conducting the review, we will have regard to the relevant legal provisions, the original rationale for introducing the district administration scheme, the recommendations put forth by the Government in the Report of the Working Group on District Councils Review published in 2001, and the experience of the operation of the second term DCs since January 2004.
- (c) During the review, we will issue a consultation document and listen to the views of different parties, including the Legislative Council, DCs and the public. Detailed arrangements for the public consultation will be announced after these have been drawn up.

## **Discussions Between Hong Kong and the Mainland on the Transfer of Sentenced Persons**

7. **MR LEUNG YIU-CHUNG** (in Chinese): *Madam President, regarding the discussions between the mainland authorities and the Government of the Hong Kong Special Administrative Region on the arrangements for the transfer of sentenced persons, will the Government inform this Council of:*

- (a) the total number of meetings held between the authorities and the mainland authorities so far, and the total number of correspondence and documents exchanged;*
- (b) the progress of the discussions between the authorities and the mainland authorities on the transfer of sentenced persons;*
- (c) the rank of the highest ranking mainland officials currently in charge of such discussions; and*
- (d) the specific reasons for still not being able to reach an agreement with the mainland authorities, and the expected timing for reaching such an agreement?*

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in the absence of Secretary for Security) (in Chinese): Madam President, we have had various exchanges with the mainland authorities on arrangements for the transfer of sentenced persons between the two places. These included two meetings with mainland experts. The mainland officials involved in these discussions included representatives from the Hong Kong and Macao Affairs Office (HKMAO), the Ministry of Justice and the Ministry of Public Security.

Discussions have included the main principles and provisions enshrined in the Transfer of Sentenced Persons Ordinance (Cap. 513), and the agreements on the transfer of sentenced persons that we have signed with other jurisdictions, such as the conditions for transfer, procedures for transfer, retention of jurisdiction and continued enforcement of sentence. Because of differences in the legal and judicial systems of the two places and the complexity of the issues involved, the discussions have not yet been completed.

Most recently, the subject was raised at a meeting between the Secretary for Security and HKMAO officials in Beijing on 24 November 2004. The meeting agreed that discussions should continue. We aim to reach an agreement as soon as possible, but do not have a firm timetable.

### **Traffic Accidents**

8. **MR WONG KWOK-HING** (in Chinese): *Madam President, will the Government inform this Council:*

- (a) *of the number of traffic accidents in Hong Kong and the resultant casualties in each of the past three years and, among them, the respective numbers of accidents and casualties resulting from drivers' careless braking in areas adjacent to the traffic light junctions and those from red light jumping, together with a breakdown by the type of vehicle involved, such as light, medium and heavy goods vehicles, public bus, public light bus, tram, light rail vehicle, and so on; and*
- (b) *whether the Transport Department will publish on the Department's homepage statistics on traffic accidents, broken down by the cause and the type of vehicle involved, on a regular basis; if not, the reasons for that?*

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

(in Chinese): Madam President, the number of traffic accidents in Hong Kong and the resultant casualties in each of the past three years is at Appendix A. The numbers of accidents and casualties resulting from drivers' braking carelessly in areas adjacent to traffic light junctions and red light jumping are at Appendices B and C respectively.

The Transport Department regularly publishes on its homepage statistics on traffic accidents, broken down by their causes and the types of vehicle involved.

## Appendix A

## Number of Traffic Accidents

<i>Types of Vehicles</i>	<i>2002</i>	<i>2003</i>	<i>2004 (January to October)</i>
Light Goods Vehicle	2 794	2 435	2 090
Medium/Heavy Goods Vehicle	1 062	945	824
Public Bus	2 262	2 120	1 838
Public Light Bus	1 048	958	904
Tram	73	90	73
Light Rail Vehicle	27	21	14
All Vehicle Types	15 576	14 436	12 403

## Casualties Involved

<i>Types of Vehicles</i>	<i>2002</i>	<i>2003</i>	<i>2004 (January to October)</i>
Light Goods Vehicle	4 001	3 347	2 949
Medium/Heavy Goods Vehicle	1 703	1 410	1 385
Public Bus	3 489	3 052	2 794
Public Light Bus	1 760	1 516	1 508
Tram	106	141	114
Light Rail Vehicle	33	25	15
All Vehicle Types	20 600	18 310	16 049

Note: More than one type of vehicles may be involved in one single traffic accident.

## Appendix B

Number of Accidents Resulting from Careless Braking  
in Areas Adjacent to Traffic Light Junctions

<i>Types of Vehicles</i>	<i>2002</i>	<i>2003</i>	<i>2004 (January to October)</i>
Light Goods Vehicle	2	3	2
Medium/Heavy Goods Vehicle	1	0	1
Public Bus	31	30	33
Public Light Bus	4	4	7
Tram	2	0	0
Light Rail Vehicle	0	0	0
All Vehicle Types	58	65	69

Number of Casualties Resulting from Careless Braking  
in Areas Adjacent to Traffic Light Junctions

<i>Types of Vehicles</i>	<i>2002</i>	<i>2003</i>	<i>2004 (January to October)</i>
Light Goods Vehicle	2	5	2
Medium/Heavy Goods Vehicle	0	0	1
Public Bus	34	35	44
Public Light Bus	5	4	10
Tram	2	1	0
Light Rail Vehicle	0	0	0
All Vehicle Types	64	76	87

Note: More than one type of vehicles may be involved in one single traffic accident.

Appendix C

Number of Accidents Resulting from Red Light Jumping

<i>Types of Vehicles</i>	<i>2002</i>	<i>2003</i>	<i>2004 (January to October)</i>
Light Goods Vehicle	42	21	29
Medium/Heavy Goods Vehicle	7	6	7
Public Bus	9	3	10
Public Light Bus	15	18	21
Tram	2	1	1
Light Rail Vehicle	0	0	0
All Vehicle Types	238	241	193

Number of Casualties Resulting from Red Light Jumping

<i>Types of Vehicles</i>	<i>2002</i>	<i>2003</i>	<i>2004 (January to October)</i>
Light Goods Vehicle	72	33	60
Medium/Heavy Goods Vehicle	17	12	8
Public Bus	21	5	37
Public Light Bus	43	31	59
Tram	6	1	27
Light Rail Vehicle	0	0	0
All Vehicle Types	430	397	432

Note: More than one type of vehicles may be involved in one single traffic accident.

**Booking of LCSD Holiday Camps by Travel Agents**

9. **MR JASPER TSANG** (in Chinese): *Madam President, it has been reported that in the middle of last month, some travel agents accommodated mainland tour groups in the holiday camps managed by the Leisure and Cultural Services Department (LCSD). In this connection, will the Government inform this Council:*

- (a) *of the details of the incidents, including the names in which the travel agents booked the holiday camps, and whether the staff of the camps realized that the group members were tourists when handling the check-in procedure for the tour groups;*
- (b) *whether it is a violation of the law or stipulations concerned to rent holiday camps managed by the LCSD for commercial or profit-making purposes, and of the measures to be put in place to curb such practice; and*
- (c) *whether foreigners are allowed to stay in the LCSD's holiday camps; if so, whether it will consider accepting direct bookings by foreigners and charging local residents and foreigners on a graded scale?*

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

- (a) On the afternoon of 11 November 2004, the Lady MacLehose Holiday Village (the Holiday Village) managed by the LCSD received a telephone enquiry from a man who wished to make a booking for camp places for himself and 50 friends at the Holiday Village for the night. There were then still 66 vacant camp places out of a total of 280 that night. Since the applicant paid the fees in the name of an organization and the Holiday Village had never been used by an organization for accommodating tour groups, the staff of the Holiday Village followed the normal booking procedures and arranged residential places for the applicant. On that evening, two groups of mainland tourists (52 persons in total), led by the

applicant, arrived by coach. It was only then that the staff realized the prospective residential campers were tour group members. Taking into account the fact that the tour groups had already arrived and that the Holiday Village was quite distant from the urban area, the staff of the Holiday Village had no alternative but to arrange check-ins for them so as to help solve their problem of finding accommodation for the night. The following morning, all members of the tour groups left the Holiday Village.

- (b) The operation of the LCSD's holiday camps is governed by the Pleasure Grounds Regulation enacted under the Public Health and Municipal Services Ordinance (Cap. 132). The main objective of holiday camps is to provide leisure facilities and activities for campers while the accommodation offered is an ancillary service. Since the camps only have basic facilities, they are not suitable for use as commercial accommodation. Anyone who books places in holiday camps for use as commercial accommodation to make a profit by furnishing false information may commit a deception offence. The arrangement by the travel agent for mainland tourists to put up at the Holiday Village is only an isolated case. To prevent similar occurrences, the LCSD will thoroughly examine all group bookings for places in holiday camps and has since specified on the booking forms that the holiday camps cannot be used by travel agents for commercial purposes. According to the guidelines issued to travel agents by the Travel Industry Council of Hong Kong, travel agents must arrange licensed hotel accommodation for all of their inbound tour groups and must have confirmed the availability of hotel accommodation for inbound tour groups before receiving them in Hong Kong.
- (c) Any person who has reached the age of 18 and holds a valid identity document, no matter whether he or she is a resident of Hong Kong, or from the Mainland or a foreign country, can book places in holiday camps managed by the LCSD in a personal capacity. We have no plan, for the time being, to introduce a graded charge scale for locals and non-local people.

**Oil Shortage**

10. **MR ABRAHAM SHEK:** *Madam President, the price of oil has exceeded US\$50 a barrel recently. The market expects that it may rise further, and is concerned that it will lead to an energy crisis. When the oil crisis occurred in 1973 and 74, the Government set up two committees to help Hong Kong meet the threat of an oil shortage, namely the Oil Policy Committee which oversaw the general strategy towards oil supplies and considered broadly any necessary controls over consumption, and the Oil Distribution Committee which proposed priorities and worked out detailed plans for economizing on oil consumption and for ensuring that priorities were met. In this connection, will the Government inform this Council:*

- (a) of its latest estimation of the impact of the record-high oil prices on local economic growth and inflation respectively; and*
- (b) whether it will consider setting up such committees this time?*

**SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR:**  
Madam President,

- (a) As the Hong Kong economy is service-oriented and does not rely heavily on oil (with fuel cost accounting for less than 5% of non-labour business cost), the direct impact of high oil prices on Hong Kong's economy should be relatively small. Nevertheless, depending on their consumption level, the impact of rising oil prices would vary amongst different sectors of the economy, with more significant impact on those sectors which are larger oil consumers, such as the aviation, transport, fisheries, restaurant and construction industries.

The surge in oil prices will affect external trade which has more significant impact on the Hong Kong economy. This is because high oil prices would curtail the economic growth of our trading partners, and the cut-back in income from external trade would affect spending and investment in Hong Kong. However, as the impact of the recent oil price hike on global output is less than that in the 1970s, its indirect impact on the Hong Kong economy should

be milder. The Government Economist estimates that a persistent increase in oil prices by US\$10/barrel for one year will reduce Hong Kong's Gross Domestic Product growth by 0.6%.

The price hike would push up production costs, and if passed onto consumers, would lead to higher prices for consumer products. Nevertheless, the overall impact on consumer prices is not expected to be significant, as the Hong Kong economy is not heavily dependent on oil. The Government Economist estimates that a persistent increase in oil prices by US\$10/barrel for one year would increase the Composite Consumer Price Index by 0.2%.

- (b) At present, the Government does not see the need to set up any committee on oil supply, distribution and consumption in Hong Kong. Hong Kong's reliance on oil at present is much less than that in the 1970s. For example in the case of energy supply, a diversity of fuels, such as coal, nuclear power and natural gas, is used for electricity generation.

After the oil crisis in the 1970s, the Government has put in place legislative and administrative arrangements to deal with any oil supply disruption in Hong Kong. These include:

- (i) enactment of the Oil (Conservation and Control) Ordinance (Cap. 264) in 1979. Under the Ordinance, the Director of Oil Supplies, that is, the Director of Electrical and Mechanical Services (the Director), is empowered, in the event of an oil supply emergency, to regulate or prohibit the storage, supply, acquisition, disposal or consumption of oil;
- (ii) formulation of a contingency plan which will enable the Director to co-ordinate and enforce the conservation measures in the Ordinance in both the public and private sectors in the event of an oil supply disruption; and
- (iii) conclusion of a voluntary code of practice between the Director and the oil companies and Towngas in 1982, whereby the oil companies and Towngas are required to maintain strategic reserves of gas oil (that is, ultra low

sulphur diesel and industrial diesel oil) and naphtha in Hong Kong respectively, in an amount equivalent to 30 days of retained imports during the previous calendar year. In this connection, the oil companies and Towngas file weekly reports on the stock levels of gas oil and naphtha respectively to the Director.

We will continue to monitor closely the oil supply situation in Hong Kong to ensure that the public will have reliable and sufficient energy supplies.

### **Retrofitting Tsing Tsuen Bridge with Noise Barriers**

11. **MRS SELINA CHOW** (in Chinese): *Madam President, it is learnt that the Environmental Protection Department tentatively confirmed in 2000 that 29 out of the 655 "noisy roads" in Hong Kong, including the Tsing Tsuen Bridge in Kwai Tsing District, would be the first batch of roads to be retrofitted with noise shielding facilities. In the same year, the Executive Council endorsed the retrofitting of noise shielding facilities on these roads at a cost of \$2.3 billion spreading over a 10-year period. According to the information paper provided by the Government for the joint meeting of the Panel on Environmental Affairs, the Panel on Transport and the Panel on Planning, Lands and Works of this Council on 15 January 2002, the Government planned to commence works on retrofitting the Tsing Tsuen Bridge with noise barriers in April 2002, and the project was expected to be completed in December 2007. However, the Progress Report on the Works Programme in Kwai Tsing District as at the end of June this year indicated that the Government was reviewing the commencement and completion dates of the project. In this connection, will the Government inform this Council of the reasons for not yet carrying out the project and its latest progress?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Chinese): Madam President, with a view to mitigating the noise impact of existing roads on residents in their neighbourhood, the Government introduced a policy in 2000 to implement engineering solutions where practicable, by way of retrofitting of barriers and enclosures and resurfacing with low noise material, at

existing roads which generate noise levels exceeding 70 dB(A)L10(1 hour). In Enclosure I of the paper entitled "Measures to Address Noise Impact of Existing Roads" (CB(2)482/00-01(01)) submitted to the Panel on Transport on 15 December 2000, we estimated that the indicative cost of retrofitting 29 existing roads with barriers/enclosures was \$2.34 billion. We also stated in the paper that funding for the retrofitting and road surfacing works for the roads identified at that time, and for any additional roads covered by the new policy, would be sought through the normal resource allocation mechanism.

The implementation schedules of all public works projects are subject to adjustment depending on availability of resources. The schedule of the noise barrier retrofit project for Tsing Tsuen Bridge has been revised according to its priority in the resource allocating process. This retrofit project has now been included in the Public Works Programme for implementation within the next five years. The Highways Department is preparing for the detailed study and design work of the project and plans to consult the Kwai Tsing District Council and Tsuen Wan District Council in mid-2005 on the schematic design. If the study and design work progress smoothly, the project is expected to commence in late 2007 for completion in about three years' time.

### **Hazards Caused by Waste Tyres**

12. **MR LEE WING-TAT** (in Chinese): *Madam President, it was reported that a fire broke out some time ago at a plastic bottles recovery plant in Tin Sam village, Yuen Long, and caused a heap of waste tyres in the village to burn on and off several times and release thick smoke and gases. Those waste tyres had been recovered under public funding for recycle and reuse. In this connection, will the Government inform this Council:*

- (a) *as people in the tyre trade have pointed out that, after a fire has been extinguished, strong heat energy is still hidden in the fragments of burnt tyres, and they may burn spontaneously when the heat inside comes into contact with oxygen from the wind, whether the authorities have taken any measures to remove the inflammable waste tyres in question, so that the life and property of residents nearby will not be put at risk; if so, of the details; if not, the reasons for that;*

- (b) *of the measures to regulate the disposal of wastes that may emit toxic gases, such as waste tyres, and the contingency measures in place to tackle the problem of toxic emission from such wastes, so as to ensure that residents nearby are not exposed to health hazards for inhaling such gases; and*
- (c) *of the effectiveness of the publicly-funded scheme for the recovery industry and universities to recover waste tyres for producing construction materials, and whether the progress of the scheme has been reviewed regularly?*

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

(in Chinese): Madam President,

- (a) Under the Dangerous Goods (General) Regulations, rubber tyres are combustible goods and the Fire Services Department (FSD) should be notified whenever 500 or more rubber tyres are stored in a building used for the purposes of an industrial undertaking. However, storage of rubber tyres in an open area is not subject to the control of this Regulation. Upon receiving a fire report, the FSD will immediately proceed to scene to put out the fire in order to protect the residents nearby. The person(s) responsible will be advised to clear up the site as soon as possible.

After the fire under issue on 19 October 2004, officers of the Environmental Protection Department (EPD) inspected the site on 20 October. Having received complaints of bad smell from local residents, the EPD officers inspected the site again on 21 and 26 October and asked the contractor concerned, both orally and in writing, to clear up the site immediately. The clean-up operation commenced on 26 October and was completed on 28 October. Since there was residual heat in the burnt tyres, the FSD dispatched its officers to stand by on several occasions when the contractor attempted to remove the tyres.

- (b) Tyres, which are mainly made of rubber and steel wire, will not pollute the environment in normal use or storage. However, they

will release dark smoke and smell when burnt. Under such circumstances, the FSD will follow the general emergency procedures and take all necessary contingency measures according to circumstances. For example, evacuation will be arranged if necessary and the relevant departments will also render their support to safeguard the safety and health of the residents in the neighborhood. A joint inspection was conducted by the FSD and the EPD on 1 November and the FSD concluded that the operation of the contractor did not contravene the Dangerous Goods Ordinance.

- (c) The EPD commenced a pilot scheme to recycle waste tyres in April 2003 to promote the development of the local waste tyre recycling industry, help reduce the landfill space required for the disposal of such tyres and save expenditure on processing these tyres. Under the scheme, about 240 tonnes of waste tyres have been recycled each month and turned into rubber chips and steel wires. About 300 tonnes of these rubber chips have been used in the production of a lightweight construction material called "RubberSoil", which in turn has been used in the works projects carried out by various government departments, including the Civil Engineering and Development Department, the Architectural Services Department, the Highways Department, the Home Affairs Department and the EPD. All the steel wires reclaimed have been sold as scrap metal. The EPD has reviewed the progress and effectiveness of the pilot scheme and concluded that the objectives of relieving pressure on the landfills and recycling resources were met. Through the scheme, "RubberSoil" has been invented and tried out. From April 2003 to November 2004, a total of 4 600 tonnes of waste tyres, which would have been disposed of in landfills, were recovered and turned into useful materials, thereby saving the costs of transporting the tyres to landfills and the landfill space used. In the light of the experience gained from the pilot scheme, the EPD will invite tender for a longer-term contract in April next year to identify more ways to recycle waste tyres and further promote the development of the local waste tyre recycling industry.

**Reasonable Meal Breaks for Ambulancemen**

13. **MR LEE CHEUK-YAN** (in Chinese): *Madam President, will the Government inform this Council of:*

- (a) *the reasons for the Fire Services Department (FSD) not granting a lunch break of one hour to its ambulancemen; and*
- (b) *the measures in place to ensure that ambulancemen and other disciplined services staff are given meal breaks of reasonable duration?*

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in the absence of Secretary for Security) (in Chinese): Madam President,

- (a) Under the Civil Service Regulations, the conditioned hours<sup>1</sup> and meal break arrangements for disciplined services staff are governed by operational needs and are determined in relation to the total responsibility of each service, its complement, and the actual manpower at any time. Ambulancemen are disciplined services staff and it is for the FSD to make arrangements for their meal breaks taking into account all relevant considerations, including operational needs and staff welfare.

At present, ambulancemen on the day shift (from 0830 to 2030 hours) are allowed a lunch break not exceeding one hour between 1200 and 1400 hours. Notwithstanding this, it is the primary responsibility of the FSD to provide emergency ambulance services to the public at all times. Ambulancemen will therefore have to interrupt their lunch breaks to perform life-saving duties when there are emergency calls. On the other hand, no ambulancemen will be totally deprived of a lunch break. Those who are unable to take a continuous lunch break of 20 minutes during the designated hours

<sup>1</sup> Conditioned hours means hours of duty which salary is calculated to cover and the hours which must be worked before overtime work is counted for.

due to emergency calls will be given a compensatory off-call meal break of 20 minutes afterwards, during which ambulancemen can have their meals without having to respond to emergency calls. From January to September 2004, a daily average of 7.5% of the crew members of the ambulance fleet were unable to take a continuous lunch break of at least 20 minutes during the designated hours, and were compensated with the 20-minute off-call meal break.

It is also relevant that in addition to the meal break, ambulancemen are given a 15-minute tea break in both the morning and afternoon in each day shift. Emergency feeding kits (with biscuits and water) are also provided on each ambulance.

- (b) The various disciplined services departments have put in place meal break arrangements for their staff that take into account the relevant factors set out in part (a) above. The situation is in general satisfactory.

In the case of the FSD, the Department has put in place a number of improvement measures in response to the views of ambulancemen on lunch break arrangements. For example, in addition to the 20-minute compensatory meal break introduced in March 2001, the designated period for taking lunch breaks for 29 ambulance units has been advanced from between 1200 and 1400 hours to between 1130 and 1330 hours from March 2004.

The FSD has also been engaging in ongoing discussions with ambulancemen about their lunch break arrangements. Apart from the improvement measures mentioned above, the Department has also discussed other possibilities with staff including, for example, changes to the shift system, or the working hours of ambulancemen. The FSD will continue discussion with the staff side to explore feasible alternatives to improve the lunch break arrangements for ambulancemen, on the premise that the provision of emergency ambulance services to the public will not be adversely affected.

**Fees for Disposal of Solid Waste**

14. **MR FREDERICK FUNG** (in Chinese): *Madam President, it has been reported that the Secretary for the Environment, Transport and Works had said recently that the Government would improve the waste separation and recovery system before considering imposing fees on the public for the disposal of solid waste. In this connection, will the Government inform this Council:*

- (a) of the latest progress of various waste separation and recovery measures (such as the product responsibility scheme as well as promotional and public education measures) currently implemented in the community;*
- (b) whether it will consider offering tax, land lease concessions, and so on, to environmental protection and waste recovery industries, or setting up a loan fund, so as to support the development of these industries in Hong Kong; and*
- (c) how it will determine the fees payable by the public for the disposal of waste (for instance, on the basis of equal apportionment among all households in the territory or according to the amount of waste produced by each household) and whether, in determining the fees, it will ensure that such fees will not impose a heavy financial burden on grass-roots people, that there will be a fee waiver mechanism, and that it will avoid making waste collection arrangements which cause a nuisance to the public?*

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

- (a) To encourage the public to participate in waste recovery and reduction, the Government has been carrying out a series of publicity and public education programmes. Since its establishment in 1990, the Environmental Campaign Committee has organized various activities every year to raise the environmental awareness among the public, including the World Environment Day, Environmental Protection Festival, Green School Award and Hong Kong Eco-Business Award. The Committee has also

organized waste recovery activities jointly with community groups to encourage the public to reduce waste and separate recyclables for recovery.

In addition, the Government has placed over 27 000 waste separation bins throughout the territory to encourage public participation in waste separation for recycling. The waste separation bins are placed at public places and housing estates, covering about 70% of the population. Apart from this, the Government has been testing out various ways of waste separation and recovery with a view to identifying the most convenient and cost-effective modes that best suit local needs.

In March 2003, the Environmental Protection Department (EPD) introduced a one-year wet-and-dry garbage sorting pilot scheme at four housing estates in the Island Eastern District. The recovery rate achieved by the participating estates is 12% more than the estates implementing the three-colour recyclable-bin scheme alone. Although the response is good, the cost is quite high which makes it difficult to be promoted widely. Having obtained valuable experience from the programme, the EPD improved the scheme of recovering domestic waste and, in August this year, launched the Pilot Programme on Source Separation of Waste in 13 housing estates in the Island Eastern District, involving about 120 000 people in some 37 000 households. The objectives of the pilot programme are to assist residents in separating waste at source by providing waste separation facilities on each floor of a building, and to broaden the types of recyclables to be recovered in order to further increase the recovery rate and reduce waste. In view of the positive results of the pilot programme, the Government is planning to expand the scope of the programme and to carry out a large-scale publicity campaign early next year to encourage all members of the public to separate waste at home to facilitate recycling.

The Government is examining the possibility of introducing product responsibility schemes for different products, including vehicle tyres, rechargeable batteries, electronic and electrical appliances and beverage containers with a view to reducing waste and promoting waste recovery in Hong Kong. Under these schemes,

producers, importers, retailers and consumers are required to share the responsibility for properly managing their products at the post-consumption stage. The Government will carefully assess the costs and benefits of different options for such schemes and their impacts on stakeholders. The views of all sectors concerned will be considered. Meanwhile, the EPD is exploring with the industry the possibility of implementing recovery proposals under such schemes. In April 2002, the EPD launched a voluntary product responsibility scheme to recover and recycle mobile phone batteries. In the light of the experience gained from the scheme, the EPD is discussing with the industry the possibility of expanding the scheme to cover all rechargeable batteries.

- (b) The Government injected \$100 million to the Environment and Conservation Fund (ECF) in 2002, mainly to provide funding support for community groups and green groups to implement recycling projects at the community level. The ECF also provides funding for research and development projects on waste reduction and recycling technologies, such as the use of recycled aggregate, the development of a plastic bottle shredder and the production of cement from recycled glass, to name just a few. People who wish to develop innovative ideas or upgrade the technological level of their companies can apply for funding from the Innovation and Technology Fund (ITF). The development of "RubberSoil" is an example of the projects funded by the ITF under the Small Entrepreneur Research Assistance Programme. Recyclers can also seek assistance from relevant SME funding schemes under the Trade and Industry Department for business development.

Regarding the provision of land for recycling operations, the Lands Department (LandsD) will continue to lease land under short-term tenancies to recyclers. At present, 27 sites with a total area of about five hectares have been let to recyclers under this arrangement. This is an important measure to help recyclers who cannot afford to purchase private land to start up business and has been well-received by the industry. The LandsD will continue to identify more sites suitable for this purpose. In the long run, the Government is planning for the establishment of the Recovery Park at Tuen Mun Area 38 to provide long-term land for recycling

operations and promote long-term development of the recycling industry. The 20-hectare Recovery Park will be developed in two phases, each covering an area of 10 hectares. The first phase is expected to be commissioned in 2006. The establishment of the Recovery Park will give momentum to the development of the recycling industry and create employment opportunities in the area.

- (c) To further implement the "polluter pays" principle, the Government has proposed to introduce a construction waste disposal charging scheme. The Legislative Council passed the relevant bill on 2 July 2004 and is scrutinizing two regulations that stipulate the operational details of the scheme. Subject to the passage of these regulations by the Legislative Council, the charging scheme is expected to be implemented in summer 2005.

Since a charging scheme for domestic waste will be more complicated and will have a wider effect on the community, the operational arrangements and charging methods of such a scheme will require careful study. We will draw on the valuable experience from the implementation of the construction waste disposal charging scheme when considering a municipal solid waste charging scheme. The Government will consult the public and stakeholders before making a final decision.

### **Safe Driving Promotion**

15. **MS MIRIAM LAU** (in Chinese): *Madam President, will the Government inform this Council:*

- (a) *of the respective numbers of various promotional activities organized in the past three years to enhance motorists' awareness of safe driving, and the driving offences targeted by these promotional activities; and*
- (b) *whether it will step up efforts to promote safe driving among professional drivers and other motorists respectively; if so, of the relevant details; if not, the reasons for that?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**  
(in Chinese): Madam President, the types and numbers of promotional events organized in the past three years to enhance motorists' awareness of safe driving are listed below:

	<i>2001</i>	<i>2002</i>	<i>2003</i>
Seminars on road safety	34	29	60
Promotional activities on road safety	54	34	33
On-street educational and promotional activities	47	49	63
Production of television and radio Announcements of Public Interest on road safety	-	6	8

The above events were mainly focused on driving offences which could easily cause accidents. These offences included careless driving, speeding, failing to comply with traffic signals, drink driving and using hand-held mobile phones while the vehicles were in motion.

We have been fostering the concept of "smart driving" among motorists, enhancing promotional efforts on safe driving and advocating considerate driving manners. Promotional and educational efforts that are targeted at motorists in general include the followings:

- Produce television and radio Announcements of Public Interest;
- Put across road safety messages through mobile publicity media, such as displaying messages on board and on the bodies of taxis and at major access roads and tunnel entrances/exits throughout the territory;
- Organize talks, seminars and workshops on road safety for motorists; and
- Distribute publicity pamphlets and launch on-street educational activities at major traffic black spots;

In addition, the following publicity efforts targeting at professional drivers are carried out to promote safe driving:

- Hold regular meetings with the transport trades to promote road safety;
- Distribute newsletters to the minibus, taxi and non-franchised bus trades regularly to disseminate road safety messages;
- Organize driving improvement courses for professional drivers to improve their driving attitude to ensure road safety; and
- Distribute publicity pamphlets to professional drivers at container parks, border control points and public transport termini to remind them of the importance of road safety.

### **Cross-border Smuggling Involving Use of Vehicles Bearing Both Mainland and Hong Kong Licence Plates**

16. **MR LI KWOK-YING** (in Chinese): *Madam President, it has been reported that at a State Council press conference held recently, the Deputy Director of the Mainland's General Administration of Customs talked about cross-border smuggling activities involving the use of vehicles bearing both Mainland and Hong Kong licence plates, and pointed out that the customs authorities in the Mainland and Hong Kong should join hands to strengthen enforcement efforts in this respect. In this connection, will the Government inform this Council:*

- (a) *of the scale of smuggling activities involving the use of vehicles bearing both Mainland and Hong Kong licence plates and the major types of goods involved, and whether such activities are on an upward trend;*
- (b) *of the actions taken by the Customs and Excise Department (C&ED) to combat the above smuggling activities, and the effectiveness of these actions; and*
- (c) *how the C&ED will step up joint efforts with the Mainland's customs authorities to combat such smuggling activities, and of the specific measures in this regard?*

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in the absence of Secretary for Security) (in Chinese): Madam President,

- (a) From January to October 2004, the C&ED detected a total of 138 smuggling cases involving cross-boundary vehicles registered in both Mainland and Hong Kong (dual registered vehicles). The total value of smuggled items seized amounted to about HK\$82 million and 153 people were arrested. This represents an increase of 16% in the number of cases and a decrease of 51% in the total value of seizures as compared with the same period last year. Goods smuggled into Hong Kong from the Mainland mainly include duty-not-paid cigarettes, fuel, meat and poultry; whereas items smuggled into the Mainland mainly include computer peripherals, electronic products, electrical appliances, vehicles and vehicle parts.

(b) and (c)

The C&ED has taken the following measures to tackle the problem:

- (i) **Intelligence Exchange:** Strategically, the C&ED has adopted the "intelligence-led" operation mode. Hong Kong Customs and the Mainland Customs have established an intelligence exchange network and a mechanism of liaison officers to facilitate exchange of intelligence. Moreover, both Customs administrations carry out regular joint operations at the control points. The co-operation has proved to be effective in combating cross-boundary smuggling activities, including those involving the use of dual registered vehicles.
- (ii) **Risk Management:** The C&ED is committed to developing risk profiles to enhance the risk assessment of cargo clearance. This on the one hand increases the accuracy of the selection for inspection, and on the other facilitates cargo flow.
- (iii) **Advanced Equipment:** Advanced equipment has been extensively used to strengthen the fight against smuggling

activities involving vehicles. In August 2001, the C&ED purchased two sets of Mobile X-ray Vehicle Scanning System for use at the boundary control points. In early 2003, two sets of fixed Vehicle X-ray Inspection System were also installed at Lok Ma Chau Control Point. From the commencement of operation of the two sets of fixed Vehicle X-ray Inspection System up to October this year, 79 smuggling cases with seizures worth more than HK\$164 million were detected.

These efforts will continue.

### **Promotion of Unique Local Culture and Arts**

17. **MR HOWARD YOUNG** (in Chinese): *Madam President, according to a survey conducted in the United Kingdom last year, Mr Jackie CHAN and Mr Bruce LEE, the two martial art superstars of Hong Kong, were elected the top 50 greatest movie stars in the world. Recently, the chairman of the Bruce Lee Club told me that the Bruce Lee Museum in Yau Ma Tei was closed after operating for only one year, whereas the Guangdong Provincial Government has invested in the establishment of a Bruce Lee museum to stimulate tourism there. Will the Government inform this Council whether, to attract long haul visitors and balance the customer base of inbound tourists:*

- (a) *it will, in promoting the tourism development projects in Hong Kong, consider developing more tourist attractions with Chinese martial art as a theme to enhance the promotion of the unique local culture and arts, thereby maintaining the continuous development of the long haul visitor market; and*
- (b) *it will consider erecting a sculpture of Bruce Lee or setting up a Bruce Lee museum at the Avenue of Stars along the Tsim Sha Tsui Promenade to display his film costumes, posters, nunchaku and other memorabilia, with a view to further commending his outstanding contributions in promoting Chinese martial art and Kung Fu films of Hong Kong?*

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

- (a) As a unique element of the Chinese culture, Chinese martial art has a particularly strong appeal to overseas tourists. The Hong Kong Tourism Board (HKTB) actively promotes to visitors the "Kung-fu Corner" in Kowloon Park, the lion and dragon dance performances featured in traditional festivals, and so on. The Leisure and Cultural Services Department (LCSD) has jointly organized a series of performance and training camp in Chinese martial art with some local community organizations. In the past three years, the HKTB has also sponsored the Po Lin Monastery in staging traditional martial art performance by young monks from the Shaolin Temple during the Lord Buddha Festival.

To attract tourists, the HKTB also actively promotes Hong Kong's local culture and traditional Chinese arts and customs through different channels, for example, themed promotional leaflets about festivals and heritage and the visitor-targeted "Cultural Kaleidoscope" cultural experience programme.

With the support of the Home Affairs Bureau, the Hong Kong Shaolin Wushu Culture Centre is being developed by the Hong Kong Culture Association Limited, aiming at promoting the Chinese traditional Shaolin spirit and culture to Hong Kong people. The Centre is situated at Tai O on Lantau Island. It will blend with the natural scenery of Tai O, making it an attractive tourist spot in the area. As this is a very meaningful project for Hong Kong, the Government, though not directly involved in it, has provided assistance to the Association in co-ordinating contacts and offered technical advice to facilitate the early implementation of the project. The project is now underway and the first phase of the Centre is expected to be completed and open in mid-2005.

- (b) The Government attaches great importance to the contribution local artistes make to the community. We strive to preserve performing arts heritage and recognize the achievements of artistes in various ways.

The Hong Kong Film Archive of the LCSD collects and preserves the treasures of Hong Kong cinema. It also regularly organizes related activities and publish related books to foster film research, promote the local film art and pay tribute to the contribution made by filmmakers. The Archive's collection ranges from films, film stills, handbills, scripts, posters, records, special issues, contracts and artistes' artefact collections, such as the nunchaku of Bruce Lee and the costumes used in his film "The Game of Death".

The proposed erection of a sculpture of Bruce Lee at the Avenue of Stars will be considered by the Avenue of Stars Management Committee which comprises representatives from government departments and organizations *viz*, the LCSD, HKTB, Tourism Commission, Architectural Services Department, Home Affairs Department, New World Development Company Limited, and Hong Kong Film Awards Association.

### **Dumping of Construction Waste on Beaches**

18. **MR ALBERT CHAN** (in Chinese): *Madam President, it has been reported that due to lax control by the Government, construction waste has been dumped on the Tung Wan Beach on Peng Chau. In this connection, will the Government inform this Council:*

- (a) *of the measures in place to prevent more beaches becoming dumping grounds for construction waste; and*
- (b) *whether it has any measures to restore the beaches which have been used as dumping grounds for construction waste, such as the Tung Wan Beach on Peng Chau; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Chinese): Madam President, the case at Tung Wan, Peng Chau involves construction waste suspected to have been produced by local development projects in the 1990s having been illegally dumped near the shoreline of Tung Wan. In 1999 to 2002, the waste stockpiled at the northern part of Tung Wan at

that time was cleared by the Government during the construction of the emergency vehicular access and the promenade at Tung Wan.

- (a) The penalties for illegal disposal of waste are stipulated in the existing Waste Disposal Ordinance (Cap. 354) and the Waste Disposal (Amendment) Ordinance 2004 which will come into effect next summer. A person commits an offence if he deposits waste in any place except with lawful authority or excuse, or except with the permission of any owner of the place, and is liable to a fine of \$200,000 and imprisonment for six months on the first occasion on which he is convicted of the offence and to a fine of \$500,000 and imprisonment for six months on each subsequent occasion.

To prevent attempts by offenders to evade responsibility, the Amendment Ordinance includes provisions that strengthen control over illegal disposal of waste. For example, it empowers the Court to order the person convicted of illegal disposal of waste to remove the waste on government land. In cases where the removal work has already been carried out by the Government, the Court may order the convicted person to pay all or part of the removal cost incurred by the Government as appropriate.

Under certain circumstances, the Lands Department may put up fences, cement blocks or other barriers as appropriate around government land to prevent unlawful depositing of waste. Other departments, including the Environmental Protection Department, Food and Environmental Hygiene Department, Agriculture, Fisheries and Conservation Department, Housing Department, Marine Department and Hong Kong Police Force, will step up patrol and enforcement action against unlawful depositing of waste. Under the Fixed Penalty (Public Cleanliness Offences) Ordinance, they may also give a fixed penalty notice to a person who has committed a minor offence of unlawful depositing of waste in an effort to curb such activities.

- (b) Regarding the case concerning Tung Wan, Peng Chau, the relevant departments will continue to co-ordinate their efforts and clear as much construction waste found recently on the beach as practicable. Other beaches will be dealt with on a case-by-case basis.

**Development of a Centre for Youth Development in Chai Wan**

19. **MS EMILY LAU** (in Chinese): *Madam President, the Chief Executive announced in his 1998 policy address that the then Chai Wan Community Centre would be redeveloped into a centre for youth development (CYD). In May this year, the Administration submitted to this Council a progress report on the project, advising that while the piling and basement works for the CYD had been completed at the end of last year, the works on the superstructure had yet to commence. The report pointed out that if the "Limited Company model" was adopted for the operation of the CYD, a recurrent shortfall of more than \$90 million could be incurred over the first 10 years. The report also revealed that the Administration had submitted to the Steering Committee on the Centre for Youth Development a proposal to contract out the management and operation of all the facilities of the CYD, but the proposal had not been accepted by the Steering Committee, and that given these problems, the Home Affairs Bureau had commissioned a consultancy study and it was expected to be completed in four months' time. In this connection, will the executive authorities inform this Council:*

- (a) *whether the above consultancy study has been completed; if so, of the recommendations made in the consultancy report on the construction, mode of management and operation as well as the source of funding of the CYD; if not, when the consultancy study is expected to be completed;*
- (b) *of a breakdown on the expenditure of the project, including the costs of the demolition of the Chai Wan Community Centre and the foundation works for the CYD, as well as the consultancy fee; and*
- (c) *of the expected commencement date of the works on the superstructure of the CYD?*

**SECRETARY FOR HOME AFFAIRS** (in Chinese): Madam President, my reply to the questions is as follows:

- (a) In May 2004, the Administration commissioned a consultancy study to review the project scope of the CYD, and to assess the feasibility of constructing, financing, operating and maintaining the CYD

through an appropriate Public Private Partnership (PPP) framework. The objective is to devise a model which could both effectively achieve the youth development objectives of the CYD, and ensure that the CYD could operate on a self-financing basis.

The consultancy study has been completed. Taking into account all the relevant factors, the consultant recommends the adoption of a PPP approach for the CYD in the form of a single Operation and Maintenance contract, and to revise the scope of facilities so as to increase flexibility to cater for the changing demands of young people. We have consulted the Steering Committee on the Centre for Youth Development and the Works and Development Committee of the Eastern District Council, on the basis of the findings and recommendations of the consultancy report. We are currently discussing with the Commission on Youth (COY) the contents and requirements of the youth development programmes in the CYD, as well as how best to proceed with the PPP model for operating the CYD. We plan to provide a progress report on the CYD to the Panel on Home Affairs of the Legislative Council in December 2004.

- (b) The estimated capital cost of the CYD is \$750.9 million, of which \$200 million would be donated by the Board of Management of the Chinese Permanent Cemeteries. The cost of demolition of the Chai Wan Community Centre is \$5.1 million and the cost of the consultancy study is \$1.29 million.
- (c) After taking into account views of the COY and Panel, we would proceed with the resumption of construction works on the CYD as soon as possible. We would also start the open tendering exercise for the operation and maintenance contract after we have drawn up the relevant implementation details.

### **Abuse of Antibiotics**

20. **DR RAYMOND HO** (in Chinese): *Madam President, it has been reported that the Hospital Authority (HA) is planning to implement a monitoring*

*system next year to review the appropriateness of medical practitioners' decisions to prescribe antibiotics, with a view to preventing the deterioration of bacterial drug resistance because of the abuse of antibiotics. In this connection, will the Government inform this Council whether it knows:*

- (a) the quantities of various types of antibiotics prescribed by medical practitioners in public hospitals in the past 12 months;*
- (b) the details of the above monitoring system; and*
- (c) if the relevant authorities have put in place measures to monitor the prescription of antibiotics by private medical practitioners?*

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

- (a) According to the data collated by the Chief Pharmacist's Office of the HA, the cost of antibiotics used by public hospitals in 2003-04 amounted to \$186 million, representing about 9.8% of the HA's total expenditure on drugs in that year.
- (b) At present, the Infection Control Teams in public hospitals are responsible for conducting surveys on infection regularly and collecting data on bacterial drug resistance at the hospital level. To enhance monitoring of the situation in public hospitals, the Central Committee on Infectious Diseases of the HA and the Infection Control Branch of the Centre for Health Protection (CHP) will jointly establish a standard surveillance system, with a view to implementing it in all acute hospitals of the HA next year. The information to be captured by the new surveillance system includes data on bacterial drug resistance as well as the actual usage of various types of antibiotics. An analysis of these data should assist medical practitioners in prescribing the appropriate antibiotics for patients and enhance the cost-effectiveness in the use of these drugs.

Apart from monitoring the use of antibiotics in public hospitals, the HA is also providing advice to its clinical staff on the proper use of antibiotics through the Drug Advisory Committees in public

hospitals. This is to both enhance treatment outcomes and reduce the chance of emergence of drug-resistant bacteria. In addition, the HA will work to ensure that its clinical staff would receive the results of bacterial testing of individual patients as soon as possible, so as to facilitate the prescription of the appropriate antibiotics for treating the patients.

- (c) The Department of Health (DH) issued a set of guidelines on the use of antibiotics for clinics in the primary health sector in early 2002. Intended as a reference for health care workers, the guidelines contain recommendations on the use of antibiotics in different situations. In order to encourage the prudent use of antibiotics by medical practitioners, the CHP has already initiated sentinel surveillance of drug-resistant bacteria in the community. The relevant results would be disseminated to all local doctors and health care workers through journals and publications on public health and epidemiology, so that they would be aware of the various trends in bacterial drug resistance and take necessary precautions. In addition, the results of drug resistance tests would also be made public. This information should assist medical practitioners in their professional assessment and enable them to prescribe the appropriate antibiotics for their patients.

The CHP is also planning to set up a working group to study possible measures for further strengthening the surveillance of the use of antibiotics in the community setting and controlling the development of drug-resistant bacteria. The working group will comprise representatives from the DH and the HA, and medical practitioners in private practice.

Section 4 of the Antibiotics Ordinance (Cap. 137) provides for statutory control on the prescription of antibiotics by medical practitioners and on the sale and supply of antibiotics by pharmacists and authorized sellers of poisons. As a matter of fact, clinical guidelines on the proper use of antibiotics are covered in both the professional training and continuing education for medical practitioners. The Professional Code of Conduct by the Hong Kong Medical Council also requires medical practitioners to

properly label all drugs dispensed to patients with the essential information, including the method of administration, dosage and applicable precautions, to ensure the safety of patients.

The DH has along been publishing pamphlets to promote the proper use of antibiotics by the general public. To prevent abuse, the public is reminded of the importance to follow doctors' instructions when taking antibiotics. The DH will continue with its efforts in public health education in this regard.

## **MOTIONS**

**PRESIDENT** (in Cantonese): Motion. Proposed resolution under the Dutiable Commodities Ordinance.

## **PROPOSED RESOLUTION UNDER THE DUTIABLE COMMODITIES ORDINANCE**

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, I move that the motion under my name, as printed on the Agenda, be passed to extend the existing concessionary duty rate of \$1.11 per litre for ultra low sulphur diesel (ULSD) to 31 December 2005, with a view to implementing the proposal announced by the Financial Secretary recently.

First, I would like to thank the Honourable CHAN Kam-lam, Chairman of the Subcommittee of the Legislative Council, and members of the Subcommittee for their speedy deliberation on and support for the motion. I would also like to thank Members for the valuable views they expressed on the duty concession for ULSD during the motion debate on 3 November.

The Government has all along been very concerned about the operational difficulties faced by the transport industry as a result of the economic downturn or the fluctuation in oil prices. In June 1998, the Government reduced the duty rate for regular motor diesel from \$2.89 to \$2 per litre as a temporary measure. Later, in July 2000, ULSD was introduced at a concessionary rate of \$1.11 per

litre on environmental grounds. The concessionary duty rate was to be adjusted gradually to revert to \$2.89 per litre. Although regular motor diesel had been completely replaced by ULSD at petrol filling stations in the territory, the Government has postponed the reversion of the duty rate to \$2.89 on five occasions, in order to relieve the pressure on the industry brought by the economic downturn. According to the resolution passed by the Legislative Council in March this year, the concessionary rate of \$1.11 for ULSD was extended only to 31 December this year, which means that the duty rate for ULSD will revert to \$2.89 per litre on 1 January 2005.

The Government is concerned about the recent surge in oil prices. In line with what Members have suggested, the Government has already carefully and comprehensively reviewed the existing duty rate for ULSD, taking into consideration the operating environment of the industry and the economic situation. The Government considers that although Hong Kong's economic activities as a whole have a relatively low reliance on oil, individual sectors will be hit harder by high oil prices. Taking into account our fiscal situation, the overall economic conditions and the pressure faced by the transport industry, we propose to further extend the concessionary rate for ULSD to 31 December 2005. Upon expiry of the concession, that is, starting from 1 January 2006, the duty rate for ULSD will revert to \$2.89 per litre.

The extension of duty concession for ULSD for one year will cost the Government about \$1.1 billion in 2005. The several duty concessions have so far cost the Government a total of about \$7.9 billion.

At the Subcommittee meeting, some Members said that the Government should consider making the existing concessionary duty a long-term arrangement, which, in effect, means lowering the duty rate for ULSD substantially to the concessionary level of \$1.11 per litre, to obviate the need for moving a motion to extend the concession every year. I would like to reiterate that setting the duty rate at \$1.11 per litre is only a temporary measure, a relief formulated in the light of the economic situation and sudden surges in oil prices. This concessionary rate of \$1.11 is more than 60% lower than the original rate of \$2.89 per litre. We consider that at this moment, it would not be appropriate to make the temporary concession a long-term substantial tax reduction. However, before the expiry of the proposed concession next year, we will conduct a comprehensive review of the duty on ULSD.

Apart from extending the duty concession for ULSD to help the transport industry, the Government has already announced that it will assist the industry to enhance its competitiveness through various other initiatives.

I hope Members will support the resolution.

Thank you, Madam President.

**The Secretary for Financial Services and the Treasury moved the following motion:**

"RESOLVED that Schedule 1 to the Dutiable Commodities Ordinance be amended, in paragraph 1A of Part III –

- (a) in subparagraph (a), by repealing "31 December 2004" and substituting "31 December 2005";
- (b) in subparagraph (b), by repealing "1 January 2005" and substituting "1 January 2006"."

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

**MR CHAN KAM-LAM** (in Cantonese): Madam President, in my capacity as Chairman of the Subcommittee deliberating on the relevant resolution, I shall report briefly to the Council on the deliberations of the Subcommittee.

The resolution seeks to extend the existing effective period of concessionary rate of duty on ULSD at \$1.1 per litre to 31 December 2005. Members of the Subcommittee do not object to the resolution, but they have taken the opportunity to express their concern about a number of related policy issues.

On the existing mechanism of setting the duty rate on ULSD, members have pointed out that under the prevailing economic and social circumstances, there are practical difficulties in reverting the duty rate to \$2.89 per litre. Members also note that the authorities do not contemplate making the existing

concessionary rate of \$1.1 per litre permanent. Consequently, members urge the authorities to critically review the current level of duty on ULSD with a view to stipulating in the ordinance a realistic rate which is acceptable to all parties, instead of employing the current practice of moving a resolution to seek the Council's approval to extend the so-called effective period of the concessionary duty rate.

Members have expressed concern about the effects of high oil prices on the economy of Hong Kong in general and the operation of the transport industry in particular. They have also expressed concern about whether or not the authorities can effectively monitor oil prices. Members note that the authorities will pursue with the Guangdong authorities such initiatives as "four up and four down" and "one driver, one truck". And, they also urge the authorities to continue to explore ways of assisting the transport industry.

Members understand that the policy issues mentioned above are outside the purview of the Subcommittee, so they have requested the relevant bureaux to follow up their concerns. Where necessary, members will follow up specific policy issues at the relevant panel(s).

The Subcommittee supports the resolution proposed by the authorities, so that the effective period of the relevant concessionary duty rate can be extended for 12 months as from 1 January 2005.

Madam President, the Democratic Alliance for Betterment of Hong Kong (DAB) supports the resolution moved by the Government today. Ever since the popular use of more environmentally-friendly fuel by commercial vehicles, the air quality of Hong Kong has shown marked improvement. Therefore, when the Government introduced ULSD in 2000 and set the duty at the concessionary rate of \$1.1 per litre that year, the DAB immediately rendered its strong support. Besides, in a bid to assist the industry in relieving its pressure of fuel costs, the DAB has been working with its representatives over the past four years and has over and over again succeeded in urging the Government to extend the effective period.

However, high international oil prices in recent months have caused the pump price of ULSD to soar by 20% from \$6 per litre earlier this year to \$7.2 per litre now. Although oil prices have stopped climbing and become stable by now, the pump price of ULSD has not yet dropped to past levels. Fuel costs

have thus become a very heavy burden on the several hundred thousand people engaged in the transport industry.

Some time earlier, we met with the transport industry and learnt that owing to soaring oil prices, the profit earned by green minibus drivers working the day shift had gone down from \$300 to the region of \$260 and \$270, meaning an average income reduction of about \$1,000 a month. In the case of night-shift drivers, the drop was from \$400 to \$350, meaning a much more drastic income reduction of \$1,500 a month. It was thus small wonder that so many night-shift minibus drivers were seen speeding and jumping the red light some time ago. I hope that such a situation will not persist. Madam President, the monthly income of a minibus driver is just about \$10,000. These drivers belong to the lower strata of our society. Soaring oil prices have directly increased their costs and reduced their incomes. We can see that as a result of huge increases in fuel costs, green minibus operators already applied to the Government for fare increases in October, in an attempt to shift their cost increases to commuters direct. It can thus be seen that rising oil prices have affected not only the transport industry but also the common masses. That being the case, the Government's move to extend the effective period of the concessionary duty rate to the end of next year is certainly a benevolent policy consistent with the wishes of society.

We will certainly support the Government every year when it extends the effective period of the concessionary duty rate for ULSD, but we also understand that the high oil prices in Hong Kong are the crux of the problem. According to the statistics recently released by the Government, oil prices in Hong Kong are even higher than those in many advanced countries. The wages and costs in these countries are all higher than those in Hong Kong, but their oil prices are lower. For example, in Japan, where land prices are much higher than those in Hong Kong, the pump price of motor diesel is just \$4.1, \$3 lower than the \$7.2 charged in Hong Kong. The living indexes in France and the United States are higher than that in Hong Kong, but the pump prices of motor diesel in these two countries are just \$3.24 and \$2.84 respectively. Oil prices in Hong Kong are indeed unreasonably high.

We have recently heard many in society say that the high oil prices in Hong Kong and the "quick increases but slow decreases" in oil pricing are directly attributable to the lack of any transparency in the price determination of oil companies. We maintain that the Government must negotiate as quickly as possible with oil companies on the formulation of a fair and transparent

mechanism of oil price adjustments. Besides, we also maintain that the existing fuel policy should be reviewed as soon as possible.

Madam President, I so submit. Thank you.

**MS MIRIAM LAU** (in Cantonese): Madam President, this is the sixth time the Government seeks to extend the effective period of the concessionary rate of duty on ULSD. I feel both helpless and disappointed. I feel helpless because I am obliged to support the passage of the resolution today, or else the pump price may automatically rise from \$1.11 per litre to \$2.89 per litre. I am disappointed because the Government is so obstinate. It has flatly refused to offer any reduction, to make the concessionary rate permanent, or to lower the duty rate to a realistic and reasonable level.

Since 2000, I have been urging the Government to conduct a comprehensive review of the diesel duty rate, so that it can ascertain the room for reduction and then lower the duty rate once and for all, instead of being so dilatory. If the Government is willing to do so, it will not have to come to this Council to seek Members' approval of its resolution once every six months, nine months or a year. Likewise, this Council will not have to deal with this problem year after year, and the transport industry will not have to worry about any drastic increase in diesel duty rate either.

Instead of requesting Members to extend the concession once every year, the Government should in fact amend the relevant ordinance and stipulate a reasonable duty rate. Unfortunately, the Government has made it clear that it will not contemplate making the concession permanent, and that it does not rule out the possibility of re-aligning the duty rate on ULSD to \$2.89 per litre when the economy improves in the future. The Government's refusal to set down a reasonable duty rate is due to at least two obsessions. As long as the Government does not rid itself of these two obsessions, it will not possibly set down a reasonable duty rate.

The first obsession is that any diesel duty concession must necessarily be a kind of subsidy. The Government has repeatedly claimed that a one-year extension of the concessionary duty rate will reduce government revenue by \$1.1 billion, and that it has so far suffered a cumulative revenue loss amounting to \$7.9 billion. In other words, the Government seems to be saying that it has

subsidized the transport industry, and that the industry therefore owes it \$7.9 billion. As long as the Government continues to regard diesel duty concession as a form of subsidy, it will only become increasingly reluctant to set down a reasonable duty rate, because the cumulative subsidy will only become larger and larger. Last month, during the motion debate which I moved on lowering the duty rate on ULSD, we already pointed out that since all proceeds were collected by oil companies on behalf of the Government, diesel duty should involve neither any expenditure nor any costs on the part of the Government. For this reason, the Government simply should not regard the reduction of diesel duty as any form of subsidy.

The Government's second obsession is that any reduction of diesel duty for the transport industry will be unfair to other trades. But as I have already pointed out, the diesel used by other trades is duty-free. Is this fair to the transport industry? Let us not argue about this question for the time being, but it can at least show that the Government does think that it is justified to make industrial diesel duty-free, because the imposition of duty on industrial diesel may adversely affect the development of Hong Kong industries. But the duty on motor diesel has already caused negative impacts on the local logistics industry. What does the Government think about this? Diesel is currently the only dutiable commodity that directly constitutes the operating costs of a trade, or precisely, the transport industry. It is the only one industry that is required to pay tax right at the beginning regardless of any subsequent profits or losses. This has increased its operating costs, thus greatly reducing its competitiveness when compared with the neighbouring places.

Coming back to the Government's extension of the concession on ULSD, as I said at the beginning of my speech, I feel both helpless and disappointed. But I am even more disappointed at the Government's refusal to conduct a prompt and comprehensive review of the ULSD duty rate. The reason is that last month, the Legislative Council already passed Mr Ronny TONG's amendment, urging the Government to expeditiously review the duty rate on ULSD. By "expeditiously", Mr Ronny TONG actually means three months, and he has even written to the Government to make this very clear. Almost a month has already passed, but we have not seen any actions or responses by the Government.

Ever since 2000, I have been urging the Government to conduct a comprehensive review of the diesel duty rate, but I have been disappointed year

after year. Mr TONG has now set down a timeframe of three months, and he has the support of most Members. Only two months are left now; I hope that the Government will not disappoint Members yet again.

With these remarks, Madam President, I support the resolution albeit reluctantly.

**MR WONG KWOK-HING** (in Cantonese): Madam President, I have mixed feelings about the resolution proposed by the Secretary for Financial Services and the Treasury today. Seeing professional drivers plagued by high fuel prices and increasingly fierce competition in the business environment, I thought I should feel grateful for them when the Government indicated its willingness to extend the effective period of the concessionary duty rate for ULSD to 1 January 2006. However, in considering the overall environment of the trade, I find that the Government still fails to tackle the problems of monopolization and manipulation of oil prices in the territory, as well as the practice of fast increases and slow decreases. Nowadays, professional drivers are facing keen competition from the Mainland and other modes of transport. At the same time, the Government is imposing increasingly harsh transportation policies, confining further the space of survival of the industry. Added to their plight is the uncertainty of international oil prices. Given all these problems, the Government has responded only with a further extension of the concession. Compared to the difficulties faced by the transport industry, it is nothing more than a petty favour bestowed to the industry. When I come to this point, I feel the grievances and helplessness of professional drivers.

More so, I feel very indignant that, at the current duty rate of \$1.1 per litre, revenue generated from this ULSD duty will only account for 1% of tax income in a full year. Had the 1% taxation payment been used to provide assistance to the industry, I believe the Government and the community at large would have benefited more substantially in the long run than what they have now. At the same time, counting the present extension, the Government will have extended the concession on ULSD duty six times. I think the repeated extension of the concession by the Government is clear proof that the transport industry is in deep waters, so difficult that they have to accept government assistance year and again. For this reason, I implore the Government to consider granting permanent exemption to this duty.

Madam President, I reiterate my stance on behalf of the Motor Transport Workers General Union of the Hong Kong Federation of Trade Unions and the Container Transportation Employees' General Union: Today, we have no alternative but to welcome the extension of duty concession on ULSD, but we insist that if the Government does intend to give genuine assistance to the industry, a complete exemption of this duty must be granted. As LU Zhi of the Tang Dynasty said in his work *Jun Jie Fu Shui Xu Bai Xing: Rule 1 (Taxation adjustment aiming to ease the plight of people: Rule1)*, "People should be the prime concern, money should only come second. When people can enjoy stability, supply of money will be generous. When the foundation is consolidated, the country will enjoy peace." It means that when a government formulates its taxation policy, it should not focus only on money; instead, it should give priority to people's livelihood. If its people can lead a stable life, money will come to the coffers naturally. I hope the Government will reconsider the permanent exemption of ULSD duty in future with a view to facilitating all strata of society to make a good living.

Madam President, I so submit.

**MR LEE CHEUK-YAN** (in Cantonese): Madam President, the Hong Kong Confederation of Trade Unions that I represent is virtually forced to support this resolution, because we are of the view that there should instead be zero diesel duty. However, my support for zero duty does not have anything whatsoever to do with my being liberal with taxpayers' money. Rather, it is because I think that we, in the interest of Hong Kong, should try as much as possible to reduce the operating costs of all trades and industries. After they have made profits, the authorities can then levy or even increase profits tax. This is more beneficial to the economy of Hong Kong and far better than what is going on now — all are too preoccupied with fuel duty to think about how they can earn any profits, thus hampering our overall economic development. Therefore, I opine that if tax revenue is our concern, our consideration should be based on profits tax, not fuel duty.

Some may well argue that it will not be useful to reduce fuel duty because oil companies will pocket all the related benefits. I understand that during the scrutiny of the resolution, government representatives already confirmed that oil companies had not done so. It may well be true that oil companies have not pocketed the benefits arising from fuel duty concession, but I guess the only

reason is simply that they have already reaped too many benefits, so they cannot possibly stomach any more benefits. Members should have heard just now that the price of motor diesel in Hong Kong is the highest in the world, being \$7 per litre in contrast to \$4 in Japan. Members should realize how miserable Hong Kong workers are. A gas station attendant earns only \$4,000 or \$5,000 a month. I believe no gas station attendant in Japan earns this little. Land prices in Japan are higher than those in Hong Kong, and so are the wages there, but the pump price of motor diesel there is just \$4, which is \$3 lower than that in Hong Kong. Is that because oil companies in Hong Kong are reaping just too much profit? If yes, the fundamental problem that the transport industry must tackle will no longer be connected with fuel duty alone. Monopolization will instead be the fundamental problem. However, this problem does not fall within Secretary Frederick MA's portfolio. I think throughout the whole controversy, the Secretary's sole intention is just to increase fuel duty a little bit. But the point is that any increase in fuel duty, however small it may be, will most certainly result in totally unreasonable fuel prices. If fuel prices can be lowered to reasonable levels, then even if the Government introduces an increase in fuel duty or tries to recover its fuel duty revenue, people will still be willing to hold discussions. The reason is that people will at least think that oil prices are reasonable, and the transport industry will not think that it is being heavily exploited. If the industry is heavily exploited and made to bear a heavy burden of fuel costs, and if our oil prices are far higher than those in the most advanced countries, it will be impossible for our economy to develop. This is especially the case with the logistics industry, which Members have been mentioning so often as one of the most significant economic pillars of Hong Kong.

Some Members have talked about amending the relevant policy to assist the transport industry, about initiatives such as "four up, four down" and "one truck, one driver". But as long as oil prices remain high, all these policy changes will not enable the transport industry to survive, and the economic development of Hong Kong will still be adversely affected. Therefore, if the Government of the Hong Kong Special Administrative Region wants to restore fuel duty to its former level, it must realize that it will not succeed unless it can adjust oil prices. The reason is that we will certainly raise objection. Of course, if the Government insists on doing so, we cannot possibly say anything because the approval of the Legislative Council is not required. But still, if monopolization of the oil market continues, the economy of Hong Kong will be unable to develop on a sustainable basis.

Ms Miriam LAU talked about the two obsessions of the Government a moment ago. But I do not think that we should be talking about any obsessions. Rather, we should talk about "Siamese Twins" — the collusion between the Government and business. Why has the Government ignored the oil companies' market monopolization? These are not simply obsessions. Therefore, Madam President, if the Government really wishes to tackle the problem of fuel duty, it must first deal with the monopolization of the oil market. If this problem cannot be solved and oil prices are thus pushed up to the extent of eating into the Hong Kong economy, the controversies surrounding fuel duty will continue endlessly. Thank you, Madam President.

**MR LEE WING-TAT** (in Cantonese): Madam President, we support this resolution. The reason for the Democratic Party's support is that fuel costs represent a very large proportion in the operating expenditure of professional drivers, so if the effective period of the concessionary duty rate is not extended at this very time when the economy is still not in such a good shape, they will face very heavy pressure in their business operation.

However, I wish to say that I very much support what Mr LEE Cheuk-yan said a moment ago. There is indeed lots of *prima facie* evidence or information which shows that fuel prices in Hong Kong are far higher than those in other similar cities. One may well argue that fuel prices are determined by a number of costs factors, and as we can all see, land prices in Hong Kong are comparatively high, so it is only natural that they are reflected in the prices of oil. But lots of information also indicates that in other countries, although many gas stations are located in expensive sites, oil prices there are nonetheless very low.

Last time, when I spoke on Mr Ronny TONG's motion amendment, I talked about a long-standing vexation of mine — this very topic has been discussed for six or seven times in this Chamber since 1992. Are fuel prices much too high? Is the local fuel market marked by oligopoly? Have oil companies taken any overt or covert actions, so that they can increase oil prices quickly and lower them very slowly, so that they can even push oil prices up above the levels we generally consider appropriate? Members are aware that the Consumer Council has conducted some studies on all these questions. But owing to the constraints imposed by its terms of reference, the Consumer

Council has been able to access very limited information. As a result, it cannot conclude that the fuel market of Hong Kong is marked by any oligopoly or cartel. But the motion amendment of Mr Ronny TONG last time did succeed in eliciting some slight responses from the Government, because it undertook to conduct some studies. In a way, this is already an improvement of some sort. When consulting the Legislative Council on the Budget, the Financial Secretary also raised similar concerns, saying that studies would be conducted on whether there was sufficient competition among oil companies. Secretary Stephen IP also discussed this topic on a number of public occasions. I hope that the studies in questions are not just a ploy meant to deflect the demand of the Legislative Council.

Madam President, I think the Government must really think clearly how the problem can be handled properly in the end, or else it will have to suffer the adverse consequences. Why? There is *prima facie* evidence that oil prices are exorbitant, and if this is proven to be the result of profiteering caused by market oligopoly, the Government will certainly come under very heavy pressure. When professional drivers find that given the existing costs of operation, their business is no longer viable, they will definitely apply pressure on the Government and demand it not to end the concessionary duty rate. The concessionary duty rate was originally meant to last one year only, but its effective period has been extended for six years already, so what was first intended to be a provisional measure may well become permanent. As for the fluctuations of international oil prices, they too are beyond the control of our government officials. If prices fluctuate too sharply, pressure will emerge, as the trades affected will demand not only the continuation of the concessionary duty rate as a permanent measure but also the abolition of fuel duty altogether. I cannot understand why the Government, or the former Financial Secretary, was so indecisive. As a matter of fact, more and more people now believe that there is monopolization among oil companies. I hope that the Government can respond as soon as possible to our motion debate last month.

When we met with the Financial Secretary, he refused to be specific about any dates, simply expressing the hope that a reply could be available within three months or half a year (Secretary Frederick MA is smiling. I know that he has not set down any dates, but I hope that he can work more quickly). I think a timeframe of three months should be the passing grade. It will be too slow to take six months. And, if he cannot make it after six months, I suppose he

should really be "fired", because this is a matter of extreme urgency. I think if he cannot make it after six months, the capability of the Government in governance will certainly come under doubt, because the matter has dragged on for many years. I suppose the Government certainly will not propose to the Legislative Council to set up a select committee to obtain the information concerned. Actually, I do believe that the Government is able to obtain the necessary information. Once it can obtain the information, it will know the truth. I hope that the Government can prepare a satisfactory report to enable the public to see whether there is really any monopolization. I also hope that Ms Miriam LAU will not feel so disappointed, and that Mr WONG Kwok-hing will not feel so sad, as if they were playing the roles of PAK Yin and CHEUNG Wood-yau in the movies.

What I mean is that even if the Government does not do anything, we Legislative Council Members can still join hands to do the work ourselves. I hope that if the Government fails to do its work, Ms Miriam LAU will render me her support. We can actually form a coalition of the three major political parties and set up a select committee to demand information from oil companies. I know that the secrecy of lots of information is protected under the pretext of maintaining commercial secrets. I hope that the Government itself can also see that fuel duty has been such a headache to Secretary Frederick MA and the Financial Secretary every year. I simply fail to see how fuel duty can possibly be restored to the former level unless there can be sufficient competition to push down prices, to create more room for price cuts. If not, the concessionary duty rate will have to become a permanent measure. I hereby make an overture of co-operation to Mr WONG Kwok-hing, representatives of the Hong Kong Federation of Trade Unions, the Liberal Party and even Members belonging to the DAB. If the report submitted by the Government in three months or half a year is not satisfactory enough, let us all join hands to set up a select committee to explore whether oil companies in Hong Kong are monopolizing the market. That way, we will not have to discuss this topic any more next year, that is, the eighth year. Thank you, Madam President.

**MR LEUNG KWOK-HUNG** (in Cantonese): Many drivers have asked me to support this resolution and the continuation of fuel duty concession. I am obliged to support the continuation of such concession because they told me that their conditions are very miserable — oil prices are high, and not only this, there

have been two increases in the price of LPG. Individual operators such as drivers of taxis, minibuses and goods vans or self-employed persons also find business very difficult. But I cannot do anything.

I support the continuation of fuel duty concession, but I must say that I am in fact most reluctant and compelled to do so because I do not think that it is right to offer such concession to large enterprises consuming huge quantities of fuel. Even though they say that they will not use ULSD unless the Government can offer them fuel duty concession, it is still not right to do so, because as large enterprises, they should bear a greater social commitment than others. Small enterprises, self-employed persons and individual operators are so hard-pressed by the grim struggle for survival, the Government should really offer them some sort of subsidy, in order that they can help maintain a cleaner environment. This is in keeping with the "user-friendly" principle, which is certainly right.

However, asking me to support a low fuel duty for large enterprises consuming huge quantities of fuel is totally against my principle. I do not think that there is any justification for this. In fact, this can be illustrated by the following example. For instance, one of my friends has bought a very beautiful yacht, and every sailing will cost him several thousand dollars in fuel. He says to me, "For every sailing, I will have to spend much more than several thousand dollars." I ask him, "Why? Because you often drop things into the sea by accident?" He replies, "No. I mean I will have to spend several thousand dollars on fuel alone." Why should we offer any fuel duty concession to such a person? Or, some may be consuming huge quantities of fuel in making enormous profits, so why should we offer them any fuel duty concession? I cannot see any justification for doing so. But I cannot possibly do anything, as I cannot move any amendment. And, even if I can, no one in this legislature will pay any attention to my amendment. So, I cannot do anything, and I can only vote for the resolution.

Actually, anyone with any common sense will know what is meant by "The Seven Sisters". "The Seven Sisters" here are not the same as the seven sisters after whom Tsat Tze Mui Road<sup>1</sup> is named. "The Seven Sisters" here are a collective term for all the oil syndicates that monopolize the market of Hong Kong. "The Seven Sisters" are all here in Hong Kong. Who says that there is

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<sup>1</sup> "Tsat Tze Mui" in Cantonese means seven sisters. The road is so named in memory of the legendary deeds of seven sisters in Hong Kong folklore,

no cartel among them? Chop off my head, and still, I will not believe that this is the case. But it is impossible to uncover the truth because, as I already heard from Members' motion debates long before joining the Legislative Council, the Government always claims that all these are commercial secrets, the disclosure of which will create big problems. The Government can of course claim so, but the Legislative Council can in fact invoke the Legislative Council (Powers and Privileges) Ordinance. We Members are empowered under this Ordinance to ask for production of such information. I myself was once the victim of this Ordinance. I demonstrated three times in the Public Gallery, and every time, I was prosecuted under this Ordinance. How can they invoke this Ordinance so lightly when they want to prosecute me but remain so silent when large enterprises are involved?

I think the Government should have its own position. But then, what is the point I am driving at? I mean, I will not be surprised at all if it wants to co-operate with large syndicates, with "The Seven Sisters", or even with all the brothers and sisters of "The Seven Sisters", but the Legislative Council is not part of the Government. So, why should we implore them year after year instead of invoking the Legislative Council (Powers and Privileges) Ordinance? I think we should really look into the matter, and if we discover any problems, we should make them known to all in society, so that everybody can judge for themselves who are right and who are wrong. Only this can be called genuine monitoring of government performance. Since I became a Member, I have sought to invoke the Legislative Council (Powers and Privileges) Ordinance every time I want to access a certain document. All the organizations concerned are unwilling to release the documents I want, saying that they are not obligated to do so. The situation is just so simple. This is the case with the Independent Commission Against Corruption, with The Link REIT, and so on. Mr LEUNG Chin-man was sitting right over there then, and he simply said that he would not tell us anything, and that we would get the information when the Road Show was aired. Then, when I turned up for the press conference, I was given two sets of documents each as thick as a telephone directory. How can this enable me to monitor what is going on? Therefore, if Members wish to access any information which the Government says cannot be obtained, or any information which it does not want to release, I do call upon Members to invoke our Legislative Council (Powers and Privileges) Ordinance. If they do so, I will think that Members are still a bit "honourable" after all, for they are willing to monitor the Government in this way. If they refuse to do so, then, very sorry, why should they still be addressed as "Honourable Members"?

Fuel duty as a consumption tax is regressive in nature, in the sense that the fuel duty payable is directly proportional to the amount of fuel consumed. That is precisely why large consortia support fuel duty concessions. I think that even if we support such concession, we should still allow consumers to choose some cheaper fuels. That way, people can uphold the principle of environmental protection while having an easier time running their business. As for those businesses in need of huge fuel consumption, the duty they have to pay should be correspondingly higher, so as to make them pay more in duty. Yacht owners, for example, should be made to pay more. After all, no one tells them to buy something that drinks so much fuel, right? These are not necessities anyway. Therefore, in regard to fuel duty concession, I think we should really get it done once and for all instead of repeating the same process every year. Many people say that we must be sensible. Well, to me, this is really the most sensible approach. Whoever consumes more fuel, whoever causes pollution, should be hit hard and made to pay more.

My second point is about oil prices. Our high oil prices are to a certain extent attributable to the Government. The main reason is the Government's refusal to delink the Hong Kong Dollar and the US Dollar. As a result, when the US Dollar is weak, the Hong Kong Dollar will also be weak, thus exerting such a heavy burden on us when international oil prices are high. The Government should be held responsible, but this is a matter of financial policies.

I wish to point out further that the misdeeds of oil companies in Hong Kong are related to the issue of oil and LPG depots that we have been discussing. I have recently received two complaints about the conversion of sites into oil depots. This is the result of Secretary Stephen IP's policy on competition. Following the formulation of this policy, he granted five land lots all in one single batch to PetroChina for the construction of oil depots. PetroChina is a red-chip enterprise of the Mainland. Consequently, I do not think that this should be done.

**DR KWOK KA-KI** (in Cantonese): Madam President, I support this resolution and believe that no one can object to it.

Just as some colleagues said, how many times must this resolution be submitted? Therefore, I hope the Secretary for Financial Services and the Treasury will explain clearly to us in his reply later, stating how long such an arrangement will continue. I think no one will oppose the offering of some incentives to encourage the transport industry to use ULSD. Nor will anyone oppose the introduction of relief measures to assist certain industries. The problem is that the existing arrangement has already caused many to suffer.

In this Chamber, we have had much discussion about the enormous costs paid by many people owing to the huge fiscal deficit and economic restructuring problems faced by Hong Kong. Despite intense lobbying, we failed to persuade the Government to revert the Comprehensive Social Security Assistance payment to the previous level; nor had we succeeded in urging the Government to increase its medical and welfare spending to cater for the needs of low-income earners and those in abject poverty.

However, we choose to grant duty concessions. The ostensible purpose of this is to assist the transport industry, but in fact it is creating more opportunities for some oil companies to achieve monopolization. I agree with many colleagues, including Ms Miriam LAU, in saying that when we consider measures to help the transport industry in future, we should focus on enhancing the transparency of the oil industry and ensuring these unfair acts are appropriately monitored by society and subject to statutory regulation. If consideration were not given to these factors, I think it would be meaningless for us to pass the resolution here year after year. Neither can I see an end to this.

If the situation continues, I suggest or urge that more colleagues should come forward, as the industries they represent are hamstrung by large corporations, including power companies and oil companies, they can demand the Government to give out money. Since we are all looking for a more open approach, we may just as well voice our requests. However, if the Government continues to condone monopolization in certain industries, it will be very unfair to all those being affected and the residents of Hong Kong at large. Thank you, Madam President.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, I support this resolution from the standpoint of sole proprietor professional drivers. It is

mainly because of the fact that amid the economic doldrums, a group of professional drivers, especially those van-type light goods vehicle drivers, find it hard to survive in the face of the high oil price policy. In fact, the trade is the lifeline of many people. For that reason, I do not wish to see these people put in predicament because of this issue, since their capability to find another job is very low. Therefore, this is a point we must consider.

Just as a number of Members said earlier, we have no alternative but to support the system and the policy. Nevertheless, we have expressed many opinions, including the situation that Members have referred to just now, that is, we should not benefit conglomerates and enterprises by providing them the concession despite the fact that oil consumption is rising. Some people are even of the view that consumers who engage in leisure activities ought not enjoy the concession.

As this industry can get the subsidy, some people opined, why could other industries not get the same treatment? Given these resentments, this system, in the long run, is not a good solution. The Government should work out some better solutions in order to help those people who are in genuine need. As a matter of fact, the "better solutions" I refer to should not only be solutions to the problems of their everyday lives, but also solutions to environmental problems. The use of this type of fuel will cause serious environmental pollution, therefore a reduction in its duty will not necessarily help solve the problem.

I consider that it is time the Government examined more issues, instead of being blear-eyed. My suggestion includes several aspects. As Members said just now, we should fight the monopolization by large consortia. In this respect, I think we should think it over and make some efforts, instead of dragging on year after year like we have been doing so far. As some Members said, if the Government continues to drag the matter on and on, Members of the legislature should think about what efforts should be made in order to fight the monopolization by consortia. Only if we can effectively fight such monopolization in the trade can it serve as a warning to other industries, which will also significantly improve the situation of the fight against monopolization that we have advocated since the beginning of this Legislative Session. I hope Members from different political parties can be more positive in this respect and tolerate the situation no more.

On the other hand, I also hope the Government can ponder over an issue, that is, as far as fuel is concerned, it is not the only type of fuel available. In fact, it is not the wish of a lot of professional drivers to use the fuel as the only option. Firstly, they are concerned that it will get increasingly difficult to ask the Government to give the duty concession year after year; even the Government gives the concession this year, they may not get it the next. This will not only cause instability to their livelihoods, but will also bring another form of huge pressure to them. Their livelihood will not only become instable due to the pressure, they will also be criticized for creating pollution. Another persistent problem to these van-type light goods vehicle drivers is that their vehicles are prone to emit black smoke or excessive exhaust emissions. Besides their fear of being ticketed, they are also afraid of being accused as polluters. In order not to aggravate the level of pollution of our environment, will the Government consider ways to help these van-type light goods vehicle drivers in terms of diesel to LPG conversion?

Unfortunately, the Government only looks on unconcerned and does not help the trade to find a way out. The Government only says that LPG stations and storage facilities have reached saturation level and there is no room for increase, thus the conversion for van-type light goods vehicles is not allowed. I consider that this has not helped to solve the problem, and it should not be used as an excuse. As long as the Government is determined to work out a solution, I think there must be a solution. The Government should look at the reason why the recent air pollution has become so serious, and I think this issue warrants the Government's careful consideration.

Van-type light goods vehicle drivers are prepared to co-operate with the Government and they wish to convert their vehicles into LPG-powered vehicles. They have requested the Government to permit them to conduct trials and see if the result is acceptable. Nevertheless, even their request for trial was turned down by the Government. Why should the Government do that? From both the concession perspective (drivers are of the opinion that it is an undignified move to ask the Government for a duty concession) and the environmental protection perspective, it is necessary for the Government to take that issue into consideration. However, it seems that the Government has never considered it. For that reason, I wish to take the opportunity of this debate session to remind the Government that it should consider helping these professional drivers from the perspectives of environment as well as livelihood of the people, so that they

need not face criticism on the one hand and beg for government concession on the other. I consider this is the solution which can kill several birds with one stone. I hope the Government can consider these issues carefully.

I so submit, Madam President.

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

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): If not, I now invite the Secretary for Financial Services and the Treasury to reply.

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, first of all, I wish to thank Members for their opinions. In fact, the many opinions put forward by Members earlier on were already heard by me in the motion debate a few weeks ago.

Firstly, I wish to reiterate that the Government fully appreciates the operational difficulties faced by the industry. As the economic conditions in Hong Kong have remained not very good over the past few years, the Government has, therefore, proposed an extension of the effective period of the concessionary duty rate. In fact, as we all know, the Government proposed this duty concession in 2000 not for economic reasons, but for environmental reasons. So, I wish to point out that the Government has already shown understanding and sympathy to the industry. Please do not say that we have not shown understanding and sympathy to the industry and that we have not been doing enough. This is the first point.

Secondly, I entirely understand that Members are speaking for the industry. But the Government is also speaking for the industry. Otherwise, we would not have proposed resolutions to extend this duty concession. However, I believe Members do appreciate that the Government, in formulating policies, cannot adopt such a narrow vision. When making decisions on a policy, we have to take into account a host of reasons or factors, including whether or not

the adoption of a measure is unfair to other taxpayers. Regarding the comment made by Mr WONG Kwok-hing earlier, that the Government would only lose 1% in duty revenue, the question is who should pay for this 1% shortfall in revenue in order to meet government expenditure. Is it that Members in this Chamber would agree to a tax increase? A loss of 1% here may be insignificant, and a loss of another 1% there also seems to be trivial. But these minor losses would add up to a big sum of money and by then, the fiscal deficit would become even more serious. So, the problem is not this simple. While the Government has to take care of the industry, it also has to take account of the financial conditions and the principle of fairness. If every industry requires financial assistance from the Government, the fiscal deficit of the Government would become more and more serious. I just wish to explain this position of the Government. Honestly, we do not wish to come here every year to discuss this resolution, for this will waste a lot of time. Dr KWOK Ka-ki, who is not in the Chamber now, asked me earlier when a review would be conducted. In fact, as I stated in my speech earlier, we will conduct a review in 2005 before the expiry of the duty concession. Do we want it to be done this way? No, we do not. It is the best if the economy will be extremely thriving then and everyone is pretty well off in their living, so that we do not have to provide this concession any longer. But we do understand the present economic environment and that is why we have conducted a review every year and extended the concession year after year.

Earlier in the debate, many Members mentioned oil prices. In the last motion debate, Members had actually spent a lot of time on this point in the discussion. I think Mr Ronny TONG's analysis was particularly good. The next day when I was back in my office, I discussed this with Secretary Stephen IP who was already aware of the entire situation, and he was very concerned about this too. He reminded the oil companies to provide to the public their justifications for any price adjustment. After he had made this remark, the fuel prices were adjusted downwards the next day, and this proves that his reminder has produced positive effects.

I only wish to assure Members that Secretary Stephen IP will keep a very keen interest in this issue — this is not within my ambit but I know he will. The Financial Secretary has also expressed grave concern over this issue. We will, in the Competition Policy Advisory Group, proactively study whether there is any anti-competitive act on the part of the oil companies.

Finally, I wish to point out that this duty concession is absolutely helpful to the industry, and there is indeed a decrease in the Government's revenue from duty. With a duty rate of \$2.89 per litre for this fuel, the Government's revenue can increase significantly. So, I hope Members will understand the situation of the Government and the difficulties of the Government and support this motion. Thank you, Madam President.

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

(Members raised their hands)

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

(No hands raised)

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

## **MEMBERS' MOTIONS**

**PRESIDENT** (in Cantonese): Members' motions. Proposed resolution under the Interpretation and General Clauses Ordinance to extend the period for amending the Waste Disposal (Designated Waste Disposal Facility) (Amendment) Regulation 2004 and Waste Disposal (Charges for Disposal of Construction Waste) Regulation.

## **PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE**

**MISS CHOY SO-YUK** (in Cantonese): Madam President, I move the motion standing in my name on the Agenda.

In the meeting of the House Committee on 5 November 2004, Members agreed to form a Subcommittee to study the Waste Disposal (Designated Waste Disposal Facility) (Amendment) Regulation 2004 and Waste Disposal (Charges for Disposal of Construction Waste) Regulation. I was elected Chairman of the Subcommittee. In my capacity as Chairman of the Subcommittee, I move that the scrutiny period for the subsidiary legislation be extended to 5 January 2005 in order to allow Members sufficient time to scrutinize the Regulations and report to the House Committee.

Madam President, I urge Members to support the motion.

**Miss CHOY So-yuk moved the following motion:**

"RESOLVED that in relation to the —

- (a) Waste Disposal (Designated Waste Disposal Facility) (Amendment) Regulation 2004, published in the Gazette as Legal Notice No. 165 of 2004; and
- (b) Waste Disposal (Charges for Disposal of Construction Waste) Regulation, published in the Gazette as Legal Notice No. 166 of 2004,

and laid on the table of the Legislative Council on 3 November 2004, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 5 January 2005."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss CHOY So-yuk 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 and that is: That the motion moved by Miss CHOY So-yuk be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

#### **THAT THE COUNCIL DO NOW ADJOURN**

**PRESIDENT** (in Cantonese): Motion on Adjournment.

**PRESIDENT** (in Cantonese): The mover of the motion and other Members will each have up to 15 minutes to speak. In addition, the mover of the motion has another 15 minutes for his reply.

**MR ALBERT CHENG** (in Cantonese): Madam President, I move the following motion: "Having regard to the Administration's and the Housing Authority's disregard for the motion passed by the Panel on Housing of this Council at its special meeting on 22 November this year that the Housing Authority should put the listing arrangements for The Real Estate Investment Trust (The Link REIT) on hold until a consensus has been reached between The Link Management and the commercial tenants, to debate and express opinions on the listing and public offering arrangements, evaluation of assets and all matters relating to the divestment of retail and car-parking facilities in public rental housing estates in respect of The Link REIT."

Madam President, the Legislative Council Panel on Housing met last Monday, that is, on 22 November, to discuss the listing arrangements for the Real Estate Investment Trust (The Link REIT). A consensus was reached and the following motion was passed: "That this Panel urges the Housing Authority (HA) and The Link Management Limited (The Link Management) to jointly discuss with the commercial tenants as soon as possible the specific transitional arrangements, including the tenancy policy, in concrete terms before the listing of the Real Estate Investment Trust, so as to ensure that the commercial tenants will not suffer a sharp increase in rent, or even be forced out of business as a result, thereby saving the residents from having to bear the adverse impact of rising prices; and that the HA should put the listing arrangements on hold until a consensus has been reached between The Link Management and the commercial tenants." It is unfortunate that despite the benevolent words spoken, those who hear choose not to listen. At a time when more than 10 000 commercial tenants are affected by the proposed listing of The Link REIT and when hundreds of thousands of car park users and more than 3 million public housing tenants are distressed, the HA seeks to push through the listing of The Link REIT in blatant disregard of the demands of the Legislative Council and the wishes of the public at large.

Though the HA is a statutory body which is financially autonomous, the attempt to privatize all its assets will shake the very foundation and change the original rules of the game. The situation is completely different and it is extremely unusual. Moreover, the shopping malls and car parks in the public housing estates under the HA are all public assets and owned by all the people. Now this move to sell all the shares is actually selling public assets in disguise and it is only reasonable that approval of the Legislative Council is to be obtained as this Council has the mandate of the people. It is outrageous that the HA has never bothered to heed the advice of this Council and it is bent on having its way. This kind of arrogance is unbearable.

Two major issues are involved in the listing arrangements of The Link REIT. One is about the social turmoil it causes and that has a great impact on people's lives. The other is whether or not public assets will be disposed of at a knock-down price.

After The Link REIT is listed, as there is a change in the title to ownership of the shopping malls and car parks in the public housing estates, it will certainly

affect the interests of the commercial tenants, users and public housing tenants. In fact, the commercial tenants and users have expressed their concern to Members of this Council many times and they have formed a group called Alliance of Tenants of Public Housing Estates Shopping Malls and Car Parks. The Alliance urges the HA to conduct full-scale consultations of the tenants, users and residents. Now the HA has acted in total disregard of their wishes and hurried its way through the listing. It is none other than officials dictating their wishes and turning a deaf ear to public opinion.

Frankly speaking, the residents are completely justified in their worries and these are not unfounded. As we all know, intense competition and the absence of laws ensuring fair competition have led to monopolization in many trades and industries in Hong Kong. Many of them are controlled by a few giant conglomerates and this is most serious in the retail services industry. Daily necessities which are closely related to the life of the general public are almost completely monopolized by the giant supermarket chains. The shopping malls of public housing estates where small businesses owned by individuals operate may well be considered the only living space for these small and medium businesses. For these 10 000 or so commercial tenants and with the lives of tens of thousand families on their shoulders, they are bound to be victims if the shopping malls in the public housing estates are privatized. This is because The Link Management will attach great importance to the interest of shareholders and that means commercial considerations and market needs will reign supreme. It is only inevitable that there will be direct clashes with the interests of the existing tenants and users. As a matter of fact, the prospectus of The Link REIT states that within 12 months after listing, active efforts will be made to seek an improvement of the lease agreements and the combination of trades in its shopping malls. For the commercial tenants, this will mean a most imminent threat. So the social repercussions which the listing of The Link REIT may bring about are hard to estimate. And so are the social costs. That is why we oppose any rash moves by the HA. We urge that before the HA makes any decisions on listing, it must consult all the commercial tenants and users. Their representatives should be included in the supervisory framework in order to ensure that their interests will be fully protected.

On the other hand, the users are very concerned about the uses of the car parks. Of course, they are concerned about the parking charges and how they will be determined. A more important point is that if in future The Link

Management changes the uses of the car parks due to commercial considerations, for example, some of the car parks may be changed to second-hand vehicles sale concourse or other uses, this will mean inconvenience to the users. It may even change some of the shopping malls into theme malls in order to attract the patronage of people not living in the public housing estates. But this will exert a heavy demand on transport facilities in the district and sole proprietor businesses may be driven out of the theme malls. Hence residents of the public housing estates concerned will find it greatly inconvenient. The HA must accord a high priority to the interests of the users and residents of the public housing estates.

All the above are causes of concern to the some 10 000 commercial tenants, the tens of thousand users of car parks and the some 3 million residents of public housing estates. Can the HA pretend that it does not see anything and hear nothing?

Apart from the social repercussions that the listing of The Link REIT may bring, the selling of public assets by the HA at knock-down prices will only cause public outcry and this is a matter of great concern to us.

First, the listing of The Link REIT is an attempt made by the HA to privatize all its assets. The questions of how public assets should be distributed and the proceeds from the sale of public assets are definitely questions which affect public interest. These must never be decided by the Government without the mandate of the people.

Second, if only we work out carefully the value of the assets to be disposed of by the HA in the form of an investment trust, we will agree that this is another occasion which the HA is selling its public assets at dirt-cheap prices after it has done the same with the Hunghom Peninsular.

From the listing information released by The Link Management, it is known that The Link Management plans to sell 1.97 billion fund units, each at a consideration of \$10.51 to \$10.83, in order to raise \$20.7 billion to \$21.3 billion. Should market reactions be enthusiastic, another 217 million shares may be sold to raise another \$2.28 billion to \$2.35 billion. In other words, even if all the fund units are sold at the maximum price and the maximum number of shares, when added to the loans raised by The Link Management to the amount of \$8.638 billion, at most about \$32.3 billion can be raised.

But just how much are the 151 shopping malls and 80 000 parking spaces which the HA wants to dispose of by listing worth?

At the lowest market price, a parking space in any district can be sold at a price of \$100,000. It is because if a parking space is leased out at the lowest market price of \$1,000 monthly, the annual return will be 12%. This is an investment which every person will dream of in times as these. So for the 80 000 parking spaces of the HA alone, if they are all sold at a price of \$100,000 each, then it will cash in \$8 billion for the HA. For the remaining 151 shopping malls, do they worth just \$24.3 billion altogether? Anyone who has the smallest knowledge of the property market will know that this is really an once-in-a-lifetime mega-bargain. For just a single shopping mall will mean a lot of money. Take the example of the Lok Fu shopping mall located in my constituency. The malls in phases I and II have a total of 36 000 sq m of retail area. The malls are the largest ones among all the malls of the HA. An area of 36 000 sq m means an area of 360 000 sq ft. If we use \$10,000 as the price per sq ft which is the lowest market price, it would mean \$3.6 billion. In other words, if the market value of Lok Fu Centre is discounted, then the remaining 150 shopping malls in the public housing estates can be sold at a price of \$20.7 billion only after the listing of The Link REIT. That means the average price of a shopping mall is \$138 million. As the total floor area of all the shopping malls in the public housing estates is close to 10 million sq ft (excluding the Lok Fu shopping malls) and when the average price per sq ft is only \$1,533, that is, shopping malls worth tens of billion dollars will be sold at a hundred-something million dollars, is this not selling property at knock-down prices?

Honestly, the asset evaluation work done by the HA is not professional at all. This leads to suspicions that the asset value is grossly undervalued. Things will be clear just by citing one or two example off-hand. From the prospectus of The Link REIT, the information shows that a parking space with the lowest valuation is situated in my constituency, that is, in the car park in area 3 of the Sau Mau Ping Estate. A parking space there is sold at only \$14,031. A parking space there is evaluated as worth \$14,000. The car park there has 784 parking spaces and the total valuation is only \$11 million. In other words, one will just need to pay \$11 million to buy all the 784 parking spaces at area 3 of Sau Mau Ping Estate. The shopping mall with the lowest valuation is in Siu Hei Court in Tuen Mun where each sq m of floor area inside the mall is evaluated as worth only \$3,217, that is, each sq ft is sold at \$321.7. What can be bought with this price nowadays? Such incredible knock-down prices will

certainly be attractive to any member of the public with spare money in his pockets. Why does the HA have to give its assets away by listing?

The HA is just trying to sell its assets at dirt-cheap prices publicly in the name of listing. If this is done like the case with the Tracker Fund where the people of Hong Kong were the target buyers, then the authorities may say that they are returning wealth to the people and this lame excuse can be acceptable, though barely. But now close to one quarter of the fund units to be sold by The Link Management, that is 25%, are allotted to nine so-called cornerstone investors and one strategic investor. The ordinary investors in Hong Kong are only allotted 10% of the units. Even if market reactions are warm, it is estimated that the extra units to be allotted through the call-back mechanism will not be more than 40%. This is obviously an outright transfer of benefits. How can one not feel outrageous really?

If wealth is to be returned to the people, should the shares be allotted to Hong Kong people first, instead of international investors? All the people of Hong Kong are interested in knowing what the answer to this is. Another thing is, last Sunday when I attended a forum in Victoria Park, an old man asked me, not rebuked me, "Why is such a neat deal not struck with the MPF?" MPF stands for provident funds, or mandatory provident funds rather. I have just made a slip of tongue because I still want to have a provident fund very much, that is why I have said provident fund. Besides, the government surpluses managed by Mr Joseph YAM may also use some money to buy the fund units. As The Link REIT will offer an annual return of 6%, it is definitely better than the investments presently made by MPF and the Hong Kong Monetary Authority.

I wish to say here that the most important thing is to consult the public, and before the people have sufficient opportunities of voicing their opinions and before investors can put their minds at ease, I demand that the HA put on hold at once matters concerning the listing of The Link REIT. I oppose this total disregard of the interests of the commercial tenants and users of the shopping malls of the public housing estates, and more so I oppose this selling of public assets at knock-down prices. I so submit. Thank you, Madam President.

**Mr Albert CHENG moved the following motion: (Translation)**

"That this Council do now adjourn for the purpose of enabling Members, having regard to the Administration's and the Housing Authority's

disregard for the motion passed by the Panel on Housing of this Council at its special meeting on 22 November this year that the Housing Authority should put the listing arrangements for The Real Estate Investment Trust (The Link REIT) on hold until a consensus has been reached between The Link Management and the commercial tenants, to debate and express opinions on the listing and public offering arrangements, evaluation of assets and all matters relating to the divestment of retail and car-parking facilities in public rental housing estates in respect of The Link REIT."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That this Council do now adjourn.

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, I am very glad to have this opportunity here in the Legislative Council today to discuss with Members the plan of the Housing Authority (HA) to divest its retail and car-parking facilities, and to respond to the concern in the community about this project.

First of all, I must thank the President for allowing me to speak twice. I will first explain and analyse the background of the divestment project and respond to a number of concerns expressed in the community. Then, I will listen carefully to the views of Members and after that, I will give a detailed response to the speeches of Members.

The proposal of the HA to divest its retail and car-parking facilities was first proposed by a consultant commissioned by the HA in 2000. Later, the proposal was also recommended for implementation in the Report on the Review of the Institutional Framework for Public Housing published by the Government in June 2002. To further study the proposal, the HA then commissioned consultants to look into various options and to make recommendations on the way forward.

In the policy agenda published in January 2003, the Government announced that an assessment would be made of the various divestment options. In July 2003, the HA approved in principle the divestment project and set up a Supervisory Group on Divestment (SGD) to formulate and implement the

relevant plans and to steer the implementation of the project. The Government subsequently submitted a Legislative Council Brief to the Legislative Council. We later attended five meetings of the Legislative Council Panel on Housing in November 2003, December 2003, May 2004, July 2004 and November 2004 to listen to members' views on the divestment.

The main objective of the HA's divestment of its retail and car-parking facilities is to enable the HA to withdraw from commercial operation, so that it can focus on its function as a provider of subsidized public housing. Divesting the relevant facilities for private ownership and operation is consistent with the general policy objective of "small government, big market", and will help enhance the cost-effectiveness of the operation of these facilities to the benefit of the commercial tenants and residents. Besides, the HA can channel the proceeds from divestment valued at some \$32 billion for the construction of public rental housing flats to alleviate the dire financial hardships faced by the HA in the short to medium term, so that the Government and the HA can have more time to identify ways to tap new sources of revenue and cut expenditure, with a view to resolving the underlying financial difficulties of the HA.

With the consent of the SGD, the divestment will be implemented through the establishment of a Real Property Investment Trust (The Link REIT) which will hold the HA's retail and car-parking facilities to be divested and will be managed by a new company established for the purpose, namely, The Link Management Limited (The Link Management). This company will be beneficially owned by unit holders of The Link REIT and held in trust by The Link REIT's trustees. The Link REIT is expected to be listed in the Hong Kong Stock Exchange on 16 December.

There are mainly three areas of concerns about the divestment project in the community: First, as mentioned by Mr Albert CHENG just now, its impact on commercial tenants; second, the valuation of assets, as also mentioned by Mr Albert CHENG; and third, the allocation ratio between institutional investors and retail investors, which was also mentioned by Mr CHENG.

The HA commenced an extensive consultation exercise immediately after making the decision to divest its retail and car-parking facilities. Apart from sending out leaflets to all commercial tenants and other concerned parties to inform them of the key features and timetable of the divestment project, the HA has also met various commercial tenant groups from time to time to update them

on the project progress and listen to their views. For example, in July and August last year, colleagues in the Housing Department (HD) met with major commercial tenant organizations in groups, and in December last year, the SGD also met with major commercial tenant organizations in two groups. Moreover, the representatives of the HA also attended meetings of the District Councils (DCs) upon the request of individual DCs to listen to their views.

After the establishment of The Link Management, the HA has given it the views collected through various channels for its detailed consideration. The Link Management has clearly stated that it attaches importance to communication with commercial tenants, in order to forge a close partnership with commercial tenants and to work in concert with them for more effective operation of the retail and car-parking facilities. Since he took office in July this year, Mr Victor SO, the Chief Executive Officer of The Link Management, has held meetings with commercial tenant groups and commercial tenants in various districts to discuss with them issues of common concern, with the objective of reaching a consensus.

We believe that on the basis of partnering and mutual benefits between The Link Management and commercial tenants, the reasonable demands of the commercial tenants can certainly be dealt with properly and hence a win-win situation achieved. The Link Management and the Hong Kong Public Housing Estate Shop-operators Union which represents 7 000-odd commercial tenants in public housing estates have already reached a preliminary consensus on four general principles in respect of tenancy renewal, rental policy, industry policy and termination of contract. Both sides have also agreed to continue their dialogue on such basis.

Many commercial tenants have expressed concern over the future tenancy arrangement to be made by The Link Management. They are particularly concerned about whether The Link Management will increase rents substantially to the neglect of the market discipline. But as stated in the Offering Circular of The Link REIT, rent increase is not a main objective in the business plan of The Link Management. Its prime objective is to cut expenditure and improve the economic efficiency of the shopping centres by, among other things, stepping up publicity and promotion, improving the environment of the shopping centres, and attracting more customers to boost patronage to commercial tenants. It is only on these premises that there is room for The Link Management to adjust the rent in accordance with the business situation of individual trades and industries.

In the Offering Circular The Link Management has proposed a series of measures on operational enhancement. We believe these measures will not only benefit The Link Management. They will also benefit the commercial tenants, car park users and even the general consumers, including public housing tenants.

On asset valuation, some Members said that in divesting its retail and car-parking facilities, the HA is selling its assets at "dirt-cheap" prices. Honourable Members, this is a very serious allegation and most unfair remark.

The HA absolutely will not sell its assets at prices below the market level. Asset valuation is very important in the monitoring of The Link REIT. The Real Estate Investment Trust Code (the REIT Code) of the Securities and Futures Commission has set out stringent requirements on asset valuation to protect investors. In accordance with the REIT Code, the HA has commissioned an independent property valuer to conduct an independent valuation of the assets to be divested. According to the independent valuation, the 180 retail and car-parking facilities in the divestment portfolio have a total market value of \$30.85 billion, with the retail and car-parking facilities accounting for \$24.5 billion and \$6.35 billion respectively.

The valuation is conducted by the independent valuer in accordance with the valuation standards stipulated by the SFC using two methods. One was based on the annual discounted cash flow from the net income, whereas the other was based on capitalization of the net rental income. This is mainly to take into account the characteristic of The Link REIT holding real estate properties for lease, which is a common international practice. In arriving at its valuation, the independent valuer has made reference to recent sales and leasing transactions of comparable properties to ensure that the valuation made with these two methods is in line with the market rules.

The HA has provided statistics to the valuer and examined the assumptions adopted in the valuation. Besides, in the course of the valuation, colleagues of the HD have also done their utmost to provide detailed explanation and information to the valuer, in order to gain the recognition of the valuer. However, the HA cannot influence the relevant work in the process and the conclusion of the valuation. The valuer commissioned by us enjoys a good status and reputation in the trade. It has conducted the valuation in a very detailed and stringent manner and has made independent decisions on the valuation. The Joint Global Co-ordinators commissioned by the HA and the

independent financial advisers of the HA have also examined the relevant statistics and assumptions in the valuation. They have come to the view that the valuation is reasonable and agreed that it is soundly based.

As for the allocation ratio between institutional investors and retail investors, the initial public offering of The Link REIT will include global offering and Hong Kong public offering. Global offering will target at local and foreign institutions as well as professional and other investors, whereas the Hong Kong public offering will mainly target at local retail investors. According to the initial allocation ratio that has been published, 90% of the total number of units will be allocated for global offering, whereas the remaining 10% will be for public offering in Hong Kong. The ratio of 90 to 10, and even 95 to 5 as in other similar offering exercises, has been commonly adopted in a vast majority of large-scale initial public offering exercises in recent years. I must emphasize that this ratio will generally be revised depending on the subscription rate.

In fact, the Offering Circular of The Link REIT has clearly provided for a clawback mechanism. If the units are oversubscribed by over 15 times under the Hong Kong public offering, then units must be reallocated to the Hong Kong public offering from the global offering, so that the total number of units available under the Hong Kong public offering will be no less than 30% of the units available in the public offering. The more the number of units oversubscribed, the higher the minimum percentage of units to be reallocated for subscription under the Hong Kong public offering. Given that the clawback mechanism only provides for the minimum percentage of reallocation, the HA absolutely has the flexibility to reallocate a higher percentage of units for the Hong Kong public offering. Here, I can assure Members that the HA will, in the light of the actual situation of oversubscription under the Hong Kong public offering, allocate a greater proportion of the units for retail investors in Hong Kong.

There is the view in the community that all the units should be allocated for retail investors. Our view is that international or institutional investors should not be totally excluded from the public offering. The allocation of an appropriate proportion of units to institutional investors who are expected to hold the units for a longer time will be conducive to price stability in the future. It will also be beneficial to retail investors holding the units and to the order of transactions in the market. Moreover, we must not neglect the fact that Hong

Kong is an international financial centre, and in the course of the listing of a fund, we must allocate part of the units to overseas or institutional investors. This is in line with the market expectation and will make us worthy of our position as an international financial centre.

The scale of this divestment project of the HA is the largest of all privatization projects in Hong Kong. Furthermore, The Link REIT is the first Real Estate Investment Trust in Hong Kong and the largest listing project in the world involving a single Real Estate Investment Trust. We have been working jointly with many professional consultants and under the monitoring of the SGD, we will endeavour to do the best we can.

We trust the divestment project will give play to the potentials of the shopping centres and car parks of the HA and hence open up better business opportunities for commercial tenants. All in all, the divestment project will bring an all-win situation for the Government, the real estate and financial services markets, commercial tenants, as well as the people of Hong Kong.

Thank you, Madam President.

**MR WONG KWOK-HING** (in Cantonese): Madam President, the Housing Authority (HA) is an autonomous organization, but it is also funded by taxpayers' money. In other words, the assets of the HA and the Housing Department (HD) are the public assets of all Hong Kong people.

The HA and the HD have never released any information on the value of the retail and car-parking facilities chosen for divestment. They have just resorted to the listing legislation as an excuse, refusing to explain why it is impossible to hold any pre-listing discussions in the Legislative Council to give us a clear idea of the value of the assets. According to the Secretary, the Government has consulted the Legislative Council five times on the divestment. The latest consultation was held in November 2004, after my joining the Legislative Council, so I was able to take part. But I know nothing about the previous four consultations.

But even in the latest consultation, the Government seemed completely unable to answer the questions asked by Members, that is, all those questions asked just now. It is indeed hard to understand why this can be called

consultation or an attempt to gauge Members' views. What is more, the Secretary claimed that the relevant District Councils had been consulted. As the Chairman of the Eastern District Council, I am compelled to speak the truth here — the Eastern District Council has never received any documents on this matter. I am aware that sometime after the announcement of the divestment exercise, perhaps last month, some Eastern District Council members did write a letter to the Government in their individual capacity, asking government officials to attend a meeting to answer questions on the matter. But the government official who turned up for the meeting refused to disclose any information. I suppose this is what they mean by "consulting District Councils". The Eastern District Council is one of the largest District Councils in terms of membership, but why is it that even we in the Eastern District Council have failed to receive any information? Consequently, to those who claim that there is no problem with the divestment of the HA's assets, I must say that there are reasonable grounds to suspect that the actual value of the assets to be divested by the HA and HD may well exceed the target amount of capital-raising. As a result, if the HA and HD still press ahead with the listing exercise, especially if they do not offer us any cogent reasons, we simply cannot rule out the possibility that the whole exercise is just a cheap sale of Hong Kong people's assets. And, after looking at the conduct of the Government over the past few years, we cannot see any strong reasons why we should not be suspicious of the HA's recent move.

Madam President, the sale of assets by the HA is in fact the same as the privatization of public assets. Such a move can indeed provide temporary relief to its financial difficulties, but if we think about the whole thing calmly and carefully, we will realize that the Hong Kong Government does not have too many public assets, so it cannot rely indefinitely on the sale of public assets as a means of relieving financial difficulties. If it does so, how many government assets can still be left for sale in the future? Besides, the capacity of the market to absorb public assets will sooner or later be exhausted, and in the end, it will become a sum-zero game. There is no doubt an undertaking that rents will not be increased in the immediate period following the privatization of the retail and car-parking facilities in question, but how long will be the "immediate period"? According to the reply given by the Government in November, it will last half a year only, up to June 2005. And, business is business, one can envisage that shop rentals will eventually rise, and so will car park rentals. In the end, costs in our society will rise correspondingly. Will this run counter to our society's emphasis on reducing business costs and enhancing competitiveness? Madam

President, The Chinese University of Hong Kong published today a survey report on the competitiveness of Hong Kong in the eyes of enterprises. According to the findings, although many foreign enterprises are still satisfied with the reliability of Hong Kong's electricity supply, telecommunications facilities, water supplies and transport systems, many of them will still leave Hong Kong and shift their investments elsewhere if there continues to be no improvement to rentals and transport costs in Hong Kong. Should we thus pay attention to the possible increases in social and business costs resulting from the listing of The Link REIT?

Madam President, the HA's current rental revenue is very stable, averaging \$1.7 billion per annum. Why should it forgo such a stable source of revenue? The sale of its assets can no doubt provide temporary relief to its financial difficulties, but has it ever considered its revenue in the long run? With the proceeds from the sale of assets, just how long can it cope? What is it going to do if any further financial difficulties arise after the sale?

Madam President, who will enjoy the most benefits in the sale of assets? Can the retail operators in the shopping arcades concerned share the benefits? Will the sale of assets lead to the total disappearance of markets that have provided so much convenience to the public and also their replacement by the two large supermarket chains? Many families have to rely on a small retail shop to earn their living. They have tried every possible means to struggle for survival. Why does the HA not appreciate their efforts? Why does it want to drive them out of existence instead? When even these small businesses cannot survive, will our society stand on the side with folded arms?

Madam President, I do have many doubts. But as a conclusion, I wish to end my speech by asking the following question. Will The Link REIT become a repetition of the Hunghom Peninsula incident, which has attracted so many criticisms?

Madam President, I so submit.

**MRS SELINA CHOW** (in Cantonese): Madam President, I very much agree to your reason for approving the conduct of this adjournment debate today. I also think that this is a very significant issue to the public because the divestment of

the retail and car-parking facilities under the Housing Authority (HA) through The Link REIT really involves huge government assets. For this reason, I agree that the matter must be discussed in this Council. I believe Members should have been to those public housing estate shopping centres run by the HA and also those shopping arcades developed and managed by private developers. I am sure Members should be well aware of the difference between these two types of shopping centres.

Privately-operated shopping arcades are generally in "better shape", except some special cases cited by Mr CHENG just now, that is, in the case of those "flagship" shopping arcades such as the Lok Fu Shopping Centre (which I suppose has been the HA's "flagship" shopping centre for years). I believe Members all know very clearly the difference between these two types of shopping centres. As a matter of fact, privately-operated shopping centres are better in management, with larger flows of people. This means that shop operators' business is usually better. The main reason for this is that the HA is after all a public organization not quite so good at commercial operation, so its management of the shopping centres tends to be more conservative, adopting a kind of non-intervention approach. As a result, the business of shop operators is also affected. I therefore think that the listing of The Link REIT will be of benefit to the shop operators in the shopping arcades concerned, because it can bring in more advanced management approaches, thus increasing the appeal of these shopping centres and the flows of people. Shopping centres in public housing estates can thus alter its past approach of focusing solely on public housing tenants as customers and start to attract more outsiders. Once a shopping centre is frequented by more shoppers, its shop owners will naturally reap the greatest benefit. For this reason, the Liberal Party is certain that the listing of The Link REIT will lead to positive effects.

Some may perhaps question my position, as on the one hand, I describe the listing of The Link REIT as something beneficial but have sought to negotiate with the HA on behalf of the Concern Group on Divestment of Housing Authority's Retail and Car-parking Facilities on the other. I can tell Members very clearly that both the Liberal Party and I myself do not actually object to the listing of The Link REIT. Our only concern and hope is to engage The Link REIT in dialogues and negotiations and fight for a win-win or even three-win scheme that can bring forth a smooth transition. By "three-win", I mean benefits for The Link REIT, shop operators and public housing residents.

Actually, the greatest worry of shop tenants is not so much the listing of The Link REIT. Rather, they are worried that after the listing, businessmen will replace the Government as the principal landlord, and that there may be a shift to pure commercial considerations, thus leading to drastic increases in rentals. They are worried that this may add to the already heavy burden of small shop tenants and even result in the closure of their business. It can thus be seen that they do not oppose the listing. Instead, they are worried whether this will affect their future livelihood. Consequently, they wish to have dialogues with the authorities and hope that they can be given assurances of a smooth transition and a secured livelihood. This is precisely what I myself along with Mr Tommy CHEUNG and Mr Vincent FANG have been fighting for on behalf of the affected shop tenants over the past 10 months or so.

During the past period, several meetings have been held, and we have also met with Permanent Secretary for Housing LEUNG Chin-man. Last week, upon our request, Mr Victor SO, Chief Executive Officer of The Link REIT, met with the representatives of the Hong Kong Public Housing Estates Shop-Operators' Union. The three sub-groups under the Concern Group have also started to meet with the relevant authorities. Following the meetings with the representatives of public housing estate shop operators, both sides have expressed their sincerity, and I have heard that Mr Victor SO will start to visit shop operators at the shopping centres in various districts. This is certainly a very desirable move, and I am glad to see that the dialogues we have been fighting for have finally been established. I am convinced that both The Link REIT and shop tenants all wish to ensure the proper operation of public housing estate shopping centres, knowing only too well that a loss-loss situation may otherwise emerge. Their interests are thus consistent, not mutually exclusive.

I have just received the responses of some small shop operators. They very much welcome the sincerity expressed by The Link Management. But some operators belonging to the Retail Management Association are renting shops in some large shopping arcades. The shops leased by them represent 25% of the assets under The Link REIT. The investments involved are huge, and these shops also attract large flows of people to public housing estate shopping centres. But they are faced with a possible rental increase as high as 25%. Consequently, they are also holding negotiations with The Link Management. Their demand is in fact also very simple. They only wish to be given priority in renewing their tenancies for three years. And, if The Link

Management cannot give an assurance in this regard, that is, if The Link Management cannot guarantee that their tenancies can be renewed for three years without any rental increase, they still hope that the rental increase for the three-year renewed tenancy can be maintained at a single-digit level. They think this can offer them some sort of assurance that the rate of rental increase will not be as high as 20% to 30%, will not be so high as to affect the prices to be paid by residents. If The Link Management cannot meet their demand, they may have to terminate their tenancies, and I am sure that when this happens, The Link Management, shop tenants in public housing estates and residents will all suffer.

Not too long ago, I moved a motion in the Panel on Housing, requesting the HA and The Link Management to negotiate with shop tenants on the question of rentals as soon as possible. The motion also asserted that the listing project should be shelved if an agreement on this could not be reached. I moved this motion mainly because at that time, The Link Management had not given any satisfactory answers to our demands, nor had it undertaken to open dialogue with the shop tenants. It is obvious that the motion has already yielded some results. Since The Link Management has already started some concrete and specific negotiations with the shop tenants and a consensus on a number of issues has been reached, we should really grasp the opportunity to facilitate the conduct of speedy and serious negotiations in a sustained manner. Therefore, I cannot see any reason for insisting on shelving The Link REIT listing project. Indeed, over the past couple of days, we have made it a point to ask members of the Concern Group once again whether they still want to stop this listing project. They have replied that they do not have any objection to it, and that their only wish is to get some assurances from The Link Management. Besides, we have also heard many other views. I mean, besides shop tenants, many people in the market also request us not to hinder the listing of The Link REIT, because they all have expectations of the listing project. As a result, we do not think that it is appropriate to ask for the shelving of the listing project at this stage.

Some Members have pointed out that the HA assets chosen for divestment should worth at least \$100 billion. They therefore argue that the sale price of merely \$20 billion is much too low. I wish to point out that Hong Kong is a mature financial centre that has a fair, sound and time-tested listing mechanism. All arrangements are subject to the regulation of the law and must be made in strict accordance with established procedures. I have great confidence in this

mechanism, and I have greater confidence in professional estimations and evaluations as opposed to speculations by some Members. The HA's listing of The Link REIT has been preceded by independent and professional evaluations in strict accordance with all listing requirements. I have good grounds to believe that the sale price can already reflect the market value of all the assets. I therefore have reservations about the accusation that the HA is trying to sell its assets cheap. I do understand that everybody will like to sell their properties and assets at higher prices to reap more profits. But the point is that the most significant assets of The Link REIT should be its stable rental income and letting rate. If the retail and car-parking facilities are really sold at more than \$100 billion as asserted by Mr Albert CHENG just now, The Link REIT will have to increase rentals by four to five times after listing, assuming that the dividend rate is 6.65%. Members can all imagine what the situation will be. I myself and the Liberal Party will both raise objection to this on behalf of shop tenants and residents. I am sure that the total value of the HA assets chosen for divestment is based on professional assessment. It should not be questioned on the basis of any isolated cases, any individual shopping centres, shops or car-parking space quoted by any individuals. The reason is that the floor areas of shopping centres vary from one housing estate to another. And, there are also all sorts of differences in conditions. This is also the case with car-parking spaces. Therefore, any argument based on isolated examples can hardly be convincing at all.

Madam President, Members belonging to the Liberal Party are going to express their views after me. Mr Tommy CHEUNG, in particular, will describe the latest responses of small shop tenants and restaurant proprietors. And, other Members may also express their own views on this aspect. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr Albert CHENG, are you seeking an elucidation?

**MR ALBERT CHENG** (in Cantonese): I wish to make a clarification. It may be that the speech I made was too boring and so Mrs Selina CHOW had dozed off. I did not say that the valuation was \$100 billion. I hope that an amendment can be made for the record.

**MR FRED LI** (in Cantonese): Madam President, first of all, I am very grateful to Mr Albert CHENG for proposing this motion. Mr Albert CHENG has just talked about the shopping malls in Kowloon East so I feel compelled to speak. If a study can be made, of the 10 shopping malls with the highest rental value and the greatest income, six come from Kowloon East, that is, the constituency to which Mr Alan LEONG, "Tai Pan", Miss CHAN Yuen-han and I belong. That is why I am very concerned about this matter as well.

Talking about 180 properties, and if car parks are included, Kowloon East will take up 27%. So this is a very important district. It has a lot of shopping malls and car parks and these are closely related to people's living. For some broader or macro matters, I will leave them to Mr Albert HO and Mr LEE Wing-tat for discussion and I will focus on some smaller and finer matters, for most of the time I am doing some minor work. *(Laughter)*

The loads after loads of grievances aired by the commercial tenants can be measured in tonnes. There will be a change from management by the Housing Department (HD) to that by The Link Management, evident in the notices posted everywhere and fliers handed out, that The Link Management will take over things. Of course, Members must have heard the views of the commercial tenants, such as on a freeze in rents, no increase in rents, and so on. But do we see that for so many years, the HD has been managing these commercial facilities so badly that there are problems like water dripping, and the malls are dark and unlit? Things have not changed at all despite the fact that these problems have been raised for so many years. Let me just cite the example of Hing Tin Estate. The simple suggestion to place rubbish bins in the shopping mall has been discussed for nine months and it is only until recently that one rubbish bin has been placed there. What does this tell? Mr LEE Wing-tat says that I do not have the powers. But I do not think I should buy rubbish bins for these commercial tenants, should I? The problem is that the HD has handed over the management of these malls to a contractor and the HD does not take any action when the contractor manages the malls badly. Now the HD is saying that The Link Management will take over everything but how can the commercial tenants have confidence in The Link Management? Of course, some people may say that no management is worse than that by the HD and so it is not possible The Link Management will do even worse than the HD. So for these commercial tenants, all they can do is to place some hopes on The Link Management in the absence of any concrete evidence, thinking that it will manage things better. These are also the grievances which these commercial tenants have aired.

It goes without saying that rents are the most important issue. Many Honourable colleagues will certainly talk about it later. I just want to ask whether or not Secretary Michael SUEN will adopt the same practice as that employed in the sale of public rental units. That is to say, before these units are sold, the HD will record the complaints lodged against each one of the units concerned, things broken or in need of repair, the structural problems, and so on. Then these are repaired before the units are sold. Or the HD will even undertake to deal with the problems after the units are sold. The same kind of problems can be found in shopping malls and car parks. Will the Secretary record building problems like water leakage for the commercial tenants concerned? For example, in air-conditioned shopping malls and markets, the ventilation outlets may not be well placed and so some places are freezing cold while some other places are too hot. Though these problems may sound trivial, they may have a direct impact on the survival of these stalls. The commercial tenants may be under such pressure day in and day out. Besides, there is no effective control on the types of businesses permitted in a shopping mall and so lots of problems arise. Things which should not be sold are found. Those types of businesses which are beneficial to the malls are not attracted into the malls. Stalls may be left unoccupied for three years, and so on. Though Mr Albert CHENG has not talked about the value, he has mentioned on other occasions that the value should be more than some \$30 billion. Actually, had the HD maintained better management, the value would be more than just some \$30 billion. They can have very great potentials. Now these assets of the Government and the people are wasted. It is because these shopping malls and markets are built with public money. They always have great potentials. It is only that management has always been bad and problems have never been tackled seriously.

Now it is said that the shopping malls and car parks will be transferred to The Link REIT. Some senior officials in the HD will be transferred to The Link Management. Some senior official from the Commercial Properties Division of the HD will be transferred to The Link Management to be the general manager. I really hope that Secretary Michael SUEN will see to it that The Link Management can do a good job with this great burden. It should not just keep the value of these assets at just some \$30 billion but to make it grow. As some Honourable colleagues have pointed out, we should make it possible for Hong Kong people to buy these assets. This is one thing which the Democratic Party wants to stress. We think that not just 10%, or even 40% should be

offered to Hong Kong people. Why is consideration not given to selling the assets to the Mandatory Provident Fund Schemes Authority (MPFA)? It is because the MPFA belongs to Hong Kong people and this is also a very good investment and it will bring in more than just 1% or 2% of return to the people. Many of the shopping malls and markets are designed so badly. I hope the HD and The Link Management will solve these problems which I have pointed out in the meantime so that the commercial tenants will be convinced that The Link Management will do a better job than the HD.

As representatives of the people, Members will often invite officials from the Commercial Properties Division to attend their meetings and discuss matters concerning shopping malls and markets. If this role played by the HD is taken away in future, as representatives of the people, how can Members communicate with The Link Management? As The Link Management is a listed commercial institution, while all of us here are representatives of the people, what would be our relationship with The Link Management when in future we act in response to complaints lodged by the commercial tenants in the shopping malls and bargain with The Link Management? Can a communication mechanism be established? This will enable The Link Management to continue to adopt the same practice which the HD has been using, that is, it will hold discussions with the representatives of the commercial tenants and when Members of the district represent the commercial tenants and air their grievances, The Link Management will respect the role played by Members of the Legislative Council and members of the District Councils as representatives of the people in the negotiation process. For if not, when in future this listed institution refuses to discuss with Members about complaints due to commercial reasons, this will lead to great social repercussions and adverse impact. I hope Secretary Michael SUEN and Mr Victor SO will clarify this point as this is something we cannot afford to overlook.

Actually, we have had some unpleasant experience in the beginning and that is, we could meet Mr Victor SO only at a very late stage. He was dodging us all the time and refused to see us. Even to date there has not been any results and no pledge is made. It is only today that he came to Yau Tong and met the commercial tenants there. Yesterday he met commercial tenants from Sau Mau Ping and Lok Fu. He will go to some other places tomorrow. However, it is difficult for him to make any concrete response to the demands put up by the commercial tenants. So I have an impression that these consultations and communications with the commercial tenants have come all too late. This

makes the commercial tenants and the groups and Members of the Council representing them feel very worried that The Link Management will not be able to sense the hardships and problems faced by the commercial tenants. I hope to use some examples to show that the management of shopping malls and car parks is really appalling. Now a suggestion is made to put the matter on hold, but I am not sure whether or not this will be passed. But as this is an adjournment debate, we cannot pass the motion moved by Mr Albert CHENG, for if not, the meeting will come to an end. So we will have to vote against the motion and we can only show our support in our speeches. I so submit.

**MR TOMMY CHEUNG** (in Cantonese): Madam President, I wish to declare my interest. I am also a member of the Housing Authority (HA). I wish to talk about the remarks I made in the HA last year, that is, on 24 July 2003, on shopping malls when the HA discussed matters about selling its retail and car-parking facilities. At that time and in sum, I said that on matters related to the sale of these shopping malls, markets and car parks, I had heard voices of strong dissent from many commercial tenants, especially my voters, that is, those who do business in the markets and operate food establishments. They were of the view that if a private company was to operate shopping malls, markets and car parks, the following things might happen. First of all, in order to be accountable to the shareholders, the company will not be as accommodating as the HA when it comes to discussion on rents. If rents increase or rise sharply, these things may happen: Many people who do business in the markets may not be able to transfer the increase in rents to the public and so they may have to close down. Many of these small business operators are also residents of public housing estates and they run very small businesses. Many of them are my voters. They sell poultry, fish and the like and they do not know how to do other business. All they know is running their small business. They are very worried that they will not be able to continue their operation.

Another problem is, at prosperous times and when their business is good, they should be able to transfer the increase in rentals to their customers. It is a pity that these shopping malls and markets can seldom attract customers from outside the public housing estates. They rely on the patronage of the residents of public housing estates. For the residents, they are worried that the price of the things they buy will be affected. So, the commercial tenants are convinced that this will certainly have an adverse impact on the consumption and on the operators.

Just now Mr Fred LI talked about the poor management of the Housing Department. But the fact is that despite its poor management, the Housing Authority (HA) is such a landlord that one can hardly find elsewhere in Hong Kong. It is so good that so many people love it. Therefore, no commercial tenants will want it to sell its commercial premises and simply walk off. Leaving things from the distant past aside, a recent example is at the time of the SARS outbreak last year, the HA made a speedy move to reduce the rents payable by food establishments by 50% across the board and for a period of three months. Rents for the markets were also reduced by 30%. A more distant example is that despite the fact that tenants had signed lease agreements and everything was laid down in black and white, the HA was willing to reevaluate the commercial properties. A lot of time, efforts and manpower were spent. That was because the HA knew that Hong Kong had been hit by deflation for the past few years and in the foreseeable future, times would not be so good. So at that time the HA completed that task right away. And even recently, in late October, the HA was of the view that the three-year effective period for rent valuation would soon expire and so the period was extended for another year. Though it knew very well that its assets would be sold to The Link REIT, this move to undertake the valuation work once again was good to the tenants as the three-year period would be extended for another year. So when the tenants have found such a good landlord whom they can never find elsewhere in Hong Kong, they will definitely not want to see such a good landlord go.

For this reason, at that time, I remember it was 24 July, I voted against the proposal. I also requested that the Secretary — and I think he can also recall — to put in the records to show that I oppose the proposal. It is because most of the colleagues who spoke at that time supported the proposal. Unfortunately, the resolution was passed despite my opposition. In the special annual public meeting held on 10 June this year, I also spoke. I would like to point out that on that day when I spoke — that was almost 10 months since I spoke on the previous occasion — the commercial tenants and restaurant operators met me and they thought that the privatization move by the HA was acceptable, that is, to float the shopping malls and markets. I said clearly, and I think the Secretary must have heard it and it should have been put down in the records, but I want to repeat it once more here, I said that I hoped in the process of disposing of the assets, the trust (it seems that the trust was not yet named at that time) and the management company which would manage it after the listing will consult the commercial tenants of the shopping malls and markets in the public housing estates on a regular basis. These commercial tenants should be allowed to take

part and lay down the transitional arrangements for the listing. This will enable the finalized arrangement to take their aspirations fully into account. But most unfortunately, this request is not met even as the assets are about to be listed.

Other demands from them are: First, the existing lease agreements shall remain in force, that is existing tenants could enjoy the unequivocal right for a period of nine years in being given priority to renew their leases, with rents to be revised once every three years and according to the rise or fall in the Consumer Price Index, that the management fees are included in the rents, and that rents and all other fees are to be worked out with reference to the usable area. In addition, other existing arrangements should continue to be in force, such as the amount of deposits, that tenants do not have to pay the stamp duty, the premium of fire insurance should be paid by the landlord, and the mechanism to discuss rents and premature termination of lease agreements should remain. Second, on the policy with respect to various trades, the conditions at the time of the signing of lease agreements should be respected. This will ensure that the equity principle can be adopted to assign the locations in the malls for various trades. This will prevent a concentration of shops of the same trade, hence causing vicious competition. Third, the management company in future and its subsidiaries should manage the shopping malls of the HA direct and they should not contract out the job to other companies. Fourth, some commercial tenants of the shopping malls and markets under the HA are sub-tenants and second sub-tenants and if there are changes in the controlling interests of the shares of the management company, the commercial tenants hope that the new management company will renew the lease agreements with them and that they should be given a one-off and unconditional right of transfer which is also free of charge. These were the contents of my speech in the annual special meeting of the HA on 10 June this year.

Madam President, now I want to talk about matters in the present context. Earlier on, Mrs Selina CHOW spoke on behalf of the Liberal Party and me on many matters. I am totally in agreement with her remarks. The last thing I wish to talk about is that last year when this problem had emerged, we organized the Concern Group for the Privatization of Shopping Malls and Markets in Housing Authority Estates with Mrs Selina CHOW as the convenor. The Concern Group mainly includes three business associations, that is, Hong Kong Public Housing Estate Shop-operators Union, Hong Kong Retail Management Association and the Association of Hong Kong, Kowloon and the New

Territories Public Housing Estates Restaurants. In fact, we have been holding regular meetings with these three business associations. We have informed Mr SO of The Link Management of all the views expressed in the meetings of these associations or the HA, as well as the demands of the tenants, but we are not aware of any definite views which he has expressed. However, since last week's motion, as Mrs Selina CHOW has said, we have seen some results. As far as I know, in Saturday he arranged a meeting with the Hong Kong Public Housing Estate Shop-operators Union and the Association of Hong Kong, Kowloon and the New Territories Public Housing Estates Restaurants. I have a letter before me and it is addressed by the Association of Hong Kong, Kowloon and the New Territories Public Housing Estates Restaurants to Mr Victor SO on the topics discussed in last week's meeting. They discussed three main topics and apart from the third item, the other two have been solved. Madam President, this is the example I wish to cite.

In addition, I wish to talk about the question of whether public assets are sold at dirt-cheap prices. Let us not talk about which Members have brought up the issue earlier, the newspapers have also discussed whether or not the assets worth \$100 billion. If it is worth \$100 billion and if a dividend of 6% is to be paid out, then after some simple calculations we can work out that the amount of rents that should be collected every month is \$6 billion. If I remember it correctly, currently the HA can only get some \$1 billion from rents paid for its properties. The amount does not even reach \$2 billion. So if this is said to be selling properties cheap and I assume this is actually the case, could the Secretary enlighten us later on? If it is really the case that \$100 billion will be obtained after selling the assets at this dirt-cheap price, and suppose a dividend of 6% will be paid out, then we will have to raise the rents by three times. I believe stall owners and operators of small businesses will not hope to see such a thing happen. If the assets are worth some \$30 billion, that will be very close to the current valuation. Honestly, I do not think that this is selling public assets at dirt-cheap prices. Of course, if this is so, there might be one good thing, and that is, as many people have been longtime listeners to the radio show hosted by Mr Albert CHENG, they may flock to buy these fund units. Then there may be an over-subscription of not just 100 times but 500 times or even 1 000 times. Then the Secretary may need to thank Mr CHENG and treat him to a meal.

Therefore, I also hope that the Secretary will comment on whether or not the assets are being sold cheap and as a dividend of 6% to 7% has to be paid out,

by how much the rents will be increased. We must never say that this is selling properties at dirt-cheap prices on the one hand and demand that a higher price be paid while on the other hand we feel sorry for the commercial tenants, for rents at this level are collected. Otherwise, rents will have to be increased. So I hope the Secretary will talk with Mr SO, for some problems with the two sectors which I represent, that is, the markets and the food establishments, remain unsolved. I hope the Secretary can convey this message to Mr SO as soon as possible and ask him to work out with the commercial tenants solutions to the problems. Thank you, Madam President.

**MR LEE WING-TAT** (in Cantonese): Madam President, as a former member of the Housing Authority (HA), a lot of feelings have swelled in me as a result of this event. I have no involvement in the listing, for I have ceased to be a member of the HA since 2000.

The markets and shopping malls of the HA carry the collective memory of many people in Hong Kong. They have lived, bought vegetables or operated some small business there. The question before us is whether or not markets should go on operating in this manner. During the eight years when I was a member of the HA, we were constantly plagued by this problem and it was difficult to find a solution to it.

It is because if the markets were completely privatized and commercialized, many people running small businesses there will not be able to compete with the big chains or companies. We will cease to see old folks selling bean curds and bean sprouts and the like. But the reality is that the world is changing and it is difficult to remain unchanged forever.

So the options left for me are just a few. One is to preserve the *status quo*, but how long can this be preserved? Actually, I do not have an answer, for such kind of studies, as done by the Consumer Council, show that the patronage rate of our wet markets has been dropping all the time. It is estimated that in 15 years, there will be just a few wet markets left in Hong Kong as the two big supermarket chains are really very powerful.

Another option is to improve the management and let a new management company manage these shopping malls and markets. This will hopefully

improve the management, promote patronage and make the markets and shopping malls of the HA stay competitive and hence in business.

It remains, of course, that there is a third option, and that is, the present one, to float The Link REIT. Actually, I would think that options two and three can be discussed. And I prefer the second option. However, the fact is this option is no longer available, that means, there is no option which precludes listing and gives the job of managing the markets to a new management company.

Many of the problems faced by the tenants and commercial tenants which many Honourable colleagues have talked about are perfectly known to the Secretary, Mr SO and Mr LEUNG. The kind of business which many of these commercial tenants operate is small business. They are sole proprietors making only a small profit out of a family business. Some of them are just trying to earn a living and no more. But seen from a modern management perspective, this is really an outdated form of business operation and sooner or later it will be eliminated.

However, personally I think otherwise. I think that these markets and malls are fostering a lot of hardworking people who are self-reliant. Even though they may make very little money, they would not like to apply for welfare. All they want is to make a living. So I hope the first and foremost issue which the Secretary, Mr SO and Mr LEUNG should consider is not how rents can be raised. Having said that, I do not think this is their number one consideration anyway.

Speaking from my past experience of serving on the HA, there are many causes leading to such a poor development of the shopping malls. One of the reasons is that the Housing Department (HD) is a government department and it is difficult for it to manage a shopping mall. With due respect to colleagues in the HD, I wish to cite an example. Four years ago, I was involved in the plans to retrofit air-conditioners in the Cheung Fat Market. Now the market has air-conditioning. But it took us four years to get the air-conditioning system retrofitted. Once I was hosting a radio programme because Mr CHENG was on leave and I took over his place. I was talking to Mr LAU Kong-wah at that time. I said that I was planning for the retrofitting of an air-conditioning system in a market. Then he asked me how much time I had spent on it. I asked him

how much time he thought would be needed. He said half a year. I asked him to say that again and he said one year. So I asked him again and again. He replied eight times altogether. It was because I spent four years, from the conception, to the decision until the completion of the installation of the air-conditioning system in the mall, four years in total.

In any commercial operation, this is not viable at all. How can you spend four years on something good, some improvement? Sorry, I mean no disrespect for colleagues in the HD at all, but this is really the case with all the procedures required. Once I went with some commercial tenants for a meeting with some colleagues in the HD. We tried to suggest some improvements. At that time some representatives of the commercial tenants were there. We were sitting together in a row. For the HD, they had nine persons: a senior manager, a manager, an engineer in charge of the maintenance of electrical installations, a surveyor in charge of valuation, and some other people responsible for other things. I cannot remember them all. All I know is they had nine people. The request we made might well be, as Mr Fred LI said, a very simple one, like putting up a "P" sign in a car park or putting more litter bins or some signs to show the commercial tenants or the customers a convenient way to the mall or the car park. All these are very simple jobs, but they may take a few months to complete. It may even take nine months, as Mr Fred LI has said, to solve the problem of putting some litter bins. This is because the HD, as far as I can recall, has about nine levels in its management and often times, the decision-maker is the assistant director. Just imagine a supervisor or an assistant manager may have a proposal, but it has to overcome various hurdles before it can make its way to the assistant director for decision.

I think that the present practice may not be agreeable to the commercial tenants, but they still have high expectations for Mr SUEN, Mr SO and Mr LEUNG. I hope they will bear in mind that the small owners are members of the general public and certainly they will not want to be driven out of the malls and markets once these assets are listed. They do not want to see those brand shops come into these malls and markets and take their place. Of course, this may be the quickest way to make money, but as I have analysed just now, if only the new management company can streamline the procedures and cut the red tape, the requests of the commercial tenants will then be met more effectively and that is, in fact, making a lot of money.

I do not have the actual figures, but I know how many of these shopping malls will work out the return rates. For every dollar they make, they will examine how much is used in staff costs. I know that the HD has the highest staff costs in Hong Kong. If things can be done in a simple manner and well, I do not think Secretary Michael SUEN, Mr SO and Director Mr C.M. LEUNG will need to consider any increase in rentals as The Link REIT will make money over time.

I have a lot of dissatisfaction with the listing. It was only at a very late stage that both Mr Andrew CHENG and I managed to get hold of much information. Actually, I had asked Mr LEUNG and Mr SO many times but they said that information could not be disclosed due to the listing. But that was just an excuse. I believe when they met the fund managers and those people we call financial analysts, they had disclosed a lot of such information and what they were doing to these people. Transparency is therefore very low this time. I think this makes the people affected feel very worried. Over these past weeks, together with some commercial tenants we had met Mr SO. In the absence of anything expressed in text, that is, things written, what he said had made some commercial tenants felt comfortable. At least he stated verbally that the major direction of his work was not to drive out the small businesses by increasing the rents, that he aimed at improving the management of the malls and that he hoped that the option was a good one and that it would be an all-win situation for all parties. I hope the Secretary, when he replies later, would refer to this direction when he answers our questions, for this is, I believe, the answer wanted by many commercial tenants.

I know that after The Link REIT is listed, it would not be possible to respond to many requests right away. But I think that since the listing has made such an impact on the future life of the commercial tenants, and as both the Government and The Link Management have got so much in their favour, then should the commercial tenants not be given a good explanation? For the Government, the income it can derive from the listing is as much as some \$20 billion. There is one thing, however, that the Government has not mentioned and that is, it has made use of this opportunity to cut the number of staff in the malls drastically at one go and this I believe is the result which the HA and the Government would want most to see in its policy to scale down the civil service establishment.

I also doubt that the listing this time can offer some good investment opportunities to Hong Kong people or the local small investors. I think the Secretary should have some more aggressive ideas. Of course the prospectus has stated that the proportion will be 90% and 10%. But if there is an over-subscription of 15 times, the company will actually have great autonomy to act in such circumstances. Now there are many question marks and doubts in society, including questions like whether or not the Government has greatly undervalued the assets and whether or not some people have gained too much, and so on. The simplest conclusion and also the simplest way out is, when there is an over-subscription of 15 times, allocating 75% of the shares to local retail investors. This may serve to minimize some of these queries. It remains of course, that even if the Government does this, some Members may still criticize the Government for undervaluing the assets. But at least the assets are in the hands of Hong Kong people. They are not the poor people who live on Comprehensive Social Security Assistance. They are people with a certain amount of cash and they hope for a steady income. The listing will serve as an investment opportunity for them. I think the Government should be aggressive and bold enough to adopt my suggestion, that is, when there is an over-subscription of 15 times, it will undertake to sell 75% of the shares to local retail investors, or as Mr Albert CHENG has said, to allocate the shares to the MPF schemes, or to make such moves that will enable the people of Hong Kong to share the benefits of the listing.

All along there has been one thing which makes me feel rather unhappy. Actually, I have asked a question on this. Many funds which operate in the form of ownership of properties instead of as family business would normally stress the diversification of interests in shares. The listing attempt may aim at diversification, but that I am not certain, for I do not know whether other funds will subscribe a lot of the shares in the hope that they will be allotted more shares. At least there is no such restriction in the prospectus. Actually, I do have some worries, for the interests of the malls and markets are not uniform. We know that there are two big supermarket chains and they do not like the wet markets standing in their way, while my hope for the HD has all along been to manage the wet markets well — though this has not yet become a reality — such that they can stand up and take on the challenge from these two big supermarket chains. But to date my hope is not yet fulfilled. Why did I have to spend four years to get an air-conditioning system installed in the Cheung Fat Market? My

aim is to enable the market there to rise to the competition from these two big supermarket chains. I agree that reducing the rents is not a good way to solve the problems faced by the small owners. For even if rents are cut once, twice or even thrice, these owners in the wet markets will be forced out of their business sooner or later if the operating conditions are not improved and when the clients are not attracted to shop there. I am happy to find that since the air-conditioning system was installed in the Cheung Fat Market, the business there has improved and they have become competitive. I hope the Government will share the same view.

To diversify these interests in shares, there are actually two viable methods. One is to diversify the investors who buy these fund units. But this is not specified in the prospectus and so I am a bit disappointed. The second is about the restrictions on shareholders when they exercise their right to vote. Now the Airport Authority is about to be listed and consultation is being conducted. One of the recommendations is that no matter how many shares a single shareholder may hold, he can at most have a 10% voting right in the annual general meeting. The reason is self-explanatory, for no one would want any group to dictate the development of that company. For example, Mr SO, the CEO of The Link Management, of course he will not only accept some 10% to 20% of the interests in shares, for otherwise it would be very easy to fire him. So he must have a very high percentage of the interests in shares. But let us imagine, some heads of companies may have a very large proportion of the share interests. What they can do is to tell their respective companies that they have offered some shares in the market and that may make share prices very volatile. That also explains why we have requested such a restriction, for it is only in this way that it can ensure genuine stability of The Link REIT. I am very disappointed to note that these two points have not been dealt with in the prospectus. Why? It is because no information is made public and it is only when we read the prospectus that we learnt that these two points had not been dealt with and now there is no turning back. I am very disappointed because it seems that the Government considers that these are unimportant matters, but they are really important to us.

The last point, I hope that the new management will really honour the assurance it made to the Democratic Party during the meeting. They said that the overall direction was not to improve operation by raising the rents. They hoped that there would be greater flexibility in their dealings with the

commercial tenants than what the HD had been doing, that they would be more aggressive and that they would take into account the views of their clients. They also said that they would not cease to meet people after 6 pm and that they would not only meet the commercial tenants after the latter had called them in the first place. They would talk with the commercial tenants whenever they had spotted a problem. And they would hold discussions with the political parties, Members of the Legislative Council and members of the District Councils. I hope Mr SO would honour his pledge. It is because the assets of The Link REIT are in fact the assets of Hong Kong people and I do not want to see that in a short span of three to six years, or even nine to 10 years, that these commercial tenants will protest *en masse* to voice their discontents to The Link Management and air their grievances. If all goes well, I hope that the three-win situation we have in mind will really come true, and that the Government, The Link Management, and the commercial tenants will all win.

Thank you, Madam President.

**MR RONNY TONG** (In Cantonese): Madam President, I just heard the Secretary say that they were presently of the view that 90% of The Link REIT should be allotted to international investors, while only 10%, or even 5%, would go to Hong Kong people. I was really shocked at hearing those remarks.

According to the Secretary, this ratio was the "norm in most large-scale initial public offerings". This has precisely highlighted the fatal mistake that the Hong Kong Government would invariably make in handling all major issues. The Government has always adopted the attitude of treating different topics relevant to Hong Kong, particularly issues relevant to the interest of the public, completely as a commercial dealing. Its starting point is completely not that a people-oriented government should adopt. What is at stake now is an unprecedented and mammoth plan to list the commercial assets of public rental housing estates. They are the public assets of Hong Kong people, not the personal assets of the Secretary or Mr TUNG.

We must not forget the origin of the assets of the HA. It was through special legal arrangements that the HA acquired its assets and land with the lowest prices, or even free of charge. Why? Such arrangements were intended to help the needy people in Hong Kong, instead of doing business.

Even if the HA, after being given such assets, has now decided to "pull out of the game" and privatize its assets, it can still not give away such extremely valuable collective assets to international consortia to let them make a profit. This is a stark violation of the basic principle of "returning wealth to the people" that the Government has always stressed repeatedly. I am therefore greatly disappointed by the remarks of the Secretary. You have all gone the wrong way. Will the Secretary reconsider if this is a good arrangement from a people-oriented starting point and how the Hong Kong people can be benefited? In contrast, we can see that many international consortia, including Singapore, our rival in international markets, will gain enormous benefit. What about Hong Kong people? It can be said that there is simply no chance to them gain any benefit. As mentioned by many colleagues earlier, the listing arrangements this time are problematic in many ways.

Let us start with the issue of assets evaluation mentioned by both Mr CHENG and other colleagues earlier. The Government has all along insisted the evaluation of assets to be \$23.7 billion. According to my understanding, however, the evaluation was made two years ago when the market was in the doldrums. Judging from today's market prices, we should see that the evaluation is very problematic, even though we are no expert. This is not crucial if we are talking about allowing more Hong Kong people to be benefited by underestimating the assets. I think all colleagues in this Chamber will support a deliberate attempt to "benefit Hong Kong people". If a Hong Kong citizen who has bought some units now decides that he does not want to hold the shares and sell them the next day to international consortia on the market, this will purely be the choice of Hong Kong people, whereas the Government has fulfilled its responsibility. However, how many Hong Kong people will be able to buy the units, if 90% is to be allotted to international consortia and 10% only for Hong Kong people? What impression will Hong Kong people get? "I am not as rich and powerful as those international consortia. Moreover, I have to borrow money to make the subscription. Then, I must write a cheque, which will be kept for two weeks, and I might end up getting just a small number of shares, or even less than 10%, the ratio of subscription allowed on the application form". These people will naturally not subscribe for the units. Consequently, more than 95% of the shares will go to the international consortia. In other words, even if this investment project is good and the evaluation is low, only the international consortia or major businessmen in Hong Kong will be benefited. How can wealth be returned to the people?

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

We can look at what is right and wrong with this evaluation of the market value in a simplified way. It is needless for us to argue. We just need to refer to the information provided by the Bureau itself. According to the present evaluation of the Government, these assets can yield a very attractive return of 6.65% next year. It could even reach 7% according to the projection to 2006. In other words, this rate of return is higher than the approximate 4% return yielded by ordinary shopping centres. Why? Because it is easier to make profit when costs are lower. I believe we do not have to be an economist to get the answer. Such being the case, this means that this is a sound investment and a profitable deal. The authorities concerned should consider ways to enable more Hong Kong people to be benefited, rather than ways to enable more international consortia to consolidate market prices.

As far as we understand it, some consortia with a strong background can, through strategic partners or in the name of anchor investor, secure guarantees from the Government. At present, more than 10 companies have managed to, by these two means, get nearly 24.7% of the shares, or a quarter of the total number of shares. There are also no restrictions in this listing exercise on the percentage of shareholding of investors. In other words, the more the money injected, the greater the chances of being allotted more shares. When a financially strong major consortium saw such a profitable investment, it could capitalize on its financial power to secure an edge in monopolizing the market. How can the people of Hong Kong compete with these rich and influential consortia? In the end, the former might even end up failing to secure the few remaining percentages of shares.

Furthermore, the management structure of the company itself is problematic. In this listing exercise, a Singaporean company, named Capital Land, plays the role of a strategic partner. I find its identity highly questionable because it is given such a lucrative assignment. To start with, it can enjoy the priority of subscribing for 5.9% of The Link REIT units and charge a consultancy fee of nearly \$20 million annually. Furthermore, it can appoint two representatives to be the Directors. Although this Singaporean firm can be said to be experienced in managing real estate trust funds, do Hong Kong people not have such experience? Is it really necessary to offer our rival, Singapore, such a lucrative job and excellent terms? Is the Government not robbing Peter

to pay Paul? By what means can the Government play its monitoring role to ensure that the money is well-spent and that we can get adequate returns? What benefit can Hong Kong people get if they can only get a very small proportion of the shares?

I would like to say a few words to the Secretary. There are simply too many incidents in present-day Hong Kong that give us an impression that there are numerous cases of collusion between business and the Government as well as transfer of benefits. As these incidents have occurred one after another, 24 hours a day are simply not enough for Members, as we have to examine these cases one by one. Even reporters will ask the same question in every case: "Mr TONG, how would you respond tomorrow? What proposal will you raise tomorrow? Will you ask Secretary SUEN what it is all about?" It is simply impossible for Members to handle all these matters. They are utterly too many. As such, I would like to make an open appeal here, particularly to the Secretary, and hope that he can listen to the voices of the public. You should make every possible effort to give priority to allotting the remaining 75% units to Hong Kong people. Whether they accept it is another matter. At least, you have to fulfil your responsibility, for only in doing so can wealth be truly returned to the people. Otherwise, the major consortia, particularly the overseas consortia, will be given the chance to rob the local citizens of their collective wealth. It is my hope that, whatever the outcome of today's debate, Secretary Michael SUEN will seriously consider the losses that Hong Kong people will suffer in this respect. Thank you.

**MR ALBERT HO** (in Cantonese): Madam Deputy, as pointed out by the Secretary right at the beginning, the HA's plan to list its shopping centres and car parks this time is the largest project of its kind in Hong Kong history. It is a pity that Members can only propose an urgent debate today — they are not even given a chance to conduct a motion debate — and discuss this issue by way of an adjournment debate. How do Members feel? On seeing such disputes involving the Cyberport, the Hunghom Peninsula and the West Kowloon project, Members can simply not help keep asking this question: Why would the Government act in such a way that was often questioned by the public and Members? Why has the Government still not learnt a lesson and gained experience, even after the occurrence of repeated incidents, in enhancing its transparency so as to put Members responsible for monitoring the Government and the public at ease?

I hope we will not discover in future — particularly after seeing the market response to the testing prices — that it is evident the assets have been sold "dirt-cheap". Perhaps the market can really prove this. However, many issues are indeed questionable. I will not quote the data provided by Mr Albert CHENG for the time being. However, I would like to raise a few points of doubt.

Let me start with the valuation issue. According to the Secretary, everything has been done according to proper procedures. The valuation, made by an internationally-renowned and independent surveyor, is compliant with the legislative requirement and the so-called conventional requirement. In such an unprecedentedly mammoth project, valuation will definitely be involved when it comes to the determination of prices in the end. It should also be anticipated that the outcome of the valuation will give rise to disputes. It should be understood that, Madam Deputy, there is a popular consensus that valuation is a highly precise science, if not an art. It is precisely for this reason that some investment banks with expertise in valuation have conducted their own valuations. I believe the Secretary is aware that the highest valuation reaches \$38 billion, whereas the Government's valuation is \$32 billion only. Of course, the average obtained by adding the valuations conducted outside the Government might be around \$34 billion. It must be borne in mind that the difference is huge. Why can the Secretary, as Chairman of the HA, not request one more valuer, or a few valuers, to conduct valuations in dealing with such an important issue in order to come up with an average considered at least more reliable?

As far as I can remember, the Land Development Corporation (LDC) might express a willingness to negotiate with the owners in the process of land acquisition and agree to get one more valuation, or even three or four more valuations. I hope Mr Abraham SHEK can, given his professional experience, say a few words on the practice of the LDC. Such an evaluation approach is at least more reassuring and objective. However, the Government has failed to do so. It has merely sought to sell the assets worth more than \$300 billion. How can it justify itself? Will it do Hong Kong people injustice? Even if the assets are not sold "dirt-cheap", are the prices "cheap"? Now the assets are going to be sold \$2 billion to \$3 billion cheaper. Even a 10% difference would translate into \$3 billion. How large is the figure? I believe this amount of money would be more than enough to resolve the Comprehensive Social Security Assistance problem facing many elderly people.

Madam Deputy, the price offered today is very attractive as the rate of return, now set at 6.65%, is expected to rise to 7% very soon. Judging from this angle, how can the Government prevent the people from thinking the assets have been sold too cheaply? Furthermore, as Members are aware, the governance framework of the HA has given rise to numerous problems of low effectiveness. Members should also be aware that this has been caused by factors left over by history, such as bloated structure and a lack of commercial management culture and ability. For the two reasons mentioned by me earlier, there have very often been massive wastage and extremely high vacancy rates. Regardless of the levels of rents, I believe the rate of return will rise sharply once the management problem is ameliorated.

There is a general impression that it is worthwhile to make the investment for a 6.65% return under such circumstances is indeed quite attractive. Under such circumstances — I see that the Secretary is shaking his head, and I wonder if he disagrees with me, so perhaps he can tell us the rate of return should be corrected as 10% — Madam Deputy, perhaps the main reason for the Government to privatize these assets is to enhance management effectiveness. Actually, is a 100% sell-off the only solution? Is it the only way to turn a framework from publicly-run into privately-managed and commercially effective?

I feel sorry that this matter has not been fully debated at all. It is not the case that we do not have precedents. One such example was the listing of the MTR Corporation Limited (MTRCL) — though the Government remains the largest shareholder and the company is operated entirely in a commercial manner. Following in the footsteps of the MTRCL, the Kowloon-Canton Railway Corporation (KCRC) will also go listing after merger. I believe even the Airport Authority will not necessarily be completely sold. First, what are the justifications for a 100% sell-off? This question has not been fully debated. Second, is the problem related to cash flow? For instance, is it the case that the HA is in need of cash because it has a deficit problem? As Members should have known, the rate of return now stands at 6.65%, possibly reaching 7% in future. The return will be more than enough to pay the loan interest charged by the Bank Consortium. In addition, I believe the credit of the HA should be very high since it is a public organ. Given the extremely low interest rates today, purely resolving the problem of cash flow should not cause the Government a big headache. The problem can even be resolved through issuing bonds.

Madam Deputy, today, the HA has reached such a stage that it will not be easy at all to put the plan on hold. Given that all the public offering documentation has been published, there is no turning back now. Madam Deputy, the issue has almost become a thing of the past, so what can we do? In our opinion, the only thing the Secretary can do to prevent himself from being censured is to, after deducting the 25% shares allocated to international investors, allot the remaining 75% to Hong Kong people, including the Mandatory Provident Fund (MPF) Schemes, an idea put forward by a very smart "elderly at the Victoria Park". The MPF Schemes can truly represent the interest of Hong Kong people. This is particular so when we look at the current performance of the MPF. The Secretary should be aware of its rate of return. So, why does the Government not offer the MPF a 6.65% return? Madam Deputy, we have no intention to give the MPF special treatment. However, if the MPF is interested in subscribing, why can it not be given a larger allotment?

I must point out that the Government has definitely gained the support of numerous financial consultants, legal consultants and valuers in dealing with this matter. These professionals have all long been assisting the Government and the HA in proceeding with the privatization of car parks and shopping centres. However, the work of this Steering Committee can be considered to have gone too far in maintaining its confidentiality and lacking transparency if they truly intend to represent public interest as a member of the HA. Even when they came before this Council, they were unable to give a public explanation citing commercial reasons. As a result, Members could hardly discharge their duties. During my numerous encounters with the Director, I raised the same question concerning the governance framework. Yet, I was told again and again that there was nothing he could say. If not for the publication of the prospectus, the truth of many issues would still be kept in secret.

The fund manager, for instance, can be considered a fat job. As mentioned by Mr Ronny TONG earlier, Hong Kong has to recruit such personnel from Singapore because of a lack of experienced people here. I really have no idea how Hong Kong can face and tell global investors that it is an international financial centre. While Hong Kong can claim itself to be unrivalled without any justifications, it has acted in an absolutely powerless manner as it has to recruit from outside Hong Kong whenever it has to do anything. I guess the biggest difference between Hong Kong and Singapore is that when the latter sees something good available here, it knows how to come and get it. On the contrary, Hong Kong merely knows how to make a lot of

good products and allow Singapore to take them away. How can we compete with others? Like Hong Kong, Singapore is also a financial centre. It is as big as, or even smaller than, Hong Kong. However, we have no knowledge at all of how to manage our assets and have to look for talent from Singapore. The annual salary and bonus of our newly recruited CEO add up to between \$5 million and \$6 million. May I ask the Secretary how much the CEO knows? If he really knows, will it be necessary to engage so many international investors and why not give local investors more chances?

Madam Deputy, after privatization, I hope the management of the shopping centres will not face major rental policy changes in the short term. I appreciate the point raised in the Secretary's speech, that the entire operation of the shopping centres and car parks will definitely be improved as the first step to lure more customers and bring more business to the shopping centres in the hope that rent increases can be considered only after the business has improved. This is the right approach. However, can the Secretary tell me how he can ensure this wishful thinking of his will be adopted by the 10-odd institutional investors? The Secretary should remember that after all the shopping centres are completely sold (I believe even the small investors will have no say), how can he implement his proposal? I hope the Secretary can give us a clear explanation later. I so submit.

**DR KWOK KA-KI** (in Cantonese): Madam Deputy, first of all, I would like to express my thanks to Mr Albert CHENG for proposing this adjournment debate. Today, the Secretary has come to this Council to talk to us again. I find the Government's approach increasingly distressing. Not only are cause and effect reversed, the Government is actually working against common sense. As pointed out by some colleagues, the Hunghom Peninsula was another property sold at knockdown prices. Why would our Government have put itself in such a miserable situation? Why would some policies which could have been done better should have ended up so badly? We have often said that we have an excellent civil service and a remarkable government. What do we have at the moment? What can the Government do to avoid letting the general public down?

According to the Secretary, a consultancy was commissioned in 2000 to review the sale of assets. Of course, Members do understand the reason was linked to the serious deficit problem facing the HA. Members should also know

that the deficit problem of the HA was attributed to the Government's earlier move to abandon its Home Ownership Scheme (HOS) policy owing to the pressure from property developers. As a result, the HA was confronted with a huge fiscal deficit and the abovementioned solution was identified as one of the ways to resolve the problem. The objective of the HA in reducing its deficit should be to help the tenants and commercial tenants of public rental housing estates. Yet, judging from what the Government has done, has it succeeded in helping them?

There are two points I would like to raise. I do understand that the fleece comes off the sheep's back. All commercial organizations, even The Link Management, pursue benefits. There should not be any problem. However, in order to pursue benefits, there must be ways to boost revenue. The easiest and most direct solution is to raise rents. In whatever way and however packaged, boosting rent revenue is what every commercial organization, including The Link Management, will eventually do. However, it is the small operators and many public HOS tenants who will eventually suffer.

As Members are aware, public rental housing (PRH) has a vitally important role to play in Hong Kong. Half of the people of Hong Kong are PRH residents. The PRH milieu has made it possible for these residents, particularly those who are the poorest, the most incapable and making the lowest incomes, to survive. Of course, some credit has to go to our excellent social security system. However, another point must be mentioned is that PRH has made it possible for many people to sustain their living with very little income. Unlike us, many of them cannot buy expensive exotic goods from superstores or giant department stores every day. Living on their meagre income, they can buy very little from small commercial tenants. Furthermore, many of these small commercial tenants are basically HOS or PRH residents, who can hardly compete in present-day society. How can they compete with the two major consortia and numerous commercial organizations? There is virtually no chance for them to make a living in the outside world. They can only do so in the PRH shopping centres in which they have operated their business for years.

Should the future developments come to such a stage that these commercial tenants can no longer make a living, probably because they have to move elsewhere because of rent increases, and ultimately many low-income residents have nowhere to go to buy their daily necessities with their meagre income, they will definitely react. At present, the disparity between the rich

and the poor in Hong Kong has already posed us a serious problem. Should these small commercial tenants and residents be cornered, society is likely to pay a high price as a result. I do not want to see these residents deprived of their chances of shopping. Nor do I want to see these small commercial tenants deprived of their means of living. However, I can tell Members that all this is possible after the listing of The Link REIT.

A number of colleagues commented earlier that Mr SO, the person in charge of The Link Management, and Mr LEUNG Chin-man had put aside their ego and paid visits to the districts. Why did they not pay the visits until now? Why did they not go and listen to the residents' views and the reaction of the tenants until after so many disputes? Why did they not put on a show until now? Do they dare to face the tenants? The answer is definitely in the negative.

In my opinion, the Government tends to adopt an extreme attitude of turning the clock back in dealing with a lot of matters. I do understand that the bad management of the shopping centres under the HA today is very often attributed to the overlapping of the civil service administrative structure and monitoring functions. As pointed out by a Member earlier, the cost will naturally rise for even a minor task will have to go through dozens of tiers to accomplish. How did the Government govern the Housing Department (HD) over the years? Has the Secretary made any contribution during his office to bringing improvement to the HD? The answers are all in the negative. This plan is now floated to be shared by the public. Actually, what will happen to the future operation? As Members should be aware, all small commercial tenants have a price to pay. Having failed to fulfil its governing responsibility, the Government is trying to pass its responsibility onto others. Public money will undoubtedly be saved should the HD be properly governed. I am of the view that the Government is obliged to do this.

Madam Deputy, let me cite some minor examples to illustrate my point. I know some people in the same profession as mine who operate clinics in housing estates as family doctors or family dentists. In the past, they would try their best to operate in the interest of the public. As the rents they paid were relatively low, they could charge their patients lower consultation fees. A couple of years ago, the HA changed its rental policy for shopping centres by putting up for public tender the rents payable by these clinics or dentist clinics under the "highest bid wins" principle. Consequently, these clinics were

mostly awarded to Health Maintenance Organizations (HMOs) offering exorbitant rents. This has in turn given rise to two scenarios. Either the patients are charged exorbitant fees or costs are cut down by every possible means. In other words, the HMOs will cut down on what they provide to their patients in their own way and then reap the maximum profits. The HMOs are actually more or less the same as The Link Management in the sense that they are all working for the same goal: money. But why should they do this?

Many colleagues raised the point earlier that PRH includes shopping centres and car parks, both considered to be the Government's public properties. Members should not be too pleased because it is not the case that some property consortia are preparing to go listing. These properties belong to all the citizens of Hong Kong. Why must they be retained? There is hope that there could be a way, or a buffer zone, in the community to enable some people to live and operate their business there in a low-income mode. This is what a "buffer zone" seeks to achieve. Once the "buffer zone" is removed, contradictions and conflicts will be exposed. I have to say today that the Government and the Secretary must be fully responsible for this. They have made the Hong Kong citizens very, very disappointed.

Second, the question of whether the assets are being sold cheap. I have no knowledge at all of what an accurate price should be. Is there anything wrong for the assets, worth tens of billions of dollars, to be evaluated by just one person? This is really outrageous. Even the Urban Renewal Authority has to go through five times of evaluation in considering a shop or a residential unit. Why is this necessary? Because the process has to be open, fair and honest. Has the Government completely forgotten the open, fair and honest principle? Is there something wrong with confirming the value of the assets, worth between \$20 billion and \$30 billion, after just one evaluation by a valuer? What approach is it? I find this extremely outrageous. Now the Government is going to sell our assets, of which even Secretary Michael SUEN and others do have a share. How can the matter be dealt with in this way?

Third, Madam Deputy, I was really saddened by his remarks that the objective was to promote Hong Kong's economy and that the listing would not have been possible without the assistance from a number of people. Many of the investors are Singaporean consortia. If Members should care to look up the share rights of these consortia they will find that many of the consortia are indirectly owned by Singaporean MPF organs. These organs have actually

undertaken many of the economic activities in Singapore, with the ultimate goal of enabling the Singaporean citizens to enjoy all economic benefits. What has our Government done instead? I do not know how to make calculations to determine whether the assets are being sold cheap or too cheaply, but I note that 90% of our assets will ultimately go to international investors. Just as in the case of the Eight-Power Allied Forces recorded in history (the SAR Government is really remarkable this time), foreign investors have succeeded this time without firing one single shot in getting the SAR Government to kneel down before them and offer them over 90% of our most important assets. Is there anything wrong with the Government?

The Singaporean Government knows to fight for the best interest for its people and MPF beneficiaries, whereas our SAR Government knows nothing at all. It merely knows to surrender local assets to foreigners. What happens to our life? What government is this? We are even told that there is going to be a great grace and benefits ranging between 10% and 30% might be returned to society. The Government is virtually working against common sense.

Just now, a Member raised the point that we also want to see better returns on the MPF. Furthermore, many of the small investors have only little capital in hand. Their only wish is to have a stable return, yet they are deterred by the Government from realizing their wish. I was told by many commercial tenants that they actually wanted to subscribe for The Link REIT units for two reasons. The first one was that their capital was actually embedded in The Link REIT. Even though they know that The Link REIT will become a sword hanging over their heads in the future, they are left with no other options. Second, some very smart commercial tenants are knowledgeable in hedging. They want to subscribe for a small amount of The Link REIT units so that, even if rents are raised in future, they can cover some of their losses by the profit derived The Link REIT. However, the Government has responded by saying "no", for it is willing to set aside 10% of The Link REIT for retail investors only. How can the Government be so smart as to come up with such proposals? This is inconceivable to any other governments in the world.

Madam Deputy, I am not begging the Government to allocate more. The Government can absolutely do whatever it likes: it could decide not to make any allocation or tell us tomorrow that it is pleased to set aside 10%, because we have no longer pinned any hopes on it. With the occurrence of a series of incidents, from the Hunghom Peninsula, the West Kowloon project to The Link REIT, no

one can place any hope on the Government anymore. Why do I not say that the Government should be allowed to do whatever it likes? I find it impossible to hold such an attitude because public properties are involved, and the salaries of the Policy Secretaries are all paid by the people. The Government should therefore be responsible to the public. Insofar as this matter is concerned, however, I cannot see what the Government has done to be responsible to the public, including the PRH tenants and commercial tenants. On hearing the concern raised by this Council about the matter, The Link REIT Management immediately decided to launch the listing plan hastily for fear that the plan could be foiled. Although the matter has not been sorted out, the prices have not yet been fixed, and we still have doubts about their valuation, they do not care and insist on launching the plan instead. Why do they have to be so anxious? The SAR Government is not in extreme poverty like this. Is it not the case that we have more than \$900 billion? Of course, I am not implying that we have to spend all the money. However, the Government has to consider the consequences of anything it does.

Madam Deputy, first of all, in this discussion, I definitely do not have any hopes on the Government, because everything has been spelt out clearly. As commented by various colleagues, it is already too late to do anything. The Government can do whatever it wants. Second, I dare not say whether Members will definitely support the passage of the motion when it comes to the vote. However, I hope today's motion can provide the Government an opportunity to change its mind. It is now selling our most important and valuable assets. Many of us grew up in housing estates, and I was no exception. I greatly appreciate that housing estates can provide people a way to sustain their living and enable certain people to exist in a certain ladder in society. Madam Deputy, the Government is now surrendering these assets, which can hardly be retrieved. Yet, I still hope various colleagues can, when casting their votes or delivering their speeches later, state their position on these vital assets belonging to Hong Kong. I so submit. Thank you, Madam Deputy.

**DR YEUNG SUM** (in Cantonese): Madam Deputy, Honourable colleagues, I would like to make an appeal to all of you not to support Mr Albert CHENG's motion (*laughter*), because it is an adjournment motion. However, the Democratic Party would very much like to express more views on small class

teaching in the hope of urging the Government to implement small class teaching at an early date. As such, you must under no circumstances support Mr CHENG's motion, which seeks to adjourn this Council. Should you support this motion, we will have to go home immediately. Hence, there will be no discussion on small class teaching.

Madam Deputy, the Democratic Party has, in principle, no objection to the listing by the Housing Department (HD) of its shopping centres and car parks, because even in our meeting with the Financial Secretary, we suggested that he should make use of government assets flexibly to avoid raising tax and increasing government charges for the purpose of reducing the deficit. In connection with making flexible use of assets, the Democratic Party suggested the Government at that time to consider issuing bonds. Members can see that public response to the issuance of bonds was extremely enthusiastic. Issuing bonds can also provide the Government with a definite amount of capital to undertake a number of infrastructure projects without drawing on its reserves. For these reasons, we have in principle no objection to the listing by the HD of its shopping centres and car parks. Through the listing of assets, the Government can enable more people to participate in this investment project. Actually, banks are now flooded with savings deposit, yet the interest offered by the banks are almost close to zero. Basically, there are not many outlets for capital. So, there is nothing wrong for the public to increase their investment in this area. On the other hand, through listing, privatization and bringing market force into play, the public can have more choices. At the same time, efficiency can be raised through competition in the market. Based on this consideration, the Democratic Party has in principle no objection to listing the assets. Furthermore, the Democratic Party will not make an all-out effort to demand the Government to put the plan on hold, because the prospectus has been published and the distribution of the application forms has started today. It is feared that this Council, should it request the Government to put the plan on hold, will send a not at all positive message to the market.

Madam Deputy, in considering the matter in its entirety, however, we also want to point out that we have received many complaints from the shops. Our colleagues, including Mr Albert CHENG, did try their best to reflect their views to the Government. At present, the shops are basically facing enormous difficulties in operating their business, because almost everything imaginable is available in the two major supermarkets. On the one hand, there is a growing

number of supermarkets; on the other hand, Madam Deputy, the Government has no intention to build more markets because it is of the view that the young people prefer going to the supermarkets, instead of markets, to buy groceries. I do not know why the Government has given the two major supermarkets special attention. Basically, the Government is able to provide us with some choices, or the choices available on the market, as Members have often said. What is happening at the moment is that the Government itself is reluctant to build more markets, saying that the public's shopping habit has changed. This way of thinking is definitely wrong. Had the Government conducted some opinion surveys and insisted that people preferred buying marked-up items from supermarkets during the past seven years when Hong Kong economy was in the doldrums, I could assert that the Government's forecast must be lagging behind the current situation. Faced with the monopolization by supermarkets — or oligopoly, so to speak, because at least the two supermarkets operate more than one supermarket — the Democratic Party has been calling on the Government to formulate a fair competition law in the hope of curbing such an oligopolistic situation.

At present, the commercial tenants are most worried that the Government will increase rents substantially, thus making it impossible for them to renew their tenancy agreements. In that case, they will be unable to recover their original capital, as well as the costs they have spent on decoration. Madam Deputy, actually, their worries are fully justified for the shopping centres will be operated by a listed company, rather than the HA, in the future. The higher the return, the higher the value of the shares will become. As such, the concern of the commercial tenants is fully justified. I do not know what Secretary Michael SUEN will do to deal with this issue. The Government is actually transferring social assets, or the people's assets, from the HA to a listed company. Despite justifications for supporting the idea of reducing the HA's colossal spending in various areas through listing and market operation, the Government must, by all possible means, consider what can be done, after transferring its assets to a listed company, to enable the shops to continue their business without facing enormous pressure to pay higher rents. The Government has even failed to give priority consideration to renewing the operators' tenancy agreements so as to prevent their livelihood from being completely disrupted because of its listing initiatives. I suppose the Democratic Party must reflect this point. Actually, the concern of the commercial tenants is absolutely sound in terms of the market principle. May I ask Members this question: Must a listed company make a profit? The

higher its profit, the higher the value of its shares will become. Should the HA's plan to list its assets go ahead, small commercial tenants could be sacrificed. I hope Secretary Michael SUEN can listen to this point clearly. Even if we do not oppose you in principle, we have no idea what you will do to handle this because The Link REIT will definitely be listed and the issue of profit needs to be considered as well.

I hope Secretary Michael SUEN can respond to the questions raised by the commercial tenants when he makes his concluding remarks later. Many of these commercial tenants are now watching the television or listening to the radio with great anxiety. I very much hope that the Secretary can respond to the issue of social responsibility later. Yet, it appears that I am somewhat like asking a tiger for its hide. On the one hand, the HA has to list its assets, and on the other, it is being asked to consider its social responsibility at the same time. Nevertheless, I have always been wondering: Is it essential for the relevant party to, after taking over the assets from the HA, also take into consideration certain historical factors? In other words, even if the listing plan goes ahead, shops which are currently operating should not be affected. Just as in the case of certain laws introduced by the Government, a requirement can be made to the effect that everything already in existence will not be affected when such laws come into effect. This is what "grandfather laws" mean. I hope the Government can say a few words on this in its concluding remarks later.

Madam Deputy, a number of Honourable colleagues have talked about the HA's poor management. I would like to make reference to the Hing Tung Estate Shopping Centre in particular. Over the years, the commercial tenants of the estate have been working very hard to keep their business afloat. We have been raising with the Government this request on installing air-conditioning but to no avail after all these years. Basically, the shopping centre is still operating in most unsatisfactory conditions. As a result, the shops therein can only suffer day after day by operating in such a way as if they are on "saline drip". The fact that there are virtually endless examples like this does reflect the extremely poor efficiency of the HD in management. If a "win-win" situation can be achieved should the listing be able to improve the business environment, thus making it unnecessary for The Link Management to raise rents substantially, then I hope Secretary Michael SUEN can elaborate this when he responds later.

Madam Deputy, it must be pointed out that the Democratic Party is extremely dissatisfied with the Government's entire approach to the listing of The Link REIT and the whole process. Although I have in principle no objection to the listing of the assets, I am extremely dissatisfied with the way in which the Government has handled the matter. Madam Deputy, Members must be clearly aware that the principal role of this Council is monitoring the Government. However, in the numerous meetings (although the people concerned said they had attended five meetings in this Council) conducted, we could hardly get anything out of the mouths of Permanent Secretary LEUNG Chin-man, or Mr Victor SO, as if it is impossible to get blood from rock. They have basically kept a lot of information from us. We actually obtained these prospectuses at exactly the same time as the public. I do not mean to say that this Council should enjoy any privilege. I merely want to say that this Council is duty-bound to monitor the Government. According to the Basic Law, the executive authorities should be responsible to the legislature. We are legally responsible to monitor the Government to prevent any abuse or misuse of public fund. Secretary Michael SUEN, you should ask yourself honestly if you have engaged in a black-box operation throughout the process. You have not only turned a blind eye to this Council, but also treated lightly the power bestowed by the Basic Law on this Council to monitor the Government. A lot of information is virtually inaccessible to us. On behalf of the Democratic Party, I must clearly express our strong dissatisfaction. I also worry that the listing of these assets will become a precedent. The Government may possibly come up with a lot of things, such as the airport, for listing in the future. Should the Government resort to this approach again, I think the Democratic Party will possibly stop it by a very special means — to stop the listing process, not the listing itself. I hope the Secretary can hear me clearly. Members, particularly those of the Democratic Party, are already burning with anger as a result of such projects as the West Kowloon project. Coupled with the demolition of the Hung Hom Peninsula, the Democratic Party will definitely not reconcile should the authorities concerned further fan the flames with the listing.

Madam Deputy, how can a balance be struck between the concern of the commercial tenants and their right to tenancy renewal, as I mentioned earlier, and the possibility of constant increases in rents. Moreover, I must reiterate that this Council's role is monitoring the Government. I absolutely do not hope to see the listing of the assets this time become a precedent, so that the Government can say something like this in the future by excusing itself entirely on the market and the commercial principle: "Sorry, I cannot disclose anything,

for this is a commercial secret. The entire listing plan will collapse once the secret is revealed". Should that be the case, the Government had better not appear before this Council at all. It might as well show complete contempt of us, so that the public can make a fair judgement.

Madam Deputy, the Democratic Party has always stressed the point of "returning wealth to the public". As such, the Government must not sell 90% of the units to overseas corporations, and only 10% to local people, as it is said that a lot of capital cannot find an outlet for investment. Given that the threshold is now set at \$5,000 only, the Democratic Party strongly demands that 75% of the fund be set aside for local retail investors, with a view to realizing the principle of "returning wealth to the public". Consideration should therefore not be given solely to how the HA can gain \$32 billion to finance its housing construction. The Government should consider, apart from itself, the fact that these assets basically belong to all the people of Hong Kong. It should therefore consider how the public in general can benefit in this course of returning wealth to them.

With these remarks, I do not support Mr Albert CHENG's motion to adjourn the meeting.

**DEPUTY PRESIDENT** (in Cantonese): Mr Albert CHENG, is there a point of order?

**MR ALBERT CHENG** (in Cantonese): Madam Deputy, I do not think a quorum is present.

**DEPUTY PRESIDENT** (in Cantonese): Will the Clerk please do a head count. If a quorum is not present, will the Clerk please ring the bell to summon Members.

(After the summoning bell had been rung, several Members returned to the Chamber)

**DEPUTY PRESIDENT** (in Cantonese): A quorum is now present. Council shall now resume its business. I now invite Miss CHAN Yuen-han to speak.

**MISS CHAN YUEN-HAN** (In Cantonese): Madam Deputy, before coming to my speech proper, I would like to first point out that I had been questioned by the media in connection with the approval we gave in the Panel on Housing in the last term for the Government to sell its assets when we were consulted by it. I thus looked up all the relevant documents and found that this Council had not indicated to the Government that we agreed to the sale of its assets. Moreover, I had definitely argued with the Government over this issue every time I attended those meetings. Nevertheless, despite the arguments, our efforts ended in vain eventually, and we were ignored by the Government.

Madam Deputy, I actually want to bring up a question by making these remarks. The two major cases raised by the Government recently are associated with the Housing Department (HD). One of them is relevant to the question being discussed today — the sale of the car parks and shopping centres managed by the HD, whereas the other one is relevant to the Hunghom Peninsula. Both cases are under the charge of the Secretary. I have no idea how the Secretary feels. Should the Secretary, or the Director, be accountable? Many colleagues are keen to examine the issue. Now both issues are laid before our eyes in an absolutely clear manner. How could the Government have sold the Hunghom Peninsula at such a cheap price as \$500 per ft and allowed the developer to build luxury apartments on the original site? Did it miss any point in law? During a brief discussion with Prof LAU today, I asked him this question: Is anything wrong with the Buildings Ordinance? Regarding the case today, we have actually conducted numerous discussions in this Council. Madam Deputy, I have always supported promoting the local community economy in the hope of giving small operators a chance to make a living or seek employment. This explains why I have always opposed the listing of the HD's assets. I simply cannot help panting and get very upset every time I talk about this matter.

Secretary, I told the media today that you had really run into bad luck because the two major cases were both pinpointing you. I hope the Secretary can conduct a review to find out what has happened to the HA. Madam Deputy, I have no intention to bring up old scores again. However, both you and I were members of the select committee on the short-piling incident, which was also relevant to the HD, one of the departments under the jurisdiction of Secretary Michael SUEN. What has really happened in the course of the incident?

My original appraisal of the Director, Mr LEUNG Chin-man, who came to this Council recently, was that he should be considered quite good because he had resolved some issues of long-standing contention. He had a hard time on that day because I criticized the HD for selling its assets — I will not follow "Tai Pan" for the time being by describing the assets as being "sold cheap". The commercial tenants of the HD's shopping centres are mostly small-capital operators, whose hope is that the Government can improve the HD's poorly-managed shopping centres. We have indeed expressed a lot of opinions in this connection. For instance, why can the vacant shops in the shopping centres not be put up for bidding by the unemployed? Owing to numerous restrictions, many shops in the shopping centres are left vacant. We have even pointed out jokingly that, if we analyze the matter on the basis of the conspiracy theory, the HD could have intentionally withheld the shops. Although some unemployed people are keen to seek a livelihood in these shopping centres and those people who are earning a living there are keen to see improvement to the environment of the shopping centres, the Secretary pointed out in his concluding remark in paragraph 20 of the speech he delivered today that he does "believe that the divestment project will give play to the potentials of the shopping centres and car parks of the HA". I want to ask: Is this the only solution? Actually, there are infinite ways to deal with the matter (though this does not mean that I agree with all of them). For instance, the Government can consider the public private partnership option by outsourcing the management of public housing estates, which will achieve the same result. Why must the assets be sold? This issue is indeed highly controversial.

In the meetings of this Council and the Panel on Housing, as well as other meetings involving small business operators, I maintained the same stance that the shopping centres managed by the HA and the markets formerly managed by the defunct Urban Services Department often faced competition from the two major supermarkets. Despite our proposals to improve the environment, nothing has been done after repeated discussions. In my personal view, the situation may not have developed to this state had improvement been made. Madam Deputy, more than 20% of these 180-odd shopping centres and car parks are located in my constituency, in which some districts are doing a brisk business. The procession today is joined by the commercial tenants from the Wong Tai Sin Shopping Centre, the Lung Cheung Mall, the Lok Fu Shopping Centre, and so on. They are afraid that rents will be raised very soon because

their shopping centres are popular shopping places. However, it must be noted that it has taken a very long time before these places could have developed into popular shopping centres frequented by the residents. Had the Government been willing to introduce changes years ago, some of the cases would not have developed into the present-day situation. In my opinion, the HA should, on the contrary, ask itself honestly whether it should treat the small commercial tenants as cockroach droppings in its operation of the shopping centres — perhaps Members still remember that, during the last term, a business chairman of the HA described the small commercial tenants as cockroach droppings. I was most infuriated at hearing such a remark. I absolutely disagreed. I think the Secretary should conduct a review of the HA to find out what has happened. Are the members of the HA incapable of reflecting public opinion? Are there any problems with the whole decision-making process? This Council has all along disagreed with the practice of the HA. Yet, the HA has virtually ignored us. The Secretary should realize that we can get very furious at times.

Actually, it is not my wish to see the setting up of a select committee, as suggested by some colleagues, to deal with the Hunghom Peninsula incident. To me, the situation has become crystal clear. Nevertheless, I will not object if some colleagues really want to conduct hearings. I have already joined three select committees. Should there be a fourth one, I have to think about it. Even though I do not know whether the Secretary is involved in it, it has now become clear that the Secretary has been made to take the blame for the two incidents.

The Secretary has pointed out in paragraph 19 of his speech that this divestment exercise is the largest in terms of scale among all the privatization projects in Hong Kong. This brings us to a question raised by a colleague earlier: Why has the Government acted so carelessly by commissioning only one professional to evaluate the value of the assets? Why was the proportion of global capital given such a heavy weight? We can see a character dressed in orange appearing in the commercial promoting The Link REIT (Madam Deputy, the character was dressed in the same colour as I did when I ran in the election). According to the commercial, the 180 shopping centres and car parks are the shared properties of the Hong Kong people. Yet, it seems that Hong Kong was not given any consideration throughout the transaction process. Why can the matter not be brought to this Council for discussion, even as a matter of

formality? Even though the Government cannot make public the entire financial arrangements, why can it not inform us? Since the Government has failed to do so, there is a possibility of inducing another select committee to conduct hearings on how the sale is conducted and whether there has been any collusion between business and the Government. The former Deputy Director of Housing is now working with one of the three major consortia short-listed for the West Kowloon project. I am afraid this will give rise to a lot of grievances, particularly those from the middle class, in the community. Immensely frustrated, they have asked one after another what has happened.

Madam Deputy, I went to see a chiropractor today for my back pain. Even the chiropractor asked me why it seemed that a lot of things had happened lately, and everything had been about property. I hope the Secretary can really consider the matter in a comprehensive manner. I do not want to simply ask him to be accountable. But why would the HA be trapped in the present situation? I would like to ask the Secretary to refer to the relevant minutes of meetings should there be accusations that we had not expressed any opinions in the five meetings held by the Panel on Housing in the last term. I also heard of the accusation that we had endorsed the sale proposal, and this got on my nerves. I have therefore looked up the records and found that we have actually not endorsed the proposal. The Secretary is being fair this time — Look! He agreed that we had not endorsed it. I told the media I had not endorsed the proposal when I was asked whether I had done so. At least, CHAN Yuen-han had objected every time. I saw that the Secretary had indicated agreement — please pan the camera towards him. Madam Deputy, we are being watched by the media too. The media are concerned that we agreed on that day but disagree today. So, what actually did we say at that time? I have told the media that we have not endorsed the proposal. I would also like to thank the Secretary for confirming that this was not so. Nevertheless, I still very much hope that the Secretary can conduct a review of the HA to find out what has really happened and what has happened to the people appointed. I am looking forward to such a review.

Another point I would like to raise is that we have been consulted by the Government on ways to resolve the poverty and unemployment problems. In a recent meeting with us, Mr TUNG indicated his grave concern about these problems. Even Secretary Dr York CHOW stated that efforts would be focused

on tackling the poverty problem in the area of social welfare. The House Committee of this Council has decided to set up a select committee, though it has not started work yet. This is a matter of great concern to us as well. The poverty problem brought up in the motion debate demonstrates that the problem can be attributed to low wages and job shortages.

There are actually numerous small-capital operators in the shopping centres managed by the Government. For instance, Members can see that the people in the procession today are not rich people. They can all be described as the poor or the grassroots, who have strived to make ends meet by earning a living in the shopping centres. The problem confronting them is the one that the Special Administrative Region Government and Mr TUNG are striving to resolve at the moment. Despite the guarantee that there will be no rent increases in the next six months, I am still of the opinion that their problem can still not be resolved. In a procession launched today, the Federation of Hong Kong, Kowloon and New Territories Public Housing Estates Resident and Shop-owner Organizations indicated that it might sue the Government for selling its shopping centres cheap and challenge the Government's compliance with the relevant provisions.

Why would they say something like this? I have had the experience of handling numerous labour disputes. Madam Deputy, I would like to cite some cases to illustrate my point. In the sale of assets, the buyer will be willing to buy repayable debts, such as the protection owed to employees, when the selling price is low. If the selling price is relatively high, the seller will have to bear the debts. Years ago, when Tokyu Department Store was sold to New World, the latter accepted the responsibility of making severance payments to the former's employees. We can thus see that the selling price must be low, and the buyer has factored the debts into the calculation of the costs. In the end, the employees involved in this case were able to receive double compensation, that is, both pension and severance payments. I have never dealt with any labour disputes like this before. This is no longer possible under the present legislation, owing to the fact that compensation has been offset. In the case mentioned, the employees were able to receive two offers of compensation. To their great delight, they were eventually given more than \$200,000, far more than the initial expected compensation of between \$80,000 and \$100,000. Since the buyer was able to gain some benefits out of the transaction, it was willing to offer more compensation to the employees.

How about the transaction of this listing proposal? When the Director came here, he merely looked at us without any facial expressions. He pointed out that the listing project had nothing to do with him and told us to pursue the matter with The Link Management. Subsequently, we met with Mr Victor SO, who gave us a positive response that he was aware of the difficulties confronting the commercial tenants and understood that they were small operators and members of the grassroots. Though eager to help them, he said that he could not make any undertaking, because no one would commit to issues like this during a transaction. This is why the Federation of Hong Kong, Kowloon and New Territories Public Housing Estates Resident and Shop-owner Organizations raised these issues today. I guess they have their own way of thinking.

It has always been the Government's policy to create job opportunities for the grassroots. The shopping centres operated by the Government have indeed supported a lot of people. How could the Government come up with such a distorted policy? In the process, we Members in this Council have expressed a lot of views on this. Why has no one cared? We originally requested the Government to improve the overall business environment to counter supermarkets. In the end, the HD has resorted to discarding this burden by selling it. This case is closely resembled to another one involving a news figure today, Ms Elaine CHUNG, who expressed her determination to push for zero rent for public housing. I immediately told the public housing tenants not to let it happen, because the maintenance costs will definitely be exorbitant.

Secretary, the present situation is similar. Despite The Link Management pledge that there will be no rent increases in the coming six months, this is actually not the case. Concerning a resolution proposed the other day, Selina and some colleagues put forward a "three years plus three years plus three more years" proposal. The commercial tenants attending the previous meeting included groups representing doctors, kindergartens, and so on, as well as individual commercial tenants. They proposed a 10-year transitional period for their rents. While they might possibly be considered too greedy, this is actually not the case because many of the commercial tenants were arranged to operate in the shopping centres as a result of clearance operations, fires or various compensation packages. This explains why members of the Federation of Hong Kong, Kowloon and New Territories Public Housing Estates Resident and Shop-owner Organizations were so frustrated today. They are indeed witnesses of a number of historic events. Very often, those events were associated with the Government's clearance and redevelopment operations.

The commercial tenants in Diamond Hill, for instance, were offered shops there as a form of compensation. They were actually wheedled by the Government into becoming operators in the shopping centre. They had to meet certain requirements before they were allowed to operate in the shopping centre. It is not the case that they were admitted without any condition.

Today, we were told by the Government that it is no longer required to take responsibility, for everything would be written off once and for all. This is not proper commercial conduct. As I mentioned earlier, one of the parties engaging in the sale of a firm is required to assume key responsibilities. It is unfair for the Government to say that it is no longer responsible. Secretary, you have to act more fairly. It has always been the Government's policy to help the poor by equipping them with better ability to earn their own living. Many operators in the shopping centres are assisted by all their family members. According to what was said today, the rents will be adjusted according to the market forces in six months. I believe the operators will all be driven away by then. I am terribly afraid that a few major groups will unknowingly make their way into the shopping centres. By then, the small commercial tenants will definitely be driven to death.

There was a time when no one was interested in leasing government properties. I thus proposed to LEUNG Chin-man that the Hong Kong Department Stores and Commercial Staff General Union had an idea of operating a book mart. As there were a great number of vacant shops in the shopping centre in Yau Tong at that time, we proposed that a book mart be considered. Yet, I did make it clear that, should these shops be monopolized by large consortia and become their development items, many operators would be driven away. I have the feeling that we must not take the matter lightly today by saying that we can discuss with The Link Management again in the future. I simply cannot understand the commercial conduct involved. Now that voices can be heard in the community. How can The Link Management operate should there be excessive constraints from this Council? What we are discussing at the moment is more than business. The shopping centres managed by the HD were nurtured by our tenants and residents. Now that these shopping centres have become the centre of the people's life, the HD has decided to sell them off. The Secretary should be able to read history. I can name any shopping centre to substantiate my argument. For instance, the flow of people of the shopping centre in the Lower Wong Tai Sin Estate was previously not

entirely heavy, and the Lok Fu Centre was pretty quiet before such HOS flats as Fu Keung Court were completed, but they have now turned very busy as these shopping centres have become the hub of the districts. During their initial intake period, the public housing estates in Lok Fu were somewhat deserted. Lok Fu was formerly called "Tiger Rock". With transformation, the place has been renamed as Lok Fu Estate, which is a far cry from what it was in the old days. Today, the HD no longer cares about the interest of the residents. Secretary, the present situation is problematic. I hope the Secretary can get personally involved in sorting out this problem before revisiting the listing proposal.

With these remarks, Madam Deputy, I object to Mr Albert CHENG ..... excuse me, I did not mean to object. Thank you.

**MR LEUNG KWOK-HUNG** (in Cantonese): In fact, the place that we now call Lok Fu Shopping Centre used to be called "Lo Fu Ngam" (tiger rock). It used to be a very desolate place inhabited by the poor. Now that Hong Kong people have become rich and the economy has also improved, they want to change the names of places. The original name of Lam Tin was Ham Tin (salty fields), and so the changes in names went on in this way. Such is the bad habit formed as a result of the rapid development of a place, the belief being that things will change for the better after a change in name.

These days, the Housing Authority (HA) has been talking at length about The Link REIT. In fact, it has used the same trick as the one I have mentioned: give something a good name, package it nicely and believe that by giving it a nice-sounding name, everyone will be convinced. Less than 10 days ago, Mr LEUNG Chin-Man came and sat over there. I asked him how the assets were valued. He said he could not disclose that because it was a commercial secret. Mr LEE Wing-tat then asked if Mr LEUNG was trying to deceive him, saying that he did not believe it because there were roadshows everywhere in the territory. Initially, I had no idea what a roadshow was. Later, I went back and asked someone to enlighten me and learned that it meant going everywhere to do promotions. So I said to LEUNG Chin-man that if he still refused to tell me how the valuation had been done, I would invoke the power conferred by the Legislative Council (Powers and Privileges) Ordinance to demand that he produce all the information.

Later, I had to leave early because of some other business. It turned out that the conclusion reached in the meeting of the HA was that the listing should be postponed. Two days later, that is, last Wednesday, I finally managed to obtain a document which is as thick as a telephone directory at a press conference. What is more, it was not even given to us on purpose. We made an effort to attend the press conference and got it from a reporter, since the reporters were really eager and snatched up all documents. Such is the attitude of the HA and officials towards the Legislative Council — you want to get the information, then we will carry out the listing immediately. Let us have a race. I believe perhaps they did not do so intentionally, however, it is obvious that they regard the monitoring of the Legislative Council as non-existent.

I believe it will be impossible to talk about everything in this large telephone directory. Let me just read out to Members the information concerning the management and you will know what sort of managers there are. Mr Peter WONG has worked in the Citibank for over 15 years and become the Director of sales, services, and distribution channels for North Asia prior to his joining the Standard Chartered Bank. He has resigned now, and this we all know. He is number one in position and works in a large consortium. The person in second place is Mr Victor SO, who has to enter the fray personally. He is even more impressive. From 1972 to 1981, he was the Assistant General Manager of the Hutchison Whampoa Properties Limited. After that, he became the Property Director of the MTR Corporation Limited, then he took up the post of Executive Director and Chief Executive of the Hong Kong Housing Society. We all know that the Housing Society offers high salaries because doing business is easy with the Housing Society. Well, after leaving the Housing Society, what did he do then? From 2002 to 2004, he took up the post of Executive Director of Sun Hung Kai Properties Limited. This is really dubious. According to the investigations conducted by the mass media, Mr LEUNG Chin-man had played a part in the Hunghom Peninsula affair, that is, it was him who struck the deal. This is like saying, what about selling it to you, "Tai Pan"? I will make it cheaper for you. It turned out that Mr SO may have also played a part in it. Today, this listing, which has been vaunted as setting a world record and extremely favourable to buyers, in terms of scale or price, has in fact also been prepared by this Mr SO.

By merely reading out a few pages from this telephone directory, the problem has been highlighted. I can read further from it, but I had better not.

I wonder if it is available on the Internet. These managers are all working in directorate positions and pages of English were expended — I am a little presbyopic and my eyes are bleary after reading them — to tell people that they are wealthy or they are hired by very wealthy people. If we rely on them to manage the trust, would you not say that this is a serious matter? This matter is very fishy. Clearly, the Government is telling someone to tie his shoestrings in a melon patch and to adjust his hat under a plum tree, saying that there is no cause for concern, that even if he is groping, he may not necessarily be stealing things. I do not believe this.

These people have been indulging in verbiage and Secretary Michael SUEN said that valuations are done in this way throughout the world. I too believe that valuations can be done in this way throughout the world, however, I have never heard that in selling a property, only one person will be engaged to do the valuation. When Mr LEUNG Chin-man and Mr SUEN sell their properties, I wonder if they will only ask the buyer to evaluate the value of their properties and then sell them. No one would do things this way. Of course, a few more persons will be asked to do the valuation. If they had really done so, of course I would have been overawed and applaud them immediately, but certainly things have turned out not this way. How can anybody doing business get just one person or one institution to do the valuation and then say that there is no need to argue anymore?

What is our demand then? Put simply, have Members ever watched the Olympic Games? In diving and gymnastic events, the coaches sitting there would not factor the highest and lowest scores into their calculation. Sir, this is all about selling assets, so how could they not come up with a proposal to adopt just the median, like the Olympic Committee does? And they are telling us to trust them. Therefore, if we cannot obtain information from them, how can we know? Has anyone ever discussed this issue, saying that we had better not do this, and suggested that a fairer method like that adopted in the Olympic Games to calculate scores be adopted in doing the valuation? No. We do not know, so we cannot even complain that there is any injustice.

Are the assets being sold cheap? Of course, "Tai Pan" and I are in no position to comment on this, or we will be described as being provincial like a housewife in Ngau Tau Kok, will we not? This morning, on a minibus, I heard our Honourable colleague, Mrs Selina CHOW of the Liberal Party, say that the Liberal Party would not do such a thing as to do valuations for no good reason,

that it was the professional's job and she queried what Members knew about valuation. I must say that a dumb person may hit on something excellent if he thinks hard, but a wise man may overlook something no matter how circumspect he is. The value of a question raised by a dumb person has no bearing on his status. For example, the great Greek philosopher Socrates asked people why wherever he went, and because he kept asking, philosophy came into being. I am a member of the public and also a Member with mandate. Since I am considered dumb, of course I have to ask them questions and they had better know how to answer them. However, I have never heard them answer my questions properly.

Why are the assets being sold this way? The answer is very simple. Anyone with a trace of conventional wisdom knows that the aim is to make the price so cheap that everyone in the world will be happy. To a waiter, if he wants customers to give him some more tips, what would he do? Tea and condiments free of charge, what is more, serve customers some side dishes, so that he thinks he has got the utmost value for his money. In the end, when the customer leaves, he will put down some more coins and praise the waiter for his service, saying that he is smart enough to serve him some side dishes and charge nothing for the tea and condiments, so he deserves some more tips as a reward. This is why they are welcomed internationally, and also the crux of the problem. They suppressed the value and the return on the shares that buyer will get will definitely be good after the increase in rental value. They are right in saying that it is not the object itself but the return that buyers aim at. If the selling price is low and the rent received (return) is high, this will of course be great. This is how they want it to be. What is more, what is the greatest conspiracy in all this? I also attended the press conference. Mr LEUNG Chin-man said at that time that he had established an excellent mode that would serve as a good precedent in the listing of other government properties and assets. On hearing these words, a chill ran down my spine. Members, in future, tunnels, bridges, the airport, and so on, will be sold in this way. I can doubt not their motive, but I cannot trust their wisdom. This is the way that officials like to do things. After they have achieved good results, they will get the salary and take off, and businessmen also likes the way bureaucrats use certain means to strap ordinary people firmly so that they can be wantonly preyed on.

(THE PRESIDENT resumed the Chair)

"Tai Pan" said, or rather, a colleague said that if the Government wanted to return wealth to the people, it should return it to Hong Kong people, not international consortiums. This is just one of the reasons. I think it would be best not to sell the assets but to improve the operation, since these assets belong to Hong Kong people and if we continue to make use of them, then that would truly be returning wealth to the people. If the wealth rests in the hands of the people and is used by them, even people with the least purchasing power will have the chance to enjoy the benefits. As far as buying shares are concerned, some people like me do not have the means to buy them. Even if all the shares are sold to Hong Kong people, I still cannot afford them. Another example is Czechoslovakia. In the course of privatization, the assets were allocated to 17 enterprises owned by workers. However, after the enterprises were sold, workers could no longer receive their salaries. The shares were then sold in exchange for money. When a lot of people were selling their shares, the share prices fell. Some acquisition companies then bought the shares at low prices and resold them to consortiums, giving rise to monopolization. Therefore, I totally disagree with returning wealth to the people by way of shares. I am a socialist, so there is no way I will agree to doing this.

Therefore, in my view, this bumper sale of assets on the cheap will, firstly, drive small commercial tenants — people who are considered the most industrious by Hong Kong society and who are the kindest and most hardworking folk under the Lion Rock — out of business, casting them away as if they were cockroach droppings. Secondly, after the listing of the shopping centres and car parks, public housing residents will face the prospect of seeing all of their public housing estate precincts being frequented by outsiders. I have been to the Canary Wharf in the United Kingdom, which is the equivalent of West Kowloon in Hong Kong. The Coke I drank there was more expensive than elsewhere and so was the hamburger that I ate. People living in the Fifth Avenue in London do not go to the Canary Wharf for a bite. Such is the consequence of privatization. Those people with money will get a larger share of public assets, but those who have not are harmed in the sale of public assets.

Sorry, I cannot agree with what some Honourable colleagues said. I believe the solution to the problem is very simple, that is, to immediately cease the operation of The Link Management. Different methods of valuation or assessment should be adopted and different approaches in dealing with the shopping centres and car parks of the Housing Department should be considered. If the shopping centres and car parks are sold today, then the flats will be sold

tomorrow, the sale of tunnels will follow, and bridges after that. Members, the bumper sale of assets is a major transfer of wealth. This will impose an even greater burden on the already miserable members of the public in Hong Kong. This is to trample on them and there is no way I will agree to doing such a thing.

On the Hunghom Peninsula saga, I have said that buildings are meant for habitation, not speculation. This is like the Greek theory of physics, in explaining why a leaf would fall, when Aristotle said that that was because it had to fall. Buildings are intended for human habitation, not speculation. Why should they be demolished to raise their value? Why should buildings be demolished, creating an enormous amount of rubbish? They just cannot answer this. They told us that the regulation is just like this. What sort of Government is this? Regulations are made by the Government and we cannot monitor them. Even elected Members cannot monitor them. Nowadays, the Government is using this sort of regulations to restrict us. I wish to ask everyone: Are buildings intended for human habitation or a commodity? Therefore, I believe I have to pack some stuff and move into the Hunghom Peninsula. I will not let them pull it down.

**MR ALBERT CHAN** (in Cantonese): Madam President, Mr Ronny TONG's speech has covered 90% of what I wanted to say, so I have spent some time reorganizing my speech. Ever since the Government began the discussion on the issue of selling the shopping centres and car parks in public housing estates, I have expressed strong opposition to it in every meeting of the Panel on Housing. The reason that I oppose it is very simple, namely, I do not believe that the Hong Kong public will be the ultimate beneficiary in this sale of assets. There is no way I would believe that the sale of these assets would not eventually impact on the commercial tenants of the shopping centres in public housing estates, as well as on the residents and lessees of parking spaces in public housing estates. Still less do I believe that the Government will not go further in collusion with businesses and transfer of benefits through the sale of assets on this occasion.

Madam President, my worries are fully justified. We can see that the assets are definitely sold cheap. I was very astonished that some Honourable colleagues had already expressed support for the sale before they had any chance to look at the valuation report last Wednesday. They said they supported the project even before they knew what the prices would be. What surprises me even more is that some members of the Housing Authority (HA) have never read

the valuation report. I really do not quite understand it. As members of the HA, how can they possibly approve the sale of The Link REIT without reading the valuation report? Such behaviour is shocking and this is also a disservice to the 6 million people in Hong Kong.

The Secretary said earlier that this sale of assets would adopt the mode of real estate investment trust. This name was decided by them and the mode was also decided by them. The method chosen by them has basically determined the value and the return. However, why is this method chosen? Is this the only method? In the past, this matter was seldom discussed in the meetings of the Panel and public consultation has hardly ever been conducted. Of course, the Secretary may say that this is the method adopted by many international institutions, but are they trying to ingratiate overseas parties? Are overseas practices always right? Is it always necessary to take care of the interests of international investors? Why is it necessary to allocate 90% of the shares of The Link REIT to international investors? Are members of the Hong Kong public of a lower class? Are they secondary citizens? Why members of the Hong Kong public are not allowed to enjoy the benefits? These are, in the final analysis, assets of Hong Kong people.

Why is it that they cannot stop transferring benefits to interested parties and large consortium in Hong Kong, but also they have to transfer benefits to international institutions? Secretary Michael SUEN has taken the principles of benefit transfer to a whole new level. I really have to crown him the Secretary for the Transfer of Benefits. This is because he is the ultimate champion in benefit transfers that have taken place in the past decades in Hong Kong — he clinched a championship in the Hunghom Peninsula saga and he clinched an even greater championship in The Link REIT affair this time. The Hunghom Peninsula may yield a profit of over \$10 billion, but this time, I do not know by how many billion dollars The Link REIT has been undervalued. The car parks are a case in point. I am not an expert or a consultant who charges hundreds of millions of dollars in consultancy fee, nor have I prepared any rubbish report, but still, I know that the assets of Hong Kong people are being sold cheap.

Let me cite two examples. It is a shame that Mrs Selina CHOW is not here. The first example is the car parks in Tin Shui Wai. I am more familiar with Tin Shui Wai because I have three offices there. I have got in touch with many residents and know how the situation is like there. The selling prices of a

parking space in Chung Fu Shopping Centre and Tin Chak Shopping Centre are \$47,000 and \$46,000 respectively. However, a parking space in the adjacent Kingswood Villas commands \$230,000. If residents of Tin Shui Wai are allowed to subscribe to these parking spaces, I can tell the Secretary that at a price of \$100,000 or a hundred-odd thousand dollars, people will fall over one another to snatch up the offers. If he does not believe me, then please try it, otherwise, how does he know that this is not the case? This is just like the Government House, which is no longer in use. If it has not been let and valuation is carried out of a place that has not been let, of course it will be worth little. If the value is determined according to the market value of something which is worth little, such an approach is totally absurd.

The second example is the Lok Fu Shopping Centre. The valuation of the Lok Fu Shopping Centre is \$3,000 per sq ft, which is even lower than that of the Chung Fu Shopping Centre and the Tin Chak Shopping Centre. Tin Chak Estate and Tin Heng Estate are two well-known "CSSA estates" in Tin Shui Wai, where one fifth to one fourth of the residents are CSSA recipients. Having a hair cut there costs about \$50 to \$60 for two persons, however, a mother who takes her child along to have a hair cut together will still bargain with the hairdresser afterwards for a reduction of the charge to \$40 for two persons. Madam President, such are the difficulties facing the hairdressers in Tin Chak Shopping Centre, yet its valuation is even higher than that of the Lok Fu Shopping Centre.

I am not an expert. What is the intention of the Government in paying over a \$100 million to the consultants to prepare a report? It is, as Mr LEUNG Chin-man said, to allow him to realize his dream of selling our assets and ingratiate international investors. Let us look at the structure and organization to see what kind of people have been employed. "Long Hair" has already given a description of the bunch of directors, now let us look at the executives. The highest-placed person is Mr Victor SO. I have pointed out on numerous occasions in this legislature the previous work of Victor SO. He has served in the Housing Society for the longest period of time. Insofar as property developers are concerned, the performance of the Housing Society in managing shopping centers is the poorest. In that event, why would someone who had worked for the Housing Society be engaged to manage the shopping centres of the Housing Authority? This is ludicrous to the utmost. I invite Members to take a look at the shopping centres managed by the Housing Society. Compared

with those managed by other developers, one can say that they are at the bottom of the scale. In addition, what other people have been employed? The management listed on page 207 of the prospectus is headed by a group of employees from the Housing Department (HD). The Government said that the HD had done a poor job in managing shopping centres, so it established The Link Management. However, it recruited Victor SO, who made a mess of managing the Housing Society, to head it and recruited the whole lot of officials from the HD to take up senior posts in The Link Management. The Government said that it wants to improve the mode of operation through the establishment of The Link Management, however, I know some of these officers recruited from the HD very well. Most of them are over 50 years of age and have already retired. The Link Management will become another club for retired senior officials of the HD. What is at stake is taxpayers' money. Not only is the Government going to sell our assets cheap, what is more, we cannot see any improvement in the organization structure.

The sale of assets on this occasion has to strike a balance between the interests of two groups of people. One of these groups is the commercial tenants in the shopping centres managed by the HD, who are the constituents of Mrs Selina CHOW and Mr Tommy CHEUNG, as they have said. I appreciate Mr Tommy CHEUNG's attitude. He is steadfastly loyal to the group he represents and stated his position outright, saying that he had voted against the idea in the HA. I have known some Honourable colleagues for over a decade but their behaviour in the HA somewhat let me down. They did not draw the attention of the public to this issue beforehand and I do not know whether they voted for or against the idea in the HA. I think that in behaving in this way, they have not lived up to the expectations of members of the public. If they have assumed a certain capacity, then they have to calculate the figures to examine if they are correct and whether public interests have been safeguarded.

Apart from the interests of commercial tenants in shopping centres, we also have to take into account public interests. Valuation means public interests. One cannot sacrifice public interests in order to safeguard the interests of commercial tenants. A balance has to be struck here. One cannot try to create an oversubscription rate of 1 100 times in order to please international investors and make the show look good, thinking that this will bring honour on oneself and consequently sacrifices public interests. Why can we not sell the parking spaces to residents in Tin Shui Wai for \$100,000, but has to sell

them to international investors at the evaluated value of \$47,000? What does the Government take members of the public to be? Why must the interests and rights of the public be sacrificed to ingratiate international investors? If this is not another instance of collusion between the Government and businesses and the transfer of benefits, then I do not know what this is.

Another object of my ire is the black box operation and under-the-table deals throughout the process. The Government tried to put things in a good light by saying that such is the international practice and other places use the same practice. It also hired two experienced persons from Singapore. Hong Kong has always vaunted itself as an international financial centre with many talents. However, it now holds its own people in disdain. This is yet another example of ingratiating overseas countries. I wonder if this is because the Government has no confidence in itself as a result of its failures in governance over the past seven years that it has displayed such jittery behaviour. The Government follows overseas countries in everything, disregarding what Hong Kong can do on its own. Its entire mentality is that the grass is greener over the fence and even if foreigners break wind, it still smells better. I find the developments in relation to "one country, two systems" most disappointing. Such a way of governance, the transfers of benefit, the collusion between the Government and businesses, the sale of assets on the cheap can be described as the most scandalous of scandals.

Madam President, I do not know if the sale of assets this time can be halted, but I think this is a historic scandal and disaster because our assets are being sold cheap, Hong Kong people is being deprived of their dignity, and the rights of Hong Kong people are being trampled upon, but it seems that some Members among us still consider it acceptable and condonable. If the Secretary insists on putting The Link REIT on sale on 16 December, we will actively study if such a move can be barred by legal means. In the past, the Government said that it could legislate to cut the pay of civil servants, however, in the end, it was proven that such a move had contravened the Basic Law. Therefore, many of the ideas hatched by the Secretary may not be absolutely correct. The Hunghom Peninsula affair has proved to be a disaster and a wrong decision. I take this to be an oversight on the part of the Secretary. However, if the Secretary still insists on his way, then this will no longer be an oversight but looking on with his eyes wide open as the interests of Hong Kong people are being injured, their rights trampled upon, and their dignity deprived, without taking any action.

I hope the Secretary can really reflect on his mistakes, learn a lesson from it and adopt the attitude like the one I take towards the project in West Kowloon, that is, having been deceived once, realize that a serious mistake has been made, then do something in the interest of Hong Kong, instead of doing something for his own dream, as LEUNG Chin-man said. When I initially expressed my support for Donald TSANG, I also said in this chamber that I had a dream, that I wished to see the canopy rise over West Kowloon. However, I cannot sacrifice the interests of Hong Kong people in pursuing my dream. Similarly, we cannot jeopardize and sacrifice the interests of Hong Kong people for the sake of our personal dreams. The final decision should hinge on how Hong Kong people will be benefited. This is the yardstick that any official and legislature, in particular, this Legislative Council, should adopt.

I hope Members who support this sale of assets can tell me what benefit Hong Kong people can reap from this. How would selling a parking space to international consortiums for \$47,000 benefit Hong Kong people? Please convince me. Mr CHAN Kam-lam, I hope you can convince me and I hope members of the HA and those who had a part in approving the sale of assets can convince me that selling a parking space at \$47,000 to international consortiums can benefit Hong Kong people.

I hope the Secretary can turn around before it is too late, shelve the sale for the time being and work on the arrangements again, so that this exercise of selling the assets will not be a continuation of the collusion between the Government and businesses and a transfer of benefits.

Thank you, Madam President.

**MR ABRAHAM SHEK** (in Cantonese): Madam President, I would like to respond to several points made by Secretary Michael SUEN earlier in his speech. Just now, Secretary Michael SUEN said the assets of the public would not be sold at dirt-cheap prices. If the statement is made by another accountability official, I will not believe it. But since the statement is made by the Secretary responsible for land policy, I should have believed it in the first place. However, I find what he said this time hardly convincing. Why? The price of a parking space is only set at \$47,000. Not to mention land premium, the price can hardly cover the construction cost. If this is not selling our assets cheap,

what is it then? The current price for a parking space in Tin Shui Wai is \$200,000, some may be \$230,000. A driver working in the New Territories has to spend \$200,000 to buy a car park, while the Government is now selling it at a price of \$47,000 to international consortiums. If this is not selling our assets cheap, what is it then?

In respect of Lok Fu Shopping Centre, it is valued at \$3,000 per sq ft, a price that cannot even cover the land premium. Comparing to the premium per sq ft obtained in the last land auction, is the present arrangement not selling our assets cheap? The Secretary knows the answer. Mr LEUNG Chin-man knows the answer. Everyone in Hong Kong, even Tom, Dick or Harry, knows the answer. However, our answer is different from that of the Government, for two different yardsticks are used. We use conscience as a yardstick, while the Secretary uses responsibilities, responsibilities that he is incapable of assuming, as a yardstick.

Moreover, the Secretary used the term "independent" when he mentioned the valuation earlier. What does he mean by independent valuation? What is valuation? In English, I will say "valuation is not a science, it is an art." It is only when something has a market value that valuation can be made. However, we are now talking about the valuation of some \$300 billion assets, how can this be done by a single valuer? If these were your own assets, would you do that? Surely, you will not. If this is not selling our assets cheap, what is it then? Other officials told me that the valuation made by HSBC is close to ours. However, HSBC has an interest in this, how can the Government just trust the valuation of HSBC is close to that of the Government? Why has the Government not commissioned a few more valuers to conduct the valuation? As the Urban Renewal Authority said a few days ago, they would employ seven valuers to value even a single shop. Well, that may be superfluous. *(Laughter)* But it is at least fair. Madam President, how can the valuation of \$300 billion worth of assets be conducted by a single valuer? This is really unbelievable.

Besides, what makes The Link REIT comes into being today? Everyone is talking about The Link REIT now. But have we ever reflected why The Link REIT has to be set up? It is because, in the past, when all the 78 000 parking spaces and shopping centres of some hundred thousands square feet were public assets, they had been poorly managed, and no one ever bothered to care. They were offered at very low prices because they were public assets. It was

considered a way out to offer these assets at lower prices to attract rental. However, no one was interested in renting these shops. As Mr Albert CHAN said, since no one wanted to rent these centres, they were put to valuation. I am not saying the Government is wrong, but is it the fault of society then? I do not know. I think this is up to the Government's conscience. As such, I think a review in this respect is really warranted.

Mr Ronny TONG said earlier that The Link REIT would be managed by a Singaporean company called Capital Land which would appoint two independent directors. Is it Capital Land? If I have got it wrong, please let me know. Capital Land is a company of the Government of Singapore. Why do we have to find a company of the Government of Singapore to manage our shopping centres and car parks? Will the authorities please give us an explanation? Does Hong Kong lack the talents in this field?

Madam President, I want to say no more. But I would like to speak in English, for there are many overseas investors around.

**MR ABRAHAM SHEK:** Madam President, the reason why I want to speak in English in this particular instance is that I do not want to give the foreign investors a wrong impression that we do not welcome them. We do welcome them, we need their investment because Hong Kong is a financial centre. But the reason for this debate is that we do not want them to prosper and make money out of the sweat and tears of the people who have contributed to the prosperity of Hong Kong and we have built up such a massive number of carparks and commercial malls for the benefit of the people living in those estates. We are having this problem not because of their fault of wanting to invest in Hong Kong. Rather, it is the fault of our Government which has totally undervalued the assets which belong to the people of Hong Kong.

I am a fervent advocate of "small government and big market". I totally support the idea that the Administration should privatize its assets as far as possible. The private sector has been proven to be much more efficient and less costly. Privatization can also quickly narrow the fiscal deficit when the Civil Service shrinks. Therefore, in principle, I support The Link REIT. However, I regret that I have to ask the Administration to halt the Initial Public Offering (IPO) in this instance as I find that the transaction is not in the best interests of our citizens.

The Government has long been criticized for being inefficient. That is the reason why we cannot maximize our return on assets. The privatization of the retail facilities and car parks offers an opportunity for the Government, and hence the taxpayers, to make higher yields on the assets. Better management and lower cost enhance the value of the assets. In this IPO, however, we fail to see such benefit.

If we assume that the units will be sold at the cap price of \$10.83, the government coffer will net about \$21.36 billion to \$23.71 billion. The total consideration to be paid to the Housing Authority (HA) is about \$32.31 billion, plus liabilities to be taken over by The Link Management. It appears that there is a premium of 5.7% over the total estimated value of \$30.9 billion put forward by the valuer CB Richard Ellis (CBRE). But, taking a close look at the data, the assets, in my opinion, have been much much undervalued, and I am just an ignorant citizen.

The assets to be disposed of consist of 78 000 car parks and retail facilities with gross floor area of over 1.7 million sq m. If we assume that the average car park price is \$150,000, instead of your \$60,000, which is quite modest in a commercial sense, the car parks can fetch about \$11.8 billion. This will leave the retail facilities to be valued at a meagre \$19 billion, which means approximately \$10,000 per sq m. It is more or less like Shenzhen price. Ladies and gentlemen, where in Hong Kong can you buy land at \$1,000 per sq ft in a shopping arcade? Only from the HA. Yes, this is a new record. You are actually prostituting the value of Hong Kong property.

CBRE, your only valuer, based its valuation on the average of two values calculated according to the capitalization method and the discounted cash flow (DCF) analysis. The yield rates it has adopted are rather high, about 8% to 9% for the capitalization method and 10% for the DCF method. If we take a normal return of about 5% or less for the current return on real estate investment which is the norm now, the valuation produced by the CBRE is much much on the low side. In addition, when the CBRE made the DCF analysis, it has not taken into account the sudden jump in profits, as there will be a huge reduction in management cost when the assets in question which have been badly managed and badly marketed will be managed by a private enterprise (The Link Management) instead of by civil servants; not to mention the potential of fetching higher rent under the management of the private sector. It is worthwhile to note

that the CBRE's valuation has attached a price tag of \$80,000 to each carpark and \$25,000 per sq m to the retail facilities. When the bank deposit rate now is virtually nothing or very low, the valuation carried out by the CBRE appears to be very low, as a very high yield rate has been applied.

Another reason which makes me feel totally uncomfortable about the IPO is that, initially, only 10% of the units are offered for the subscription by the general public while 90% will be offered to institutional, professional and other investors. The Secretary has said that there is going to be an improvement. Thank you for that. I really fail to understand the logic behind it. I understand that the sentiment among the Hong Kong citizens for the subscription is going to be very very high. Why? This is because the price is low. Since the Government has a mindset to sell Hong Kong assets so cheaply, why not let our citizens enjoy and subscribe the shares? If such units are owned by our citizens, it will promote our sense of belonging and ownership. Our citizens will have a say in supervising the performance of the Manager and Trustee of The Link Management, be it Singaporean or what. We are proud to be owners of our assets in Hong Kong. We can cause The Link Management to run in an efficient manner and in the best interests of Hong Kong. If the majority of the units fall into the hands of foreign investors, apart from losing our face, we shall lose our say in managing a piece of important asset which constitutes nearly 10% of the total retail space in Hong Kong.

I hope, Mr Secretary, you can rest tonight.

Thank you, Madam President.

**MR LEE CHEUK-YAN** (in Cantonese): Madam President, for a start, I oppose the adjournment, but I wish to thank Mr CHENG for giving us this opportunity to debate such an important issue because time is indeed running out as The Link REIT will be listed soon. First, I totally oppose the sale of those car parks and shopping centres; and second, I object even more strongly to selling them cheap.

I will first elaborate the reasons for my opposition to the sale. I believe all shopping centres and car parks in public housing estates are meant to serve residents of public housing estates and enable them to buy daily necessities. If

the shopping centres are sold, it would no longer be possible to keep in view their effects on the people's livelihood. If the rents keep rising, there will definitely be an impact on the people's livelihood. After the shopping centres have been sold, the control over them will be all but lost. The Housing Authority (HA) will no longer be able to intervene in future increases in rent in any way. Of course, one may say, "Let the market decide". True enough, the decision of the market nowadays is to increase the rent incessantly. What consequences will rent increases lead to? First, if the business of tenants cannot make up for the increased rent, it will be impossible for tenants to sustain the increase and their businesses will have to be folded. As a result, more people will become unemployed. Another possibility is that the tenants can withstand the rent increases, but prices will have to be increased. Price hikes will increase the burden borne by residents and eventually, it will be the residents who stand to lose.

I remember very well one good deed done by the Secretary, that is, when the SARS epidemic broke out in Hong Kong, the rents of shopping centres managed by the HA were reduced. In future, after the listing of The Link REIT, should Hong Kong unfortunately experience any problem of this nature, would a rent reduction still be possible? Secretary, you will no longer have any say because the assets will have been sold. Is The Link Management obliged to fulfil any social responsibility? No. Even the KCRC, which is wholly owned by the Government, is not obliged to fulfil any social responsibility because it has to follow prudent commercial principles. As a result, the West Rail has made a covert fare increase. Even an organization wholly owned by the Government needs not assume social responsibility, not to mention The Link Management. Therefore, from the very beginning, the sale should not have proceeded, because after the assets have been sold, prices will definitely rise and commercial tenants will definitely have to endure high rents. In the end, businesses will either fold or be replaced by large consortiums. This is the first reason for my objection to the sale.

Secondly, I oppose all the more selling the assets cheap. I say that this is selling them cheap, so did "Tai Pan", and other Members may also said that you are selling them cheap and even Mr Abraham SHEK has said so. After calculating the whole set of figures, Mr Abraham SHEK pointed out that you are selling the car parks and shopping centres cheap. Secretary Michael SUEN and LEUNG Chin-man may feel angry at the claims that they are selling the assets

cheap and say here that the HA will never sell the assets at prices below reasonable market prices. And they may say the allegations about selling the assets cheap made by some people are very serious and also extremely unfair.

However, frankly speaking, you have no credibility left insofar as this issue is concerned. I still remember that when selling the Hunghom Peninsula, you told us then that you had not sold it cheap. How would you possibly admit that you had sold the Hunghom Peninsula cheap? You still do not admit it. You are still shaking your head and denying that you have sold the Hunghom Peninsula cheap. However, in fact, all Hong Kong people can see that it was sold cheap. How cheaply was it sold? The buyer made an additional \$6.7 billion in profit for no reason. Was it not sold for \$6.7 billion cheaper? If this is not selling it cheap, then what is? The Hunghom Peninsula was sold cheap but you did not admit it then. Now, all Hong Kong people can see how you are selling the assets cheap.

I can make a bold prediction today — please put it on record — that in future, we can look back and see how much cheaper the assets have been sold. The Hunghom Peninsula was sold cheaply by \$6.7 billion. How cheaply will the shopping centres under the HA be sold? Maybe they will be split up and sold separately. Can the Secretary please confirm that they can be split up and sold separately? If they are split up, then they will definitely fetch very high prices. The Secretary has denied this, so he may give an explanation later. I wonder if we will see such a situation in future: such and such a shopping centre is owned by this consortium and such and such a shopping centre belongs to another consortium. Even if they cannot be sold cheap like this, there are still many other ways, for example, subcontracting, that is, to lease out to another consortium at a certain price so that the latter will be given the right to collect rent. Even though it cannot obtain the title, if it manages to get the right to collect rent, it can still rake in lots of money. I dare say that the whole affair will in the end go down in record as another instance of selling cheap.

In view of what I have said, although Secretary SUEN would get very mad when others accuse him of selling the assets on the cheap, he can no longer deny this because he has done so before. The whole saga shows us that from the Hunghom Peninsula affair, to this affair involving the HA and before this, that of the Cyberport — the Cyberport had nothing to do with you — but the Hunghom Peninsula and the Housing Authority are related to you and there are clear

records showing that this is a bumper sale and what is more, only one valuer was employed. This whole affair shows us that you merely want to dispose of the public assets as quickly as possible with a view to washing your hands clean.

Madam President, I think that even on account of the Hunghom Peninsula affair alone, Secretary Michael SUEN should have resigned for his blunder. Together with this incident, he should have resigned twice. It is a shame that there is no such thing as to resign twice in this world. Secretary SUEN may say, "If you want me to resign for my blunder, that means you want me to get rich. Nowadays, people outside love to recruit senior officials". However, the Secretary has also said that he would not work for property developers upon retirement. This I believe. However, it is certain that the Secretary has failed in his duty during his tenure by selling the assets of the HA cheap. You cannot possibly be absolved of the blame in this issue. Whether you will have so many opportunities to get rich after your resignation like Sir David AKERS-JONES or other senior officials had is something that I cannot tell. This is about the future. However, in this affair, Secretary Michael SUEN should in fact resign for his blunder because from the Hunghom Peninsula affair, it can be seen that you have drawn the wrath of heaven and the spleen of the people.

Finally, Madam President, I think that given the present state of affairs, if Secretary Michael SUEN still insists on listing The Link REIT immediately, then this is nothing but selling the important assets of Hong Kong people down the river. I hope he can pull back from the brink, or else, he really has to resign. Thank you, Madam President.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, in fact, I do not want to insult any official here, however, after listening to the information provided by a number of Members, I have the feeling that either I do not listen to it, or else, having listened to the information, indeed one cannot help but criticize this particular official, and in very severe terms. In particular, after listening to the information provided by Mr Abraham SHEK, I have an even stronger impression that if the official in question really has a conscience with regard to society, there is indeed no reason to insist on implementing this plan unless he is so brazen and shameless as to think that he has not acted against the interests of the general public in Hong Kong. This is because a lot of figures have shown clearly to us that this plan will indeed sacrifice the interests of the Hong Kong

public and benefit large consortiums in Hong Kong and even benefit international consortiums. Under these circumstances, what benefit will Hong Kong and the Hong Kong public stand to gain? I really do not understand.

Apart from offering some information, many Honourable colleagues have also made many suggestions. However, there are many that I do not agree with. For example, Mr Albert HO said that it appeared there was no turning back because 25% of the units have already been allocated, so it would be better if we reallocate as many of the remaining 75% to the Hong Kong public as possible. It seems that it is a realistic suggestion. Originally, this would be a good enough arrangement, however, I still think that this will not do. Madam President, first of all, insofar as the overriding principle is concerned, do we agree with such an action? What good will it bring? If we do not agree with it, nor can we see any benefit in it, I believe we cannot say at such a stage that we had better settle with the next best option because nothing else can be done. In fact, as of today, the Government has still not yet formally approved the trust units or allotted them formally to anyone. At such a time, why can we not pull back from the brink and terminate this plan immediately, just as Mr LEE Cheuk-yan has suggested? Why can this not be done? Mr Ronny TONG said he hoped the Government could return the wealth to the people. I very much agree with this major principle of putting the people first. However, even if the remaining units are allocated to the Hong Kong public for subscription, may I ask how it can be ensured that the wealth is returned to the people and how it can be ensured that the interests of the people will be served? Large consortiums can still get these fund units by merely raising a finger, since they can pool capital to obtain more fund units. How can ordinary members of the public possibly do this? They still will not benefit much. Therefore, that course of action cannot be considered returning wealth to the people, but merely returning wealth to some already wealthy members of the public so that they can become even richer. For grass-roots members of society, they will only be poorer. What is the point of this then?

Madam President, as the Secretary said at the beginning of his speech, the main reason for launching this divestment project is to divest the facilities to raise about \$36 billion in revenue to build public rental housing units and in the mid-term, to relieve the serious financial difficulties encountered by the Housing Authority (HA). This being the case, I cannot help but ask why the HA has not

experienced any financial difficulties for so many years until now. Why? In fact, the answer is really simple. The present financial difficulties are the making of Secretary Michael SUEN. Why? Because it was he who decided to halt the sale of Home Ownership Scheme (HOS) flats. The Government lost the income from the sale of HOS flats but the costs of maintaining and managing public housing have created "negative-equity assets" and a deficit, leading to the present financial straits. I think the problem that has to be solved first of all is whether the decision of the Secretary to halt the sale of HOS flats back then was correct and proper. It seems that to discuss today whether the sale of HOS flats should have been halted is to dwell on a past issue and there is no point in talking about it anymore. However, even if I speak no further on this, if my memory has not failed me — if I got it wrong, will the Secretary please clarify later — when the sale of HOS flats was halted, Chief Secretary for Administration Donald TSANG said that if the HA should have any financial difficulty in future, the Government would help solve the problem. But how? I do not think he meant selling the family assets to solve the problem, like what is being done now. In fact, an equity injection can be made to alleviate the financial difficulties. Even if we do not discuss whether selling HOS flats is correct or not today, the Government did make such an undertaking, so the Government should solve the financial difficulties faced by the HA, rather than selling our family assets.

Furthermore, the greatest problem of all is that even if I allow him to sell the assets, I wish Secretary Michael SUEN could enlighten me on this: The sale this time will cash in on the rental income from the assets in the next 15 years, but what after that? After 15 years, nothing much will be left of the assets in the HA because the remaining shopping centres and car parks are probably those that you consider unprofitable and poorly managed, with little income generating capability. You will not put them on sale at all. In that case, what else will be left for you to sell? You have said that no more HOS flats will be sold, so what can be done? What other means are there to relieve the financial pressure? There is still one more recourse and, that is, to sell all public housing units. When the Government no longer has any commitment to public housing, then there will also be no point of contention.

**MR CHIM PUI-CHUNG** (in Cantonese): There are too few Members in the Chamber now.

**PRESIDENT** (in Cantonese): Mr CHIM, please sit down first. Since the Members in the Chamber now do not form a quorum, will the Clerk please ring the bell to summon Members back to the meeting.

(After the summoning bell had been rung, a number of Members returned to the Chamber)

**PRESIDENT** (in Cantonese): A quorum is now present. Mr LEUNG Yiu-chung, you may continue.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, either the Government or Mr SUEN has stressed that this divestment project is meant mainly to solve the financial problem of the Housing Authority (HA). I have said just now that the HA's financial problem is single-handedly caused by Mr SUEN because had he not stopped the sale of HOS flats, the HA would not run into such serious financial difficulties. On the other hand, the Chief Secretary for Administration, Mr Donald TSANG, had undertaken at that time that, should the HA face any financial difficulties in future, the Government would lend it a helping hand financially. I believe, by "a helping hand", he was not referring to the present move of realizing the assets or the family properties, but an injection of some cold cash into the HA to help its development. However, unfortunately, the Government now takes this surprise move of adopting such an approach to solve the HA's financial difficulties.

In future, does the Secretary really intend to make the Government shirk its overall responsibility of providing public housing to the people? If not, what measures does the Secretary have, as claimed by you in your earlier speech, in identifying ways of tapping new sources of revenue and cutting expenditure if the Government and the HA are given more time? Is this a bogus pledge? Are you cheating the people in saying that there would be some solutions in the long run, so that you do not have to sell family assets anymore? In fact, by then, apart from the public housing flats, there will not be any more family assets that the Government can sell. Therefore, what kinds of solution does the Secretary have in stock for solving the problem? Actually, there is no solution at all.

Therefore, I really have a lot of worries. With this amount of over \$20 billion, which the Secretary raises now from the realization of assets, how long can it last? On the contrary, I would say that, at present, we can reap an average income of at least \$1.1 billion from the retail and car-parking facilities annually. Even during the SARS outbreak, this revenue still stood at around \$0.9 billion. It is really a large amount of money, which is a substantive source of income. Why does the Secretary not consider making improvement to the income from this by further boosting it to exceed the present figures of \$1.1 billion or \$900 million? This approach will be better than the sale option. We should know that, as mentioned by many Honourable colleagues too, the shopping centres can help the people in the districts to solve their unemployment problem, and it may also help the business development of small vendors. Some older or traditional modes of business have to survive in markets of the older type. If they are driven out of the HA's shopping centres, they stand absolutely no chance of surviving in the present private markets. This is simply impossible. If these industries are not given a chance of survival even by the Government, where else can they turn to for assistance? What is more, just as some Honourable colleagues have mentioned, even if there is an undertaking that no rent increase will be introduced within the next six months, what good can it do? It is meaningless even if this six-month undertaking is extended to one year or even two years, not to mention the fact the Secretary does not even have the courage to make such an assurance at all. Why does he not have the courage to make such an assurance? This is because he is not a shareholder. He is not the major shareholder. So how can he make any assurance?

On the issue of shareholders, under this type of privatized management, the small vendors actually will not have much say in future. Even us, Members of this Council, or any other organizations, also do not have any say at all. Why? This is because the Management can justify all its actions by simply making this remark "we have to be accountable to the shareholders". It explains all their actions and then we can say nothing else — there is simply no room for negotiation as this remark is sufficient for stopping all kinds of criticism. When the Secretary lobbied us to support his proposal, he said that we could sit down to discuss and study the issue in future. Nonsense. In future, definitely we will not see this happen because I have seen too many similar incidents. All that the listed companies have to say is "we have to be accountable to the shareholders", and then we cannot say anything at all.

Therefore, Madam President, I can only appeal to Honourable colleagues once again. From a pragmatic point of view, Members could say: Since international consortia can enjoy the benefits, why do we not allow the people of Hong Kong to enjoy the benefits as well? However, this is not a true solution to the problem. The Government does not have a long-term housing strategy, nor does it have an explicit set of housing policies. More often than not, the Government would adopt some temporary measures just to address the worst part of a problem. What it is doing now is to make some quick cash to meet the current expenditure without any regard to what will happen in the future. If we accept the Government's practice of selling its assets, it will feel complacent without making any effort to identify a direction most appropriate for the housing strategy of Hong Kong and it will be encouraged to act more recklessly in future.

Therefore, from the perspective of either the benefits or the long-term strategy, I believe there is no reason for us to accept the Government's present action of selling its assets. What is more, this sale could become the norm and such a practice could keep recurring. I feel that it is out of the question for us to allow this to happen. The Chief Executive keeps telling us that he wants to resolve the problem of the disparity between the rich and the poor. However, insofar as this listing exercise is concerned, how can an ordinary person benefit from it? How much can a person earn with the allotment of a single lot or two of this unit trust fund? What does it mean to the general public? Besides, many people just do not have the money to apply for the trust fund, or even if they do, they may not be allotted any of it, so what is the point of the listing insofar as these people are concerned? In the end, who else would get these fund units but the tycoons and the big consortia? We want to narrow the gap between the rich and the poor. However, no matter how many committees on aiding the poor are set up, it would still be meaningless, as all these efforts would become nothing more than gestures devoid of any meaning at all. The best and the most practical way is to demand the Government to suspend this listing exercise immediately and to review its overall housing policy with a view to better organizing the HA's finance. That would be the only way that can lead us to the right path. Otherwise, we will always be led by somebody else and never be able to do what we want to do. Once we start selling an item, there will be a second item and a third, and the act of selling will become a perpetual phenomenon.

The so-called "big market, small government" is a completely wrong approach. Even if we really proceed to implement the policy of "big market, small government", we cannot make it obligatory to sell the assets just because we want to implement this policy. We have to do it slowly and we have to identify the right ways of implementing the proper arrangements as well as the transitional arrangements. Maybe we think there is a need to take this approach, but in my opinion the "big market, small government" approach will not work. In particular, it gives no protection to the interests of the grass-roots people, nor can it narrow the gap between the rich and the poor. So why do we have to take this approach at all?

Madam President, I do not agree with Members who oppose the motion moved by Mr Albert CHENG. I agree to his proposal. Many colleagues advised me not to take this stance; otherwise, they said, we would not be able to continue with this meeting. I think it does not matter, because we want to convey a message, and that is: We strongly oppose the Government's move. If the Government is not selling its assets cheap, too pathetically, then it must be selling the assets wrongly. Now if it is wrong for the Government to sell its assets, what reason is there for us to allow the Government to do that? What reasons are there for us to allow the Government to make one mistake after another? For these reasons, I hope Members will consider supporting Mr Albert CHENG's motion.

Thank you, Madam President.

**MS EMILY LAU** (in Cantonese): Madam President, I speak in opposition to Mr Albert CHENG's motion. I invite Members to take a look at what his motion is about first. He is requesting that this Council do now adjourn. If we agree, then we can go home and go to bed right away. However, Madam President, I also hope that you will adhere strictly to your decision to adjourn the meeting at 10.30 and to resume tomorrow. The meetings tomorrow have all been cancelled because of this motion today, however, I am still very grateful to Mr Albert CHENG for moving this motion for adjournment of Council. Madam President, in fact, this motion should have been proposed by the Secretary himself because this is a very important matter. We have had discussions since 5 pm today and it looks likely that the debate will continue tomorrow. The discussion will take five to six hours and of course, everyone thinks that this is a very important subject. Or does anyone think that Members have too much

time and nothing to do? I deeply regret the fact that the Government has not taken the move to raise this subject so that the legislature can have a chance to debate it.

I support the divestment of retail and car-parking facilities by the Housing Authority (HA). Although Mr LEUNG Yiu-chung and I are good friends and our positions on many issues, such as on democracy, human rights and the rule of law are consistent, I am saddened that Mr LEUNG Yiu-chung and I have to go our separate ways insofar as this motion is concerned. However, I hope that even after I have expressed my opinions, we will still be friends. Our views may differ, but in a democratic and pluralistic society, I believe different views can be accommodated.

Although I support the Government's divestment policy, we find that the approach taken by the Government is, as many Honourable colleagues have said, truly regrettable. Has the development so far really reached a point where there is no turning back? Can the Secretary perhaps talk about what the consequences will be if we shelve the plan now? Madam President, I think you will also remember that sometime ago, we also invited tender and obtained some information on building construction in preparation for the construction of our Legislative Council building, and a model was made at a cost of some \$10 million to \$20 million. As things turned out, all efforts have come to naught, have they not? Therefore, the Government has in fact little credibility left. Now, there are also calls to halt the West Kowloon project and I too demand that it be halted. I have also raised this matter with Mr TUNG Chee-hwa yesterday.

The Secretary said that he had to help the HA solve the problem of fiscal deficit. I agree that is a major problem and we in The Frontier also discussed this problem on Sunday. I myself agree with what the Secretary said at the beginning about what the HA should do. I think the HA should provide public rental housing units to people in need. As to whether HOS flats should be built, this is in fact a controversial issue but I am inclined to opposing their construction. The Government should not become a property developer, however, the problem is that if the construction of such flats is discontinued but the high-land price policy continues, many members of the public will be caught in the middle. Therefore, the survey conducted by us and The Hong Kong Polytechnic University indicates that the public want the Government to do this and to do that. In fact, they want the Government to do all sorts of things.

On how to put the housing policy in order, I believe such a move is necessary but the Secretary has to let the Legislative Council participate fully in the process. I myself think that if the authorities do not have money, they should come to the Legislative Council to get it or request that funds be appropriated in the Budget. Of course, that will have to compete with other expenditures such as those on education and social welfare. All these are social expenditures and all of us should pay for them. The Secretary must not think that by selling the properties, there will not be any need to secure any funding. These assets are the assets of Hong Kong people, are they not? Therefore, the Secretary must not deceive himself.

However, I also agree with a question raised by many Honourable colleagues. Is the valuation too low? Why was only one valuation company engaged? I think the Secretary could never ever convince us. Madam President, I am also grateful to the Permanent Secretary, Mr LEUNG Chin-man, for coming to the Legislative Council this morning to have a discussion with about 10 Honourable colleagues and providing some information to us. However, in spite of this, he still could not explain why only one company had been engaged to conduct the valuation. Therefore, even though the Secretary told us that the value was not low and that this was not selling the assets cheap, Honourable colleagues still find this unacceptable. Moreover, having come to this stage, can we pull the plug on this? What are the consequences if we pull the plug on this? It will be very difficult to do so and I hope the Secretary can comment on this in detail later. If possible, and if the consequences are not very serious, I agree that the Secretary should go back and strive to secure a better price, so that everybody will consider this fairer, rather than having to blast the Government in the severest terms, as Mr Abraham SHEK has done. Such is the situation in the Hunghom Peninsula saga and the present situation is again like this. Why is it that the valuations done by the Government are always so low?

Madam President, I also agree very much with Mrs Selina CHOW and Mr Fred LI that at present, the state of the shopping centres under the Housing Department are indeed very poor. Mr Abraham SHEK said that it was because the relevant authorities had managed them very poorly and poor management has resulted in low values. Consequently, they have to be sold in this way. This is logical. However, I am more inclined to believe that if these shopping centres are handed over to private companies for management, with the efficiency and other favourable conditions of these companies, they will manage these shopping centers better. I believe that the views of Members on this

subject are very much at odds. There is nothing we can do about this and we must respect each others' views, particularly when Mr LEUNG Yiu-chung and I are both directly elected. I hope that in future, the various aspects of these shopping centres, including their management, will see improvements. I very much hope that minor commercial tenants and individual businesses will not be driven into extinction. If everyone in these shopping centres operates such shops as high-end restaurants and chain stores, small commercial tenants will face the dire fate of being forced out of business. I believe many people in Hong Kong do not wish to see this happen. I also do not believe that, in order to manage these shopping centres effectively, all minor commercial tenants have to be driven out. If this is really the case, I believe many people will find this most regrettable. I believe it is also necessary for the Secretary to clarify this matter.

Moreover, the Secretary and many Honourable colleagues have also mentioned that many commercial tenants are concerned about the arrangements for tenancy renewal, the rental policy, the policy on trade mix and the arrangements for the termination of tenancies, and so on. I believe these are the most important issues. The Secretary said that an initial consensus had been reached and dialogue would continue on this basis. Madam President, I hope that the Government will really do so because this is very important. Frankly speaking, if the Government cannot secure the support of commercial tenants, how can it proceed? If everyone puts up a fight — we may not be able to do what the Ukrainians are doing, and I have great respect and admiration for them because they remained in the streets to carry on with their struggle despite the snowstorm — I hope the Government will not force commercial tenants to take this kind of action. Therefore, I consider it necessary for the Secretary to spell out his undertaking clearly.

Finally, Madam President, I also wish to raise the issue on allocating 75% of the shares. This morning, we also raised this point with the Permanent Secretary, Mr LEUNG Chin-man, saying that if everyone thinks that the prospect of The Link REIT is really so excellent, then the Hong Kong public must be able to benefit from it. I agree with Mr Ronny TONG's comment that the arrangements in respect of allocation really drive people up the wall — only 10% will be allocated to Hong Kong people, what is more, it is claimed that this is the normal practice. However, the present situation is not normal at all. All these assets belong to Hong Kong people. Mr Albert CHENG even helped fan the fire, saying that a lot of Hong Kong people are also interested in buying the

shares. In view of this, it is absolutely necessary to take care of Hong Kong people, rather than allocating all trust units to major overseas consortiums and investors. Mr LEUNG Yiu-chung said just now that even if the Government sold the trust units to Hong Kong people, they would resell them to other people. Madam President, if they do, this is not a problem at all. If they like, they can sell what they have been allocated to other people and this is no one else's business. Such a practice is precisely what I like about a capitalist society. Everyone has their own freedom and investors can sell however much they have bought whenever they like. They have the freedom and what is more, they do so every day. I do not think there is any problem with this. However, if only 10% or 30% of the units are allocated for sale to Hong Kong people, causing the units to be oversubscribed, whereas non-Hong Kong residents can all get what they want, then I think this will be most unreasonable. On this point, some Members and I hold different views. However, apart from those who oppose the sale of assets by the Government — and of course, these Members will not support anything — I have also heard many Members express support for such a manner of allocation. Even if the Government deals with this matter in such a way, it still has to keep close tabs on public opinions. If the majority of the public very much want to know if the trust units of The Link REIT are really such good value, then the Government has to exert its utmost to enable participation by the people. Only by doing so can the wealth be returned to and stored among the people.

Madam President, I gathered from the Secretary's speech that the HA had the absolute discretion to allocate a higher proportion of fund units for public sale in Hong Kong. He also gave the assurance that the HA would keep in view the situation in relation to oversubscription in the public sale in Hong Kong and allocate a greater proportion of fund units to retail investors accordingly. To me, this point of "a greater proportion" is unacceptable. Initially, the Government said that 30% would be allocated and "a greater proportion" will mean only 40% or 45% at the most. I think a lot of Members today has said that the proportion should be as high as 75%. Unless the Secretary tells me later — or rather, tell us tomorrow, since it looks likely the Secretary will not have the chance to speak today — that there is difficulty in allocating 75% of the units, in which case he can tell us, otherwise, we must allow the Hong Kong public to have even greater participation.

Madam President, the debate today is a very good one and you are very sagacious in allowing it. I really hope that if the authorities anticipate that

something will happen, they will be graceful enough to raise the subject in the Legislative Council even though no legislation or funding is involved, so that Members can debate matters that are going to happen, rather than merely proposing motion debates every week on matters that we can think of but are not attainable. Moreover, the discussion on this type of motions will also take up four to five hours. Now that something is really going to happen, it has to be discussed here. In this way, the partnership between the legislature and the Government can really be given room to play. If the Secretary wants to implement something next month, then it should take the proposal here and let Members have a look. Of course, there is the risk that a motion proposed by the Secretary will be voted down by Members, still, this is what the Government should do.

Therefore, since the subject of this motion is so urgent, the President approved it. Secretary, one may say that she has given you a hand. Some Members think that the Government has taken a step in the wrong direction. They hope that the Government can pull back from the brink and that the public can get the benefits eventually. It is impossible to make everyone in this Chamber happy. However, sometimes there is nothing we can do and I hope that eventually, the public at large will agree with this plan. Many Honourable colleagues also said that many commercial tenants had already accepted it. Of course, if the situation becomes very bad in future, their reaction may be very strong. Therefore, the Secretary must give an assurance that he knows how to handle this. If the arrangement this time is really so excellent and the public really want so very much to get a share, then I hope that not too many people will end up empty-handed. I so submit.

**MR CHIM PUI-CHUNG** (in Cantonese): Madam President, today we are discussing The Link REIT issue. It led me to think about the policies of the Hong Kong Special Administrative Region (SAR) Government, including, of course, its policy on land.

On Monday, I said to some 50 Members of this Council that we should not talk about the issue of dual elections by universal suffrage in 2007 and 2008 anymore because this would cause division. Today, in discussing this topic, however, we have demonstrated solidarity. Furthermore, the issues involving the project in West Kowloon have united Members. This highlights the role

that the Legislative Council should play with regard to the policies of the SAR Government.

Recently, we could even see some Judges of the Appeal Court reject a piece of legislation passed by the Legislative Council two years ago, the reason being that it contravened Article 100 of the Basic Law. The Legislative Council spent an incalculable amount of time on formulating this piece of legislation for Hong Kong and it was approved by our sovereign state, the Chinese Government (at least it was not returned, meaning that it was approved). However, it turned out that the Court has the power to reject it. This shows that the SAR Government, as we all know, is really in a mess. The Secretaries of Departments and Directors of Bureaux of the Government are all doing things their own way.

Madam President, on this issue of The Link REIT, I am not going to repeat the views already expressed by many Honourable colleagues. Here, I wish to raise two points.

First, why did the Securities and Futures Commission (SFC) give its approval so hastily, so that privileges were granted and the listing was approved? Of course, it had been instructed by the Government and had been subjected to government pressure. This also led to queries about whether the operation of the SFC as a whole is fair and reasonable and whether fair treatment is being given to all companies, or whether the Government can breach the code of practice to do whatever it wants whenever necessary or required. It is true that the Government is entitled to special priority, but excessive priority exposes the unfairness in policy and also shows that there are unequal treatment, unfairness and a lack of openness in Hong Kong.

Madam President, it has been more than seven years since the reunification of Hong Kong with China. Prior to this, some local Chinese-owned brokerages were still on a par with world-class brokerages. On 30 October, when I met Mr TUNG, he asked me, "Mr CHIM, which local brokerage is the largest these days? Is it Sun Hung Kai?" I said, "Yes, Sun Hung Kai can be considered pretty large, but it is now Australian-owned or Malaysian-owned. So, it cannot be considered Chinese-owned." If he was to enquire further, since I am a representative of the industry, I would still be able to answer him, but my answer shows that Chinese-owned firms have been

subjected to a great deal of oppression after the handover. The SAR Government stresses that Hong Kong aspires to be a global financial centre and we absolutely support this, since this will be beneficial to Hong Kong as a whole and even to the future financial development in China. However, we must not forget that insofar as foreign investors are concerned, if there is money to be made, they will remain in Hong Kong, but when there is no money to be made, they can of course withdraw from Hong Kong immediately and return only when the situation improves. In view of this, in order to safeguard the development of the local or international financial market, the Government should strike a balance and in this connection, it must keep in view the relevant policies, including that on the allocation of the units of The Link REIT on this occasion. There can be no denying that Singapore poses serious challenges to Hong Kong. But why should the Government choose Singaporean companies as the agents? Of course, I believe this may not be solely the idea of Secretary Michael SUEN but rather, it was a collective view. Still, it reveals how the SAR Government belittles and neglects the importance of local Chinese-owned brokerages. We are not envious of other people who are making money and developing in Hong Kong, however, it is necessary for the Government to balance the needs of all parties at the same time.

The SFC is playing two roles in this issue. First, it approved the listing of The Link REIT. Many Honourable colleagues have queried the valuation and even raised many other queries. Of course, the Government said that the valuation had been done by professionals who also offered advices. While we cannot say that this is totally wrong, we must understand that it is impossible to let one single company deal with such an important matter all alone and it is necessary to have other reference.

More than seven years after the reunification, international financial institutions have now controlled many areas. In the final analysis, they are larger in scale and more robust than ours. Under such circumstances, as I have said before 1997, we will only become a colony of another vein. Does this mean that there is no representative underwriter or brokerage in Hong Kong? On this, it is the attitude of the Government that matters most. On this issue involving The Link REIT, a member of the Executive Council once raised the question of nurturing local Chinese-owned brokerages to countervail and compete with other international banks or brokers. In fact, this mainly depends on the policy of the Government as well as the instructions given by the

institutions under the Government, such as the SFC. Take this issue in question as an example. The Government has given the green light to large corporations throughout the process but has set hurdles for other companies. In that case, how can local companies get fair and reasonable assistance to compete with other international institutions?

Therefore, Madam President, since many Honourable colleagues have spoken on issues about the market, so I am linking the relevant policy with the problems of the financial system in Hong Kong as a whole. This is an issue of common concern. The long-term belittling and neglect of local forces and nurturing of other international organizations has turned Hong Kong into a virtual colony of another nature.

We must understand the development and evolution of Hong Kong in various areas from the '50s to date. I have also pointed out many times that the living environment at that time was very poor and these markets and car parks were intended for small communities and the circumstances then were very special. The Government cannot adopt a broad-brush approach and make decisions and act purely according to commercial considerations, as this will damage the cohesion of local residents. Therefore, from a purely commercial point of view, I personally support the listing. However, it is necessary to remind commercial tenants specifically in the prospectus that they should not set their sights on the return within several months or in the very short term, or this will become another kind of social time-bomb that will induce social unrest. In that case, there is no reason to shift the responsibility back to the Legislative Council or other organizations.

Madam President, people of the pan-democratic camp said that the proportion of votes they had won in the last election was 62%. I can tell Members that the subject matter today and that on West Kowloon will bring them another 10% of votes. Government supporters, pro-government people or government yesmen will lose votes. Often, the relevant parties will set out to investigate why there is so much support for certain people. In fact, this is because the Government is eroding the electorate base for candidates who support it. Even clever people like Mr Abraham SHEK are blasting away, even though he knew full well that the listing would definitely be made on 16th. This severe dressing down is in fact an attempt to help a little. Therefore, we wish to tell the Government in earnest that for the sake of its supporters, it must no longer create so many opportunities for anti-government candidates or other

potential candidates. This is certainly the fact. Why? Because the Government's action has indeed departed from certain principles and the reality. I believe we will discuss the issues relating to West Kowloon next week or two weeks later. This is a subject that all members of the public are very concerned about and the interests of Hong Kong people are at stake.

I have personally said to Mr TUNG that I would fully support what the Government has done right, however, if it has done anything wrong, then, sorry, I will definitely censure and criticize it. I do so not for my own sake but for the truth and for the interests of Hong Kong as a whole. I firmly believe that being responsible Members of the Legislative Council, we should do so. I have also said that the introduction of universal suffrage in 2007 and 2008 is impossible and we must not mislead the public or voters. However, the subject today involves the interest of all Hong Kong people. We certainly have the duty and responsibility to make our positions known in order to defend their interest. The debate today may have come too late because the listing will take place on 16th. However, in any event, we have to express our views to the Government.

It is true that many of the debates conducted by the Legislative Council are not legally binding. However, I trust that when facing any unjust action or action not consistent with the interest of the public taken by the Government, if all 60 Member can unite and make an effort to express and lobby, we can win the respect, love and support of all members of the public in Hong Kong, and prevent the SAR Government from merely paying lip service on its respect for the public but actually doing whatever it wants. We have expressed our heart-felt wishes and hopes, and I believe Secretary Michael SUEN has always been most impartial. He has always been able to withstand attacks and pressure for the sake of government policies. Moreover, Principal Officials under the Accountability System should be able to face up to their mistakes bravely. Unless the Secretary is subjected to other sources of pressure, otherwise, I know that you are inspired by a sense of duty, responsibility and commitment. Thank you.

**MR JEFFREY LAM** (in Cantonese): Madam President, the divestment of the 150 shopping malls and nearly 80 000 parking spaces of the Housing Authority (HA) through the establishment and listing of a Real Estate Investment Trust (The Link REIT) is in our opinion, an attempt to corporatize public utilities and to reduce the scale of the public sector. This is not only consistent with the "big

market, small government" principle but also the global trend, and it is something which the Liberal Party has always been advocating. The listing through a Real Estate Investment Trust is not unique to Hong Kong as it has been employed in Singapore, and successfully too.

The money raised through the listing will mean an extra source of income to the HA which has been plagued by financial problems for so many years. It can also mean a sensible investment option for the public as The Link Management guarantees that the rate of investment return for the first two years will be as much as 6.65%. This is very attractive indeed as compared to the prevailing interest rate of 0.01% offered by the banks in Hong Kong for saving deposits. Moreover, income from rents is stable and it will not be subject to great fluctuations and it will also bring some \$30 billion income to the HA. I understand of course that before the actual listing, The Link Management will contact some fund traders and some arrangements will be made and as we can see that public response to this fund is very enthusiastic, under such circumstances, I hope that the authorities will consider making some better arrangements so that more Hong Kong people can be able to buy these shares. I hope at least 50% of the shares will be allotted to Hong Kong people and most preferably, 70% of the shares will be allotted to Hong Kong people.

In addition, if a private company is to take charge of managing these shopping malls and car parks, it will certainly be more efficient than management by the HA as it is currently the case and these assets will have a better chance of giving full play to their market value.

I have heard some Members lashing out their criticisms earlier at the Government for selling its properties at knock-down prices. We will of course put up strong opposition if the Government is selling its properties at such prices. But as to the question of whether or not the Government is really selling its properties at knock-down prices, we do have some reservations about this view. Taken at the price for the total floor area, these properties will of course worth more than \$30 billion. But we need to know that this acquisition by The Link Management of the title of 180 properties of the HA is different from other acts of acquisition in that The Link Management cannot pull down these properties for redevelopment at once and so the income of The Link REIT should be measured in terms of the income from rentals. We think that the \$30-odd billion would be a reasonable consideration.

Both Mr Vincent FANG who is not able to attend the meeting today because he is away on a business trip and I think that the interests of the operators of small businesses should not be ignored. Many of these operators are worried that the shops in the malls of the public housing estates will be monopolized by a few big groups of chain stores. They feel concerned that if the malls operate under commercial principles and when the board of directors does not exercise sufficient monitoring, then they will be very likely to face sharp increases in rents. But we note that The Link Management has pointed out that tenants in the shopping malls of the HA are mostly small operators and about 70% of the tenants are individual operators while 30% belong to big businesses. If this ratio is maintained and if it is made a long-term policy, that will show that The Link Management does not intend to drive away the small operators. So this can be considered a relatively sound approach.

Then Mr C.M. LEUNG, the Permanent Secretary, has also pledged that the rentals for parking spaces will not be raised before the end of June next year and that for some special tenants, including welfare organizations and kindergartens, and so on, their tenancies will remain unchanged. Mr Victor SO, CEO of The Link Management, has stressed on various occasions that raising the rents is not the first and foremost task of the company to increase its income and that it will take measures to reduce operating costs and ease the pressure of a rent hike. These messages should in my opinion be welcomed.

Actually, there may not be any conflict of interests between The Link Management and the commercial tenants and on the contrary, there may even be some common interests. The listing of The Link REIT will mean bringing into better play the potentials of the shopping malls, that new thinking can be introduced to run these shopping malls and that will in turn mean a strengthening of marketing efforts and hence greater patronage. Actually some shops in the malls are vacant and remain to be leased now, so if there is more patronage, the business turnover is bound to increase. This may not be a bad thing to the commercial tenants at all.

So the crux of the problem lies in communication. The Panel on Housing of this Council has passed a motion earlier to urge the HA and The Link Management to jointly discuss with the commercial tenants as soon as possible the transitional arrangements in concrete terms so as to ensure that the commercial tenants will not suffer a sharp increase in rent. It is unfortunate that the Administration has not responded to the motion positively. In our opinion,

the Administration should have enhanced its communication with the commercial tenants from the outset and explain clearly to them the future development strategies of The Link Management in order that their worries can be dispelled, instead of taking forward the plan in such great haste.

As we look back at the performance of the Government over the past seven years, we find that often times many policies are formulated with good intentions, but the problem is with the timing of implementing these policies and that insufficient communication is conducted with all sectors across the community. That has led to wasted efforts and few achievements. The listing of The Link REIT is certainly something which deserves our support, but a balance must be struck to protect the interests of the commercial tenants. I believe if only communication can be strengthened, a win-win situation will be created for all the parties involved.

Madam President, I so submit.

**MR FREDERICK FUNG** (in Cantonese): Madam President, the Hong Kong Association for Democracy and People's Livelihood (ADPL) and I strongly oppose the idea of forming The Real Estate Investment Trust (The Link REIT) to divest the retail and car-parking facilities of the Housing Authority (HA) as well as its subsequent operation and arrangements. We consider that this plan will end up in an all-loss situation.

The first loser would be the HA itself. According to the statistics for the past five years, the commercial premises of the HA, including its retail and car-parking facilities, have been able to generate an annual revenue of \$4 billion. This revenue has been relatively steady and predicable. For this reason, the ADPL and I opine that the commercial premises serve as a safety net for the HA in the provision of a stable income.

As a matter of fact, HA's present dire financial predicament is attributable to the Government's decision to halt the construction and sale of Home Ownership Scheme (HOS) flats in a bid to shore up the local property market. But, on the other hand, the Government is unwilling to make up for the shortfall in revenue suffered by the HA due to the loss of income caused by the cessation of sale of HOS flats. That explains the present dire financial predicament of the HA. Now, the enormous expenditure required for the construction of public

rental housing alone is sufficient to drag the HA into deep financial difficulties. Under such circumstances, instead of providing any assistance to the HA, the Government even intends to exploit it by trying to take advantage of its retail and car-parking business. This is putting the cart before the horse. This is unreasonable.

Moreover, according to the projection of The Link Management and the market, if the HA succeeds in divesting its retail and car-parking facilities, it will bring in a revenue of \$20 billion to \$30 billion immediately, which would be sufficient for meeting its operating expenditure for the next few years. Yet, the ADPL and I would like to point out the other side of the story (if the HA's attention can be drawn to it): That when the assets of the HA's commercial premises are sold, it would be losing a revenue of \$4 billion from rentals each year. In other words, the tens of billion dollars generated from the divestment of these commercial premises will be used up in just five to seven years. As a matter of fact, the HA will get \$20 billion to \$30 billion over a short period of time. However, the HA can actually get the same amount of money over a period of five to seven years from rentals. In other words, in the long term, the HA will be the loser in this exercise.

Another loser is the commercial tenants in public housing estates. It is generally known that the purpose of divesting the retail and car-parking facilities is to raise capital. As a result, the future operation of both The Link Management and the commercial premises under its management will certainly be guided by commercial principles. The ADPL and I believe that under the "market-oriented" strategy, the level of rents, the management arrangements and the business mix will all be affected, particularly so with those shopping centres that are located in less strategic locations, that do not have a high customer flow and that do not have a high business turnover. In fact, in the "Frequently Asked Questions" section of the introduction to the divestment plan, the HA has stated that by divesting most of its retail and car-parking facilities, the HA is actually hoping to "enhance the operating efficiency and flexibility of these facilities through private management". Therefore, it is undesirable to "demand The Link Management to adopt the same rental and property management policy as the HA has been doing". Note the word "undesirable". In other words, the HA requires that The Link Management should not, cannot, and will not be able to use the same approach as the HA has been adopting. To the ADPL and me, our interpretation of these words is that the HA has acknowledged, indirectly, that once its commercial premises are divested, The Link Management will be

operating according to market principles. When the rentals are due to be determined, commercial tenants and car park users who do not have much bargaining power will stand totally defenseless, like a piece of meat on a chopping board. Moreover, when The Link Management starts to reshuffle the trade mix of the shopping centres for the purpose of increasing revenue, major enterprises and corporations will move in, which will suppress the small vendors and further reduce their chance of survival. Therefore, the commercial tenants will also be the losers.

The third loser will be residents of public housing estates. Maybe somebody may question that, since the HA is just divesting its retail and car-parking facilities, so public housing residents should not be affected very much. However, the ADPL and I must point out that most of the users patronizing these shopping centres are public housing tenants. When the public housing estates were built, the HA had stated that the shopping centres were built for the purpose of providing services to residents living in the estates. As we can see, apart from commercial premises, there are also service industries operating in these shopping centres, including doctors, dentists, kindergartens and even voluntary agencies, and so on. The voluntary agencies, in particular, are being charged rents below the market rate. However, after the mode of operation is changed, will these tenants still be able to rent these premises at discounted rates? With a rent increase, or when the rents are set according to prevailing market value, can they still survive in these shopping centres? When these service industries or organizations are gone, it is the public housing tenants who will suffer, because fewer services will be available to them. In this regard, I am not aware whether the HA or The Link Management has taken the following actions: (1) Have they consulted the commercial tenants; and (2) Have they consulted public housing tenants? On the issue of how this divestment exercise will affect the residents, have they done any publicity in the housing estates? Have they held any meeting for consultation? Have they consulted the local committees, the mutual aid committees, or the District Councils?

Besides, it is obvious that, from a commercial point of view, the HA is of the opinion that the business turnover of most shopping centres in public housing estates is not good enough. However, the ADPL and I would like to point out that, to the public housing tenants, the functionality and importance of the shops cannot simply be measured by monetary standards, nor should their value be measured in such a way. Many of these facilities in shopping centres of public

housing estates form integral parts of their communities which provide many essential daily necessities to the residents. When these shops were rented out, it had been specified clearly the exact numbers of each kind of shops such as bean curd shops, cafés, Chinese restaurants, vegetable stalls and pork stalls, and so on. I think in future there would be no such clear-cut delineation. By then, all the shops will be selling whatever is the most popular: If pork became popular, all of a sudden there would be 30 pork stalls; if bean curd were popular, there would be 40 stalls selling bean curd; if shoes were popular, there might be 50 shops selling shoes. This is how business is operated commercially. The mode of planned operation by the HD will be a page of bygone history. Certainly, we can question the appropriateness of the past model. Or was it feasible at all? Now if that was not appropriate, if that was not feasible, how can the HD manage to rent out most of those commercial premises? And how can it get an annual revenue of \$4 billion? This shows that such "planned" arrangements appear to be commercially viable and have the support of the residents; otherwise they would not be able to generate such revenue.

Therefore, all these facilities form a comprehensive package. But in future there would be no such overall packages. Neither do we know what kind of trade mix will be provided, nor whether there would be any plan at all. Everything will be decided by the market. The shopping centres in public housing estates, in their current mode, are like some small sparrows: they are tiny in size, but they have all the essential organs required for survival. As a matter of fact, the shopping centres are an important element in maintaining the completeness of comprehensive community planning. I am worried that after The Link Management has taken the helm, the market becomes important, money becomes important, revenue becomes important and the share price becomes important, and the focus of the commercial premises will be shifted to attracting more customers instead of serving the housing estates. Some of the shopping centres may even be converted into theme arcades so as to attract more customers and to boost business. Now this will entirely defeat the original purpose of the shopping centres. I believe this is not what our public housing tenants, several millions of them in number, would like to see.

So on the whole, the ADPL and I think that the Government's decision of forming The Link REIT to divest the retail and car-parking facilities can be compared to killing the goose that lays the golden eggs and putting the cart before the horse. It destroys the harmony of the communities, in which the

people used to supplement each other and work together as a whole. Now, the dollar sign reigns. The market has dominated the entire universe which has become the "little universe" of the HA now. But I do not put all the blame on the HA for its current predicament. I would blame the Government. It stops the HA from selling and building HOS flats, yet it is unwilling to shoulder the responsibility of building public rental housing and injecting capital into the HA. Consequently, the HA is forced to make this inadvisable move.

Madam President, the HA has been victimized, so have the commercial tenants as well as the comprehensive planning of the communities. For these reasons, I oppose the divestment exercise.

**DR FERNANDO CHEUNG** (in Cantonese): Madam President, in comparison with the low interest rates for bank deposits, The Link REIT is expected to offer an estimated investment return of more than 6%, no wonder it is so earnestly sought after by many citizens. However, when lucrative benefits are involved, I think maybe not many people will pause for a moment to think carefully about many of the problems associated with the privatization of public assets of the Housing Authority (HA). My advice to Hong Kong people is: While you are queuing up to apply for the units of The Link REIT, please pause for a moment and consider whether their act of selling public assets in this way is doing justice to Hong Kong people.

First of all, the HA will realize its 151 shopping centres. In other words, these 151 shopping centres will be operated on market principles in future. As we all know, the shopping centres of the HA have never meant to be just a tool for making profits. They are there to primarily serve the residents living in public housing estates. We can see that all housing estates under the HA adopt a community-oriented design and they are operated on a self-contained mode. In terms of housing, the housing needs of residents are accommodated; and in addition to that, the shopping centres provide basic necessities to satisfy the residents' daily needs. The HA charges the vendors rents below the market rate, which allows many small-to-medium-sized vendors to keep on running their businesses. However, in the future, money will be the prime concern, because The Link Management will have to seek the maximum profits and be accountable to its shareholders. As a result, the rentals may rise sharply, so great that small vendors who are just making mediocre profits may not be able to carry on with their businesses.

Mr Victor SO, Chief Executive Officer of The Link Management, refused to make an assurance that there would not be any rent increases in the next few years. He merely stated that rent increases might not necessarily be the most important means of maximizing profits. However, drawing from the experience of other countries, we know that the introduction of rent increases is an inevitable trend. Over the past few years, Singapore has launched a number of Real Estate Investment Trusts. Not long ago, a television station broadcast a feature report entitled "REIT exploits small vendors with high rents". A Singaporean retail association claimed in the report that the sole interest of the management of the REIT was nothing but incessant rent increases, thereby subjecting small vendors to enormous pressure arising from high rents.

Now if the small vendors are forced to wind up their businesses, will they end up applying for Comprehensive Society Security Assistance? In future, will these shopping centres be dominated by large corporations that can afford the exorbitant rents? As a matter of fact, according to the offering circular of The Link REIT, the top 10 commercial tenants operating in shopping centres managed by The Link Management are all major chain stores, such as supermarkets, convenient stores and fast food groups, and so on, which have altogether rented 34% of the total floor area of the shopping centres under its management. If The Link REIT is listed, I am afraid the trend will continue to deteriorate.

Mr Victor SO also said they hoped to introduce more swanky shops into the shopping centres, such as 24-hour bookstores, franchised stores for overseas famous brand names, and leisure coffee shops, and they may even erect rock climbing walls in the shopping centres. However, do residents of the public housing estates really need such facilities? The Link Management has commissioned a real estate consultancy to analyse the shopping habits of customers using the shopping centres in public housing estates, and they find out that the consumers are mainly people belonging to the older age group. The ratio of consumers who are in the high-consumption age group, that is, those aged between 15 and 44, is relatively low, representing 43.6% to 49.8%. And they are not very well-off either. May I ask Mr SO, when alternations are carried out to these shopping centres, if those rock climbing walls are meant to be used by senior citizens living in public housing estates?

Of course The Link Management may as well argue that these swanky shops will only be introduced into shopping centres of housing estates located in districts with strong consumption power, such as Tseung Kwan O and Sha Tin. However, my greatest worry is what might happen to those shopping centres located in remote areas where consumption power is weak. Being a profit-driven company, will The Link Management choose to close down those shopping centres if they are not profitable and cannot be reformed? If that happens, will the residents of those housing estates need to take a long ride just to buy the basic necessities they need in their daily lives?

There are thousands or even tens of thousand of residents living in the public housing estates, and each housing estate is a community. The shopping centres of the estates have an obligation to meet the needs of residents living in the community. Since most of the residents of the public housing estates belong to the low-income and socially disadvantaged groups, we should take better care of their needs. Privatizing the shopping centres of the housing estates will put them in a most disadvantaged position.

Supporters of the privatization plan would argue that the Government has no obligation to subsidize small vendors with public money, and that running these shopping centres on market principles will improve management efficiency. However, does indiscriminate worship of the market mean that we have to turn a blind eye to the brutality of the market principles? Is marketization the only way out? Why do we not look for other solutions in a more imaginative way? Now, the amount of over \$20 billion the HA can realize is only able to alleviate its financial pressure for a short period of time. Maybe we should consider an overhaul to improve the management of the HA and its overall financial arrangements. Actually, can we make good use of the resources of public housing estates for the greater benefits of the residents? For example, can we inject new economic vitality into the poor communities by allowing residents to run some used items shops or organize other community functions in the shopping centres so that they can become self-sufficient? Could these be the alternatives to marketization?

After all, the assets of the HA belong to the people of Hong Kong. If we are to privatize these public assets, public interests must be considered, and the word "market" alone may not be sufficient for solving all the problems raised above.

On the other hand, the prices of the shopping centres and car-parking facilities have triggered a great many controversy. Earlier a number of Members have asked whether this divestment exercise is selling the assets cheap. I think I do not have to repeat my viewpoints in relation to the issue here. But to me, the crux of the whole issue lies in the so-called self-financing policy adopted by the HA after its restructuring exercise in 1988. In the past, the Government provided the land and the HA was responsible for building the public housing estates. In the past, the HA could well make up for the losses incurred by the public rental housing with the proceeds from the rents collected from the shopping centres. The surpluses from selling HOS flats, in particular, were sufficient for financing new public housing projects. However, the implementation of "SUEN's Nine Strokes" and the halting of the sale of HOS flats and the Sale of Flats to Sitting Tenants Scheme had plunged the HA to its present financial predicaments. We can see that the HA still has a surplus of approximately \$10 billion, whereas The Link REIT would only enable the HA to realize about \$20 billion, or about \$30 billion inclusive of borrowings. Adding this to the \$10 billion it has, it will have a total capital of just about \$40 billion. If the HA has to rely entirely on this \$40 billion to maintain its operation, how long can it last?

Recently, a colleague of mine, CHUNG Kim-wah, has made a rough estimate and concluded that this amount of over \$40 billion can only keep the HA in operation for just about five years. Just as Mr Frederick FUNG has said earlier on, selling the assets of the HA is like killing the goose that lays golden eggs. Or we may even describe it as a measure tantamount to drinking poison to quench the thirst. This is not a long-term solution to the HA's financial problems. A casual move to privatize public assets and put them on sale may jeopardize the interests of the residents and small vendors living and working in the housing estates managed by the HA. Should we not think twice about this exercise?

My view is that the HA has to reshuffle and reorganize its financial arrangements. If we use a short-term solution to address a long-term problem simply because it will allow the Government to leave the public coffers intact for the time being, the problem will surely revisit us in two or three years. By that time, we will no longer enjoy the annual surplus of over \$10 billion collected from shopping centre rentals like what we do now, which is a stable and long-lasting revenue that can subsidize the expenditure on public housing flats. For these reasons, I hope the Government can think twice, as the sale of HA's

retail and car-parking facilitates is simply not a long-term solution to the problem. Therefore, I oppose the divestment exercise and oppose listing The Link REIT. Thank you, Madam President.

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

**MR CHAN KAM-LAM** (in Cantonese): Madam President, the Democratic Alliance for Betterment of Hong Kong (DAB) supports in principle the Government's move to divest the retail and car-parking facilities of the Housing Authority (HA) and to list them in the market. I feel that this issue has been discussed for a fairly long time. In the previous phase of discussion, members of the public were by and large supportive. Although the Legislative Council does not have any records or any motions which indicate our support for the Government in this matter, generally speaking, we are of the opinion that it is a sensible move for the Government to divest the retail and car-parking facilities of the HA and to list them in the market.

I maintain frequent contact with many commercial tenants in the districts. Probably we pay more attention to those grand and beautiful shopping centres, and invariably overlook those smaller shopping centres. When we say we must protect the operating interests of the commercial tenants and address their concerns, we tend to think that we can solve the problems by securing some longer-term rentals and leases for them. As a matter of fact, according to what we have heard from the commercial tenants, this is not the case. We can take a look at the shopping centres of some older housing estates. Let us take the Hing Tin Estate as an example. This housing estate has a history of more than 10 years with an ageing population. Five or six out of 10 shops in the shopping centre are vacant. Very often people would ask: Why are those shops not rented out at cheaper rents so as to encourage people to start their businesses? Some people even suggest that unemployed CSSA recipients should be allowed to do business in those vacant shops so that they can start their own businesses and become self-reliant. However, on second thoughts, when even commercial tenants with sufficient capital find it so hard to "sustain" their operation, how can we expect people without any capital to make any headway?

In our frequent contact with these commercial tenants, we know that they strongly demand that the Housing Department (HD) change the management

practice for the shopping centres. Unfortunately, as many of us know, the poor management of the shopping centres in many housing estates is not due to substandard managerial personnel or housing officials. Instead, it is attributable to the many problems that exist in our present mode of management. To solve these problems, it is necessary to abandon such policies and remove certain management limitations. It is totally impossible to improve the current operation if some operating practices of the business sector are not introduced into it. Naturally, when we talk about the shopping centres of the HD, the wet markets run by the Government would naturally come to our minds. Some time ago we discussed how we could improve the operation of the wet markets, and we discussed how traditional wet markets could compete with the new supermarkets as the latter continue to expand their business. How do we make the traditional wet markets more competitive? There are some ready proposals including the installation of air-conditioning in the wet markets, or the implementation of some improvement works to eliminate the wet conditions, the poor drainage or the bad lighting. However, many commercial tenants are not enthusiastic about improving their operating environment, unfortunately. Although we have made a lot of efforts explaining to them how the installation of air-conditioning and the upgrading of the lighting and drainage system can improve the overall cleanliness, environment, hygiene and business environment, so that they could compete with the supermarkets, irrespective of the fact that they may need to pay a higher rent for the air-conditioning, and so on, they still worry a lot in the face of such changes. Madam President, their worries are completely understandable to us. Why? This is because they are all operating with a small capital. They are grocers, fish mongers and butchers who cannot forecast with confidence what their business prospects are. Just now a Member talked about how the overall business environment had improved in some shopping centres and wet markets in Tsing Yi after the installation of air-conditioning systems. These are examples illustrating that we should not be afraid of changes. As long as we know that these changes are good for us, we should face these changes boldly.

Of course, we are not saying that their worries are unnecessary. As a matter of fact, The Link Management and the HD have made numerous contacts with the commercial tenants, and during this period of time, as far as we are aware, some commercial tenants have reacted to the proposal positively. However, many commercial tenants remained worried, because so far The Link Management has failed to make any undertaking in relation to the worries and

opinions of commercial tenants. However, we feel that, with enhanced communication and the building up of mutual trust, these problems can be overcome. In fact, commercial tenants running businesses in the shopping centres or the wet markets managed by the HD are long-term tenants with excellent track records. They are really long-term tenants, for many of them have been running their businesses for decades. Their leases are renewed automatically upon the expiry of the original ones. Although they have seen more rent increases than reductions in the past, they keep running their businesses to the best of their abilities.

We very much hope that the new company, after formation, will keep communicating with the commercial tenants and give them more briefings. Of course, we have heard of many new ideas from Mr Victor SO lately. Some people questioned Mr SO's ability in managing shopping centres, but we think that as long as we can keep an open mind, and are ready for innovations, and when new management elements are introduced, we will be happy to accept the changes. Mr SO told us that the practice of uniform rent under the current renting policy might be changed. For example, they may use the business turnover of a shop as a criterion for rent determination, or they may upgrade the facilities of the shopping centres, so that they can facilitate smoother flow of customers in the shopping centres, or make it more convenient for shoppers, thereby boosting the patronage to the commercial tenants. Naturally, we agree that these are very good suggestions.

On the other hand, how do we improve the existing management efficiency, which, in our opinion, is very important too? If the HA could, through divesting the retail and car-parking facilities and listing them on the market, improve its management efficiency, we believe the cost can be reduced significantly. Mr Frederick FUNG said just now that the shopping centres could generate a revenue of more than \$4 billion for the HA annually. In fact, the figures are not correct. Maybe he only saw an annual total income of \$4.4 billion from commercial premises, but he had not deducted the expenditure. The expenditure on managing the shopping centres is well over \$3,048,900,000, so the operating profit is actually about \$1.3 billion. If, based on Mr FUNG's calculation, we had a profit of over \$4 billion and we are now selling it at \$30 billion, the return rate would be more than 10%, which is absolutely incorrect. He said that in future The Link Management would seek to attract customers instead of mainly providing services to the residents; this is again an inaccurate

description of what will happen. The customers are the residents. As long as the residents are attracted, the customers are attracted as well. Therefore, I think that kind of logic is totally wrong. We should not make up some unreasonable grounds to oppose the Government just for the sake of opposition.

We also believe that another advantage of this divestment exercise is to enable the HA to focus its business on the provision of subsidized housing. As a matter of fact, the HA is a colossal establishment and the expenditure on this accounts for a substantial portion of the overall expenditure on subsidized housing. If the HA could focus its business on providing housing to people in need, I believe it is beneficial to Hong Kong people as a whole.

Madam President, it is a known fact that the HA is facing a shortage of capital. Of course, we also agree that listing or divesting the properties is not the only way of solving the problem. There are in fact many other channels through which it can realize its assets, for example, through expanding the scope of the current Tenants Purchase Scheme, which is advocated by the DAB. The proceeds from the sale of the public housing units could be ploughed back into the development of other public housing projects to help the needy. Of course, the listing of retail and car-parking facilities is a very important initiative too, because this will allow us to focus better on subsidized public housing instead of involving ourselves in the unfamiliar scope of commercial operations.

Madam President, today we attended a promotional activity held in Lok Fu where we met some commercial tenants who had had a meeting with Mr Victor SO the day before. We are aware that during this period of time Mr SO has contacted many commercial tenants in different districts. We talked to some commercial tenants this morning. They told us they were feeling more secure and had less worries after talks with Mr SO. They even found that it could be an all-win situation. By an all-win situation, it means: The commercial tenants will win because they will be having more business with the improved business environment; the HA will win because it will be able to sell the commercial premises; and The Link Management will win as well, because the price of the trust unit will soar if they can do a good job in assets management.

Madam President, insofar as the sale arrangement is concerned, I think the nine to one placement arrangement as announced by the Government is inappropriate, because many people of Hong Kong would like to buy these fund units. If only 10% can be allocated to Hong Kong people, even if a

person applies for a large quantity of fund units, he will probably be allotted just a single lot, which is 500 or 600 shares, and it does not mean much. Therefore, I very much hope that the ratio allotted for public subscription can be increased to over 50% in the final placement arrangement, so that Hong Kong people can really own these assets.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): Honourable Members, it is now two minutes past 10 o'clock in the evening. I think we can finish this motion debate on "That the Council do now adjourn" before midnight today. Therefore, I propose that we shall continue with the meeting. Subject to Members' voting results, chances are we may continue the meeting at 2.30 pm tomorrow.

**MR MARTIN LEE** (in Cantonese): Madam President, the most precious asset of Hong Kong is certainly land. It is because all through the years, be it under the Hong Kong British Administration or the current Government of the Hong Kong Special Administrative Region (SAR), the local economy has always been built upon a high land-price policy. Unfortunately, recently, or shall we say, since the establishment of the SAR Government, the most controversial issues are also related to our land. Examples like the "85 000-flat policy", the Cyberport, or more recently the Hunghom Peninsular and the development of the West Kowloon district have given people an impression that the SAR Government has shown favouritism towards certain property developers, so much so that Hong Kong has been dubbed "The City of the LI Family". The West Kowloon development project has brought in one more name: The KWOK family.

Why do I have to mention all these here? Because what we are discussing today is the privatization of the retail and car-parking facilities. Having listened to all the brilliant speeches delivered by Members, a strange or maybe funny idea springs to my mind: Since so many accusing fingers have been pointed at the Secretary for Housing, Planning and Lands and since we are discussing the issue of privatization, is it possible to privatize the Housing, Planning and Lands Bureau as well? If so, how? It could be done by way of an open tender. The LI family could submit a bid, the KWOK family could submit a bid, or, for that

matter, whoever is interested could submit a bid. The tender will be awarded to the one who offers the highest bidding price, which will also entitle him to appoint the Secretary. This will make the life easier for the Secretary, so that he could be saved from being challenged by so many people, like the predicament Mr SUEN is in now — while he appears to be reluctant, he has no alternative but to award the project to these developers. Now if my proposal became viable, we could take one step further by privatizing our Accountability System for Principal Officials. By then, the Chief Executive will be spared the trouble of looking for Directors of Bureaux, who would instead be appointed by way of tender, in which the highly talented persons and businessmen in Hong Kong can bid for such posts. This is a very fair exercise. The proceeds from the tenders could be credited to the public coffer. In this way, all our Directors of Bureaux will be able to enjoy the full glory and honour when they assume such prestigious offices.

Madam President, regarding the subject of today's motion under discussion, many Members have mentioned two issues, namely, selling assets at knock-down prices and the introduction of rent increases. As a matter of fact, selling the assets at knock-down prices, as I see it, is rather inevitable, and I do not understand why the Government has to react so strongly by denying absolutely the possibility of selling the assets at knock-down prices. If a company hopes to seek a listing and it wants people to buy its shares, will it inject its real estate properties or other assets at high prices or low prices? If it fixes high prices for its injected properties, who will buy its shares? If it fixes low prices for such properties, then people will queue up to buy the shares, because they are good value for money. Of course, in this case no fund units have been reserved, and all the units are meant to be subscribed. This is particularly so as it is now known that the so-called independent valuers were actually doing the valuation for the Government. Since the underwriters like HSBC, Goldman Sachs, Walbert, and so on, have the responsibility to take up the unsubscribed shares, if any, so it is obvious that they would like to see to it that people will rush to buy these fund units, or they would be held responsible for taking up a poor quality unit trust. Therefore, these independent valuers working for the Government, namely, JP Morgan and the other three underwriters, do have a common interest, that is, they would like to see to it that all the shares of the fund are snapped up. Given this, is their valuation necessarily reliable? That surely is most questionable. However, nobody is there to represent the other party — the investors.

So this is something that we are most familiar with. Just as Mr Abraham SHEK has explicitly pointed out, if they are not selling the assets at knock-down prices, what are they doing? Take the parking spaces as an example. Obviously, each parking space is worth \$200,000, at which many people are willing to buy. In fact, we can sell the parking spaces first, and the unsold ones can be injected into the trust for the purpose of listing. But the parties concerned did not want to do this. They do not want to sell those parking spaces, because they want to boost up the assets value of the unit trust. Now I find this perfectly understandable. For this very reason, the Government cannot commission a reputable and independent valuer to do a valuation on behalf of the other party. Such being the case, there is no need for the Government to deny the accusation with such a strong reaction, because nobody will trust it anyway.

Now I want to discuss the issue of rent increases. As a matter of fact, I believe the logic of forming a Real Estate Investment Trust is like this: First of all, it is hoped that the operator or manager of this trust fund can improve the operational efficiency of the retail and car-parking facilities, so that the business can flourish. When business flourishes, these facilities will attract more customers to boost the patronage, and with enhanced patronage, such facilities can charge higher market rents. Therefore, it will become justifiable for it to introduce rent increases. Naturally, commercial tenants who run a good business will be happy to accept a rent increase because they do not want to move out. However, those whose business is less successful will be unable to continue with their operation, and they will be eliminated. Having understood this logic, we can realize that unless the operator fails to make business flourish in such shopping centres, it is inevitable that rent increases will be imposed. In spite of this, the vendors do not have to worry so much. As long as they have confidence in themselves, they should be able to say, "Fine, if the shopping centre can attract more customers, I shall be having more business, and so I shall be able to afford a slightly higher rent, which is better than having a rent slash because business is bad." If there were a rent slash due to poor business, keep running a losing business would just be a dead end. This is the law of the market; it is survival of the fittest. All these are very clear. But I do hope that there can be a good environment for our small vendors, and I truly hope that a fair competition law, which the Democratic Party has been advocating for many years, can be introduced, otherwise it will be a case of the big fish eating all the small fish. A situation like this will not be beneficial to or can even be

detrimental to market economy. Therefore, the Democratic Party hopes that the Government can introduce this piece of legislation as soon as possible. Meanwhile, the Democratic Party proposes that 75% of the fund units be made available to the people of Hong Kong. Of course, I agree with what our long-haired Honourable Member had said, that he could not afford to buy the trust fund because he did not have the money. This is right. There are people in society who do not have the money to subscribe for the trust fund, and this is not fair to them. When people with money can queue up for a handful of good stuff, those who do not have the money are unable to do so and cannot be benefited. Under such circumstances, the mandatory provident fund is there to give us protection. Therefore, some Members have suggested that the Government should allocate at least 10% of the units being offered to the mandatory provident fund, so that every citizen can enjoy this protection.

With these remarks, of course, I oppose the motion to adjourn the meeting.

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

**MR SIN CHUNG-KAI** (in Cantonese): Madam President, on this subject, I would like to, first of all, make a declaration of interest. I am a member of the Housing Authority (HA), and I have also taken part in the steering committee for this listing exercise.

In fact, I believe it must be a deliberate strategy of either the Government or the HA to arrange for certain members from different political parties to take part in this steering committee. Of course, these members do not represent their respective Parties. But in essence, I belong to the Democratic Party; and Mr CHAN Kam-lam of the Democratic Alliance for Betterment of Hong Kong (DAB) and Mr HO Sai-chu of the Liberal Party were appointed to the steering committee. I can claim without any regret that I have discharged my full duties to the best of my abilities. I attended all the meetings even in the most stretched moments — I still attended the meetings even when the electioneering campaigns were being conducted. As usual, I have used the figurative magnifying glass to monitor the work of officials of the Housing Department (HD), and I have also adopted a suspicious attitude in monitoring this divestment exercise, and sometimes I even monitored it as if it were a suspected conspiracy.

I feel that I have no regrets in the entire divestment exercise. I have not done anything wrong. I also do not understand why some Honourable colleagues have made such fierce criticisms in the debate. I feel that, first of all, some of the differences are ideological. I think I do have some ideological differences with the long-haired Member, and such differences have nothing to do with the listing exercise at all. Instead, it is all about how one look at the issue of privatization, and so on. I shall discuss this in the last part of my speech.

I would like to first dwell on a couple of issues. I still recall that, during the entire process, we have discussed at great length the subject of whether we should have a strategic investor. If our decision was in the affirmative, then we would send out invitations to different parts of the world in order to look for such an investor. I still remember that we were holding a two-day meeting in Central — I forgot which bank we were in — from 9.00 am to 8.00 pm. I attended both meetings and listened to the discussion for two hours in each of them, and then next we proceeded to a very vigorous process before deciding to take the present course of action. In fact, in the process of making this decision, we encountered certain problems which were subject to some debates. In our discussion, we talked about whether we should upgrade such shopping centres to include some high-end shops to make such famous labels as "Ferragamo" available to public housing residents. Some colleagues, including myself, had asked why we did not invite that Australian company or why we did not invite that German company, and so on. In the course of discussion, I can say, we did examine such factors as Chinese and Western cultures, and we also looked at some terms provided by some strategic investors, and studied which among such packages of terms offered would be the most "beneficial" to the HA (in our specific jargons). I feel that no one ever played any tricks in the whole process. If any tricks had ever been played, the one who did it must be very clever because, even for me, I have not noticed any such tricks. Insofar as the parts of the process in which I have participated, I think they are all very fair.

As regards the evaluation, if you have read that offering document, you would know that it was conducted according to the DCF approach. Mr Abraham SHEK must know about this. Actually was this a fair approach? The approach could well be said as the "norm" of the market. In this listing exercise, the REIT had fixed the "norm" of the market at 6.5% to over 7%, which was already set at the lower end of the possible yields. By "the lower

end of the possible yields", it means that the price is already adjusted relatively on the high side. As a matter of fact, we already knew the priority of the whole divestment exercise when we held our internal discussions. In fact, it could be summed up in three words, that is, "Price, price, price", which some people may feel uncomfortable to their ears. In other words, the HA aims at selling the assets at the highest price possible.

In fact, just as many Honourable colleagues have said, the HA is caught in a fiscal deficit. This is a fact that we are all aware of. If the assets-selling option cannot proceed as planned next year, the Government still would not have to worry about the staff salary payments, but it would be relatively difficult for it to launch housing construction programmes. In other words, the HA would have difficulties in financing new housing programmes in future. I have also considered the issue from the perspective of the grassroots. I understand that Dr Fernando CHEUNG will feel particularly worried. But the \$30 billion raised would at least be sufficient for financing the construction of public housing flats for three years, which should at least provide nearly 60 000 flats. I have also examined the Waiting List, which is now shorter than before — all it takes is just three years. However, the Government must subsidize the housing needs of the grass-roots people. This is very important.

All right. If we ask the Government not to sell its assets, then we shall have to ask it to fish out \$30 billion instead to finance the construction of public housing, do you think we can do it? Do you think we can force the Government to do it? It was unwilling even to accede to our request of not cutting the CSSA rates just to save some \$300 million, can we make the Government spend \$30 billion on this? I feel that if I have to choose between the two, I prefer selling the assets, which at least can solve the housing problems of the people by financing the housing programmes. Dr Fernando CHEUNG, I support the call to halt the reduction of the CSSA rates. But the Government was still unwilling to do so, therefore, how can we make it foot this \$30 billion bill? Please imagine, if we do not force the Government to take action, even if this problem could be solved, another problem of greater gravity may emerge. After several years, whom can we ask to launch public housing projects?

Yes, I agree that, even if the assets are sold, it can only solve the problem for about three years. But at least we can solve the problem for three years or so. Looking at the issue from another perspective, we can at least secure

50 000 to 60 000 flats in the next three years or so. Those who shall move into public housing flats are all grass-roots people. I have also considered the issue from the perspective of the grass-roots people. I have asked Secretary Michael SUEN how this fiscal deficit problem can be solved. Secretary SUEN has been reluctant to answer or has been avoiding giving a direct answer to the question. So the problem has remained unsolved so far.

The HA has engaged the service of an independent valuer for this valuation exercise. Of course, I am not a market practitioner so I have sought the advice of some people, and learnt that this is a market practice in making way for a company to get a listing, and that one valuer is sufficient for the purpose. The professional valuer engaged by the HA has a very strong incentive to push the prices to the maximum (if you really like to have a debate on this issue), because we want to get as much money as possible from the divestment exercise. You are "shaking your heads"? It does not matter.

However, having said that, among the remaining 75% of trust units, as Secretary Michael SUEN said, insofar as our prospectus is concerned, we have sufficient flexibility to decide how many units we shall allocate to the retail market. For example, how many trust units shall be sold to investors who apply in the capacity of independent investors, that is, those who apply for units in their own names? I know we have not decided on the so-called allocation proportion yet. If we have to respond to the sentiments expressed by Members, I believe if public anger, if any, has to be appeased, then in fact there is no time better than the present. And the Government should listen to such public opinions and decide how the trust units should be allocated, and how we can ensure that small investors can be allocated the highest amount of trust units. Although we all hold such views on its prospects, we cannot say that investors do not bear any risk at all. If the trust units were allocated to them, but if its price should plummet substantially on the first day of trading, we shall be scolded severely by everyone. However, who can have the courage to give any guarantee. "CHENG Tai Pan" said that the assets could be sold for \$100 billion .....

**MR ALBERT CHENG** (in Cantonese): I have never said that.

**MR SIN CHUNG-KAI** (in Cantonese): Sorry, I withdraw this remark.

**PRESIDENT** (in Cantonese): Mr CHENG, you cannot interrupt in this way.

**MR SIN CHUNG-KAI** (in Cantonese): Madam President, I have to .....

**MR ALBERT CHENG** (in Cantonese): Because I have already amended this.

**MR SIN CHUNG-KAI** (in Cantonese): Fine. Madam President, I have made a mistake, and I would like to offer my apologies to "CHENG Tai Pan". I will not say anything like the amount of over \$100 billion.

Even if retail investors were really allocated the units, does it mean that the price of the units will not run any risk of a landslide fall? Will everyone present in this Chamber be willing to give such a guarantee? I, for one, do not have such courage. However, if everyone says that there is such a strong demand in the market, and if such a strong demand does emerge in reality, I still think that it is necessary to satisfy the demand of the retail investors.

Fine. Madam President, I have given an account of how I have fulfilled my duties in faithfully monitoring the operation of the divestment exercise. Next, I would like to respond to the issue of whether privatization should be proceeded with. I must confess frankly that I may have some ideological differences with some Honourable colleagues. I support the principle of small government. I think that the Government should not undertake certain work if it is not a must for it to do so. However, our Government usually does not do the work we want it to do — the way it has handled the issue of fair competition is one of such examples.

Secretary Michael SUEN, there is an inherent inadequacy in your divestment exercise. You have to be responsible for it because you are the Head of the Policy Bureau. Frankly speaking, even though I am a member of the HA, I do not agree to its decisions on all the issues. For example, in the incident of the Hunghom Peninsula, it involved a lot of technical difficulties, and it could not be decided by the HA on its own. However, the Secretary can decide on what he wants to do. I also do not agree to the approach adopted by the Secretary in selling that development to those two companies. I have some reservation about it. However, the role of the HA is confined to only arranging

buyers for the Home Ownership Scheme. In fact, the Government still had many other options. If I was asked what should be done, I think it would be fairer if the Government could conduct an open auction for that piece of land. In other words, if it had undergone the process of auction, I would find it fairer, and it would not leave others with the impression of a possible transfer of interest. Now, it would be extremely difficult for him to clear himself of the suspicions. Frankly speaking, no matter how hard the Secretary argues now to say that how the decision had been subject to a process with due intelligence, the Secretary still has difficulties in clearing himself of any possible suspicions.

I would like to respond to the question raised by certain Honourable colleagues on whether privatization should be proceeded with at all. Let me share with Members some classic stories. In 1979, Mrs Margaret THATCHER assumed office as the Prime Minister. If anyone of us had ever visited Britain before 1979, he must have realized that its economic conditions were much worse then than now. In fact, when compared with some countries with a strong socialist presence within the European Union, Britain does possess a stronger economic momentum, and it has a lower unemployment rate and its economic activities are more prosperous. Sometimes, certain British Consulate-Generals would share with us their experience in privatization. From them, we learn that even prisons in Britain have already been privatized. (I am sorry; prisons should not be privatized, but are managed by the private sector.) But both its water supply and power supply have already been privatized. With some 20 years' experience behind it, Britain has become a preacher in many other countries. Let us take a look. Having undergone such changes, has its economy shown any improvement? Of course, not every privatization project can succeed, and some hiccups did occur in certain projects. However, on the whole the efficiency in society has improved.

I have finished speaking on the major issues. Now let me come back to this incident. I agree that this divestment exercise can be taken as a precedent. Conversely, some Honourable colleagues said earlier that they were worried that, after this divestment exercise, the Government would definitely adopt this pattern in selling assets. I think the SAR Government still has some further room for assets-selling. If the present divestment exercise of the REIT succeeded, our Government still has 13 parking facilities that can be sold. In the Budget proposal submitted by the Democratic Party to the Financial Secretary, we think that the Government can adopt the REIT model in selling the

13 parking facilities. If the REIT project works well, and if a proper review can be conducted to ensure that we can benefit from the experience, we can definitely do better in the next assets-selling exercise. I think we should not be scared. Besides, we still have some other assets certainly. The next one would be the Airport Authority. We also support its proposal of seeking a listing. Of course, the sale process must be sound and there should not be excessive criticisms.

However, I think it will be very difficult indeed. This is because it will involve a lot of listing rules, which stipulate that certain people are not allowed to speak at certain points of time; that making inaccurate remarks is not permitted. So it involves a lot of difficulties. I have taken part in this divestment exercise. Today, I am not afraid of speaking in this Chamber because we are under the protection of the "P&P", namely, the power and the privilege. But once outside this Chamber, I would worry that I might make slips of the tongue. Sometimes I am not sure when I may make some inaccurate comments, and I am not sure if I am allowed to divulge certain information. So I have to act very cautiously, trying to avoid giving incorrect answers. Therefore, this divestment exercise is relatively complicated. I think that it is still premature to conclude whether this is successful now, and there is no result yet. If the people react to it positively, and if more trust units can really be allocated to Hong Kong people in this divestment exercise, it would make everyone happy. I hope everyone can receive this Christmas present.

Will there be immense pressure for rent increases? Frankly speaking, with a rental revenue of some \$3 billion to \$4 billion, and a net income of some \$1.3 billion, the cost-income ratio is about 60%. Insofar as the norm in the private sector is concerned, the cost-income ratio rarely hits higher than the 30% mark. In short, the HA is not an efficient organization in running these projects. After the listing of REIT, if the HA can introduce some cost-savings initiatives, it can at least ensure that no rent increase will be introduced in the next few years. If rent increases have to be introduced in the next few years, Mr Victor SO would have to be fired. So basically, there is no pressure for the rents to rise. With a return of 6.65%, I still find this only a conservative estimation. I think the figure could be slightly higher. Are we selling the assets cheap? I do not think so. Can the assets be sold at a higher price? Maybe it can be sold at a price 5%, or 7% or 8% higher than the present one. But I think it is the highest already.

I so submit. In fact, I want to support this motion strongly because in that case, we shall not have another day of meeting tomorrow. However, both the Democratic Party and I will continue resolutely supporting the Government's plan of listing as originally scheduled. I so submit.

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

**MR TAM YIU-CHUNG** (in Cantonese): Madam President, since it is late anyway, I may as well say something on this motion. There is something that I must get off my chest. I do not know if the proposed arrangement is good or bad, and I dare not say whether it would do any good to the shop tenants, but I do not quite appreciate the existing approach. In the New Territories West constituency to which I belong, particularly in Tuen Mun, many old housing estates can be found there and because of an ageing population, business has been slack in the shopping centres. But if the shop tenants have to leave, it would be impossible for them to switch to other trades and it would be very difficult for them to seek employment. So, they are having a very difficult time in operating their business which is not worth keeping and yet, not bad enough to be disposed of. Nevertheless, the management of these shopping centres has no intention whatsoever to reinvigorate the shopping centres

We always go with shop tenants to the Housing Department (HD) for discussion on whether their rent can be reduced. But normally, their request would be rejected. When it came to the renewal of the lease, the HD would remain adamant however hard we tried to implore it to reduce their rent. Sometimes, even the managers in charge of the shopping centres were sympathetic to the shop tenants, but they said that a rent reduction would have to be subject to the surveyors' calculation. The surveyors have no idea about the plights of the shop tenants. While they will personally visit the shop tenants, the rent after their assessment will always be higher than the original level. Despite earnest requests for a slight rent reduction in the lease renewal, there is simply no room for discussion and worse still, there may even be a hike in the rent. Business is already very sluggish for these shop tenants. If their rent is further increased, albeit slightly, how can they possibly sustain their business and living?

So, we can see that the shopping centres in many old housing estates are indeed lifeless, and everyone there is toiling through their lives. Some shop tenants have said that it is not the case that they do not wish to pay the rent. But are there ways to reinvigorate the shopping centres and attract more visitors and business? To them, it is most important to have business. Take a stall in the Lunar New Year Fair as an example. Why can a stall selling fish balls and soft drinks pay a rent of \$450,000 for four days? It is because the income is definitely more than \$450,000, is it not? So, it does not matter even if they have to pay a higher rent, because it is most important to have business and customers.

Nonetheless, the commercial division of the HD basically thinks that it does not matter as to whether or not a shop is rented out, and once something goes wrong, they will simply recover the shop and even if it is left vacant, it does not really matter to them, for they will be paid their salaries anyway. This attitude of management and operation is doomed to fail.

So, I hope that through the proposed listing, the bad habits can be changed, and I hope that such change can truly be helpful to the shop tenants. I do not hope that by the time the shopping centres have become thriving, the shop tenants nevertheless have to leave, and if that happens, there would be great reverberations. I remember that on one occasion when I took some shop tenants to a meeting with the commercial division of the HD, I learned from indirect sources that the shop tenants were questioned whether their intention in demanding for a rent reduction again was to refuse paying the rent and that they were told that it would be useless even if they turned to Mr TUNG for assistance. With such remarks from them, how possibly can the shopping centres thrive? That is impossible. So, I hope this direction that we are now heading can truly be helpful to the shop tenants.

As to whether the assets are sold at dirt-cheap prices, I really cannot tell, because I am not good at calculation. But I think there will definitely be more people making subscriptions after this debate, because if the prices are dirt-cheap, it means a good bargain to the people. So, the people will think that they must not let slip this opportunity to reap benefits and they will certainly make subscriptions. Hong Kong people definitely will not let slip any opportunity to reap benefits. Furthermore, I think The Link Management has been doing a very good job in publicity by advertising that an annual return of over 6% will be offered. I know that many retirees wish to have more interest

earnings for their twilight years. I think an annual return of over 6% is very attractive. "Master Suen" has adopted a very attractive publicity approach. Today, if we urge the authorities not to sell the assets at dirt-cheap prices, we might be reproached by the people, for we might be posing obstacles to other people's road to riches.

In any case, after the assets are sold, I think the Housing Authority should continue to pay attention to how assistance can be provided to the shop tenants. The Link Management must not promise to do everything now but do not bother to do anything in the end on the pretext that it operates on commercial principles and that it has to be responsible to shareholders. I have heard these pretexts many times before, and I do not wish to hear them after the listing.

Thank you, Madam President.

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

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): Members have already spoken. I now call upon the Secretary for Housing, Planning and Lands to speak on the motion.

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, I have listened very attentively to the views expressed by Members earlier in the debate. I have taken on board most of these views. This is the first time that we are engaged in this sort of listing work in Hong Kong. Certainly, there are a lot of inadequacies, and I have taken note of all the advice tendered to me by Members. I will certainly make improvements as far as possible.

Madam President, the scope of this debate today is actually very broad. Members have expressed their views not only on the topic of our debate today, but also on the housing policy, the property market in Hong Kong, the problems of the Government in handling real estate issues, and so on, and they have hit the nail on the head. Of course, these are not the thrust of today's debate, and it is

impossible for me to respond to all these issues *seriatim*. I think there will be opportunities for me to explain these other issues to Members on different occasions in the future.

In fact, Madam President, I can accept most of the remarks. But a small part of the remarks was shocking to me. I can certainly guess the reasons, but it is not the right time to discuss them here. I very much thank Mr SIN Chung-kai for giving a truthful account to Members of his participation in this exercise. In his speech earlier, he made many points that I am actually going to explain. But I think it is far more convincing to have these points explained by him rather than by me.

Madam President, I think this brings us to a very important issue. I accept that there must be transparency. I accept that we should make public as much information as possible, and I accept that the executive should be monitored by Members of the Legislative Council. But is monitoring equivalent to participation in each and every detail? Does it mean that Members must participate in each and every detail before transparency can be considered achieved? Madam President, I think this warrants our deep thoughts.

As explained by Mr SIN Chung-kai earlier on, he participated in this exercise not in the capacity of a Member of the Legislative Council, but in the capacity of a member of the Housing Authority (HA). We hope to give some explanation on the accountability of the HA. He participated in this in his capacity of a member of the HA. But regrettably, under the circumstance, we were said to have deliberately withheld information from Members of the Legislative Council. But many issues really have to take a very long time and for many issues, we have carried out a lot of work, just that they are not clearly visible to Members.

I think, if Mr SIN Chung-kai had not said that so many lengthy meetings had been held, nobody would have known that. The people outside only know that we have chosen a Singaporean company to make the cornerstone investment for us and that we have appointed it to be our partner. But they do not know that we have actually screened 17 other similar companies. As mentioned by Mr SIN Chung-kai, among these companies there were companies from Australia, Germany, and so on, and we did not choose these companies for various reasons. What does all this mean? It means that there must be mutual

trust and faith between the legislature and the executive. I feel most sorry that the executive appears to be invariably challenged by everyone whenever it has done something. Irrespective of our standpoints, if there is any slight cause for doubts to exist, then there would be no basis for mutual trust.

Madam President, this has made our work doubly difficult. For example, the price. This is not the first time that it is discussed here; this is not the first time that it is brought to the attention of the public, and this is not the first time that the public discuss whether or not the price is appropriate. During the past week or 10 days, there were many comments in newspapers, and many market players have expressed their views. Newspaper editorials, particularly the editorials of the *Hong Kong Economic Times* on two days, mentioned this issue and put forward their arguments. I do not think that Members have not read these commentaries and reports, but I understand that Members certainly have different positions. You have different reasons to make different comments, in order to make your views on a particular issue or the housing policy stand out. This, I consider, fully acceptable, Madam President. Having said that, however, I think Members have raised many questions today and many of these questions have actually been answered by Members themselves. For example, what will be the impact of a rent increase? Should we accept the proposal of finding someone else to make improvements to the shopping centres, or should we just keep on reducing the rent, resulting in no business for all? All these questions have come up one after another, and certainly, it is not easy to answer them.

So much for that, Madam President. I think I should respond to a few main questions raised by Members earlier.

First, the impact on commercial tenants. The HA and The Link Management Limited (The Link Management) understand fully the concerns of the commercial tenants and have attached importance to their views. The Chief Executive Officer of The Link Management, Mr Victor SO, has been discussing issues of concern with commercial tenant groups and commercial tenants in various districts. In this connection, Members have also mentioned that they have personally talked to the commercial tenants and that they know and understand the situation. We believe that on the basis of partnering and mutual benefits between The Link Management and commercial tenants, the reasonable demands of the latter can certainly be dealt with properly and hence a win-win situation achieved.

As regards whether The Link Management will increase rents substantially in the future to the neglect of the market order, The Link Management has stated that its prime objective is to economize on expenditure and improve the efficiency of the shopping centres by, among other things, stepping up publicity and promotion, improving the environment of the shopping centres and attracting more customers to boost the business of commercial tenants. It is only on these premises that there will be room for The Link Management to adjust rents in accordance with the situation of individual trades. I think many Members have also mentioned this point. Most of the retail and car-parking facilities to be divested involve small commercial tenants. Given the consumption pattern of public housing tenants, their taste and needs, we believe the small tenants still have plenty of room for survival, and we believe The Link Management will give sufficient consideration to the choices of public housing tenants.

On tenancy renewal arrangements for commercial tenants, I understand that The Link Management considers commercial tenants their close business partners. So, it will endeavour to maintain co-operation with the commercial tenants and to meet their demands flexibly in renewal of tenancies. In respect of the trade policy, I understand that The Link Management will draw up appropriate measures having regard to the actual situation and also reorganize the layout of the shopping centres appropriately, in order to give full play to the potentials of the shopping centres. All such changes will be made in an orderly and gradual manner while ensuring continued dialogue and discussion with the commercial tenants.

On the valuation of assets, we absolutely do not agree that the HA, in divesting its retail and car-parking facilities, is selling government assets at "dirt-cheap" prices. The Real Estate Investment Trust Code (The REIT Code) of the Securities and Futures Commission (SFC) has set out stringent requirements on asset valuation for the protection of investors. The valuation was conducted in accordance with the valuation standards stipulated by the SFC, using valuation methods which are commonly adopted for real estate investment trusts. The valuer commissioned by the HA enjoys good status and reputation in the trade. The Joint Global Co-ordinators and independent financial advisers commissioned by the HA have examined the relevant valuation statistics and assumptions, and agreed that the valuation is reasonable and justifiable.

As for the other statistics put forward by some Members or the media, they may be based on the assumption that the rent will be increased substantially

or they may have neglected the fact that the divestment portfolio comprises different grades of shopping centres and car parks. So, they cannot be mentioned in the same breath with the independent valuation in terms of the reliability of the results.

Earlier on some Members mentioned the valuation of individual shopping centres and carparks. I would like to point out that the valuation was conducted by the independent valuer in the light of the actual conditions of and detailed information on the properties. Such information can be submitted to Members for their reference later if necessary.

In fact, the asset valuation made by the independent valuer is not very different from the valuations of the listed assets under The Link REIT as conducted by the market. As also mentioned by Members earlier, according to the reports compiled by independent securities analysts of HSBC, Goldman Sachs and the UBS, the relevant assets were valued at \$34 billion on average. The valuation by the independent valuer is \$30.85 billion. Coupled with an additional premium of \$1.45 billion from the initial public offering, the HA can obtain a total of about \$32.3 billion from the divestment project, which means a difference of less than 5%; and compared to HSBC's independent analysis, our valuation is in fact higher.

Members have asked whether two or more valuers should be commissioned to ensure the accuracy of the asset valuation. I wish to point out that the appointment of more than one valuer would mean a departure from the usual practice adopted worldwide for the valuation of assets held in a real estate investment trust to be listed. Besides, if more than one valuer is engaged, it will be difficult to decide which valuation should be adopted. If the HA adopts the higher one, public investors will have misgivings about the true value of the assets; and if the HA, after being informed of the results of the valuation by an independent valuer, commissioned another valuer to do another valuation, this arrangement will hardly be acceptable to public investors, I believe.

On the allocation ratio between institutional investors and retail investors, I think perhaps I did not express myself very well in my earlier speech, thus causing Members to have doubts. I said earlier that the 90 to 10 ratio is a common practice. This is sometimes the arrangement in the outset. If a stipulation is mandatory, it will be written in express terms. If Members care to take a look at the Offering Circular of The Link REIT, they will find that there is

a clawback mechanism. That is, if the Hong Kong public offering is very well received and is oversubscribed by more than 15 times, then units will be reallocated to the Hong Kong public offering from the global offering, so that the units available under the Hong Kong public offering will be no less than 30% of the total number of units. But in fact, under this mechanism, in the event of oversubscription by a certain number of times under the Hong Kong public offering, a certain percentage of the units available for public offering can be reallocated to retail investors. Having listened to Members' speeches in this connection, I would like to assure Members that apart from the 25% of units for cornerstone investors, the remaining 75% of the units will be allocated in the light of the demand under the Hong Kong public offering. I will urge the HA to make consideration accordingly, with a view to allocating the largest possible number of units to investors in Hong Kong. We will, among other things, look into ways to allocate a certain proportion of the units to the Mandatory Provident Fund. We will have to consider the details, for some technical issues are involved.

We consider that the allocation of an appropriate proportion of units to institutional investors will be beneficial to the stability of the fund price in the future. This will also benefit the retail investors holding the units as well as the trading order in the market. As I have said, this will also make us worthy of our position as an international financial centre.

Some Members are concerned about the possible acquisition of The Link REIT by consortiums, which could result in monopolization. In our view, since The Link REIT is a colossal portfolio of assets, the possibility of it being fully acquired by a single institution or unit is not high. Moreover, in a free economy, all commercial dealings are regulated by market forces, and it is impossible for us to completely deter acts of acquisition. That said, it does not mean that the HA is off its guard against the risks of an acquisition of the fund.

When the HA agreed to divest its facilities by way of a real estate investment trust, we had fully considered the protection rendered to this type of trust fund by the many levels of regulation in the supervisory regime. Under this regime, the operation of the fund is regulated by the REIT Code of the SFC and monitored by independent professional trustees, whereas the company managing the fund is subject to licensing control by the SFC. Under the REIT Code of the SFC, The Link Management, being the Manager of The Link Reit, will be dismissed if holders representing at least 75% in value of the units issued

deliver to the Trustee a written request for its dismissal. Certainly, the Board of the company can dismiss any executive in the company. All these are sound checks and balances.

Moreover, if a holder holds 10% or more of the units issued, he will become a "significant holder". Under the Trust Deed of The Link REIT, a person who holds 10% or more of all the units issued has the duty to disclose such interest to the Trustee and the Manager. If a person fails to comply with such notification requirement, the Manager may, in its absolute discretion, declare that the voting rights attached to all of the units held by such holder be suspended, suspend the payment of dividends in respect of such units, and so on. The intention of this disclosure requirement is obvious and that is, to enhance the transparency of the "significant holders".

To enhance the corporate governance of The Link Management, the HA and its consultants, in designing the structure of The Link Management, has included some additional elements conducive to corporate governance. For instance, at least half of the Board Directors of The Link Management must be independent non-executive Directors, and the Chairman must also be an independent non-executive Director. Moreover, the removal of a Director proposed by unitholders will require the endorsement of a special resolution passed at a meeting where a quorum is present. The quorum for passing a special resolution is two or more unitholders present in person or by proxy registered as holding not less than 25% of the units issued.

All these mechanisms show that the HA, in choosing the option of divestment and devising the specific structure, has given due regard to corporate governance and made every effort to minimize the risk of an acquisition of the fund.

Next, I would like to talk about the strategic partner and cornerstone investors. Some Members have mentioned the strategic partner and cornerstone investors. The HA has identified a strategic partner for The Link Management, in the hope that The Link Management can learn from another company which has the experience and expertise of managing real estate investment trusts and that investors' confidence can be fostered leveraging on the brand name of the strategic partner. Having considered all the 17 companies which are experienced in managing retail real estate funds in the Asia-Pacific Region, the HA decided in end-August 2004 to appoint Capitaland Limited as the

strategic partner of The Link Management. The HA trusts that the experience and professional knowledge of Capitaland Limited can help The Link REIT enormously.

I wish to emphasize that the screening process was stringent and comprehensive. All the companies which meet the relevant requirements, that is, having experience in managing retail property funds in the Asia-Pacific Region were considered. It is after several rounds of screening that the HA decided on the appointment of Capitaland Limited. A five-member screening panel set up by the HA's Supervisory Group on Divestment was made responsible for the screening process.

Moreover, given the enormous scale of this initial public offering and the absence of track records of The Link Management, coupled with the fact that The Link REIT is the first fund of its kind set up and listed in Hong Kong, recognition from cornerstone investors is very important to the promotion of the initial public offering of The Link REIT.

Given the magnitude of the divestment project and its importance to the HA, it is necessary for the HA to closely monitor the relevant work. As the divestment project involves the commercial premises of the HA, its finance and human resources management, and also plenty of sensitive information, the HA has particularly set up a Supervisory Group on Divestment (SGD). The SGD, which comprises 10 members of different background, can provide professional advice. The SGD is composed mainly of members of the HA and will protect public interest. The HA has engaged independent financial advisers to provide independent professional opinions to the HA to ensure that the interests of the HA and the public are best protected.

Some Members mentioned again that at a meeting of the Panel on Housing, the representatives of the HA did not disclose certain information because of the listing rules, for it was indeed inappropriate for such information to be disclosed at the time. I believe people with experience in financial services will understand that as plenty of sensitive information was involved in the listing process, we were unable to provide more information to the public before the publication of the offering circular. But as Members can see, the Offering Circular has already disclosed all the relevant information. The transparency of The Link REIT is beyond doubt.

Some Members are also concerned about the organizational structure of The Link Management, including the background of the Board members and the fact that some executives are former staff of the Housing Department (HD).

In fact, the Board has also included prominent and experienced members of different professional background, who serve as independent non-executive Directors on the Board. Their duty is to monitor the operation of the company.

As for the executives of The Link Management, it is true that some of them are former staff of the HD, but some are experienced professionals who come from the private sector. This will provide a certain degree of continuity for the facilities and facilitate the company's understanding of the characteristics of the facilities. Meanwhile, this will inject new thinking and new dynamics into the operation and give play to the potentials of these facilities, thereby creating a good business environment for the commercial tenants.

Finally, I wish to thank Members once again for their input on the divestment project. I hope that my response to the major concerns of Members can further give Members and the public a better understanding of our views, position and practices.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr Albert CHENG, you may now reply.

**MR ALBERT CHENG** (in Cantonese): Madam President, I think our discussion tonight is constructive. In his reply just now, Secretary Michael SUEN said that the allotment to retail investors would be increased to 75% and that studies would be conducted on allowing subscription by the Mandatory Provident Fund. I do not know if this is an undertaking or if it needs the approval of the Executive Council or the Housing Authority (HA) before it can come true. But regarding the allotment to the public, at least the Government has responded to the doubts expressed by many colleagues and this is perhaps the only fruit of our discussion here tonight.

Yet, we must not forget that tonight, our discussion here is not about the listing of private properties. Rather, it is about the listing of public assets.

Since it has to do with public assets, I must say with great regrets that the general commercial principles cannot be applied, for public assets are owned by the majority of people. Tonight, in the course of this debate, I think an overwhelming majority of Members — I dare say that even all Members — share the consensus that the management of the shopping centres and car parks of the Housing Department (HD) is grossly deplorable. So, it is about the listing of deplorable assets now.

For the listing of private assets, the optimal time is when their price-earnings ratio and valuation are the highest. In other words, it is only when the business turnover has reached a certain level (or almost the highest level of profit) that the asset owners will seek a listing. But this listing has caused doubts among the people, for they have the impression that the HA is not desperately in need of money. Even though the "prodigal son" has squandered all of his family's fortunes and must sell his family assets now, the assets should still be sold at some decent prices.

On the question of valuation, I agree with the Secretary that it is unnecessary to conduct another valuation. It is unfair to cast doubts on the results of the professional valuation, although it is happening right now. But it is most important for us to know how the valuation was arrived at. Many people said that Members had not done their homework. I have done a lot of homework, and I have finished reading this book. This valuation of the assets to be listed was not based on the asset value of nearly 80 000 car parks and 151 shopping centres. No, it was not calculated in this way. That is, the asset value was put aside. Mr Abraham SHEK also said as an expert earlier that this valuation cannot even buy the brick and mortar of these assets. Then on what basis was the valuation calculated? It was based on the income. The annual income from the 151 shopping centres and nearly 80 000 car parks is \$3.9 billion. But owing to the deplorable management of the HA, as admitted by all Members and also by the Secretary, and the management of the shopping centres and car parks by these "loafers", the net income is \$2 billion after deducting the expenditure which can stand at \$1.9 billion the highest. When valuation has to be conducted and if there must be a return of 6%, it is very easy to work out the valuation and no professional input is required. Even my voters, or a housewife in Ngau Tau Kok and an old man in the Victoria Park, can work it out. If the annual income is \$2 billion and in order to offer a return of 6%, the valuation is, therefore, \$30 billion. So, this is how the valuation was arrived at.

If Members agree that the HD's management is far from good and that The Link Management can miraculously reverse the situation and will not increase the rent even with a rental income of \$3.9 billion — regrettably, the Honourable Tommy CHEUNG, who said that chickens and fishes are his voters, has left for horse racing. He watches horse races every Wednesday and I do have strong views about his doing so. But it does not matter even if he is not here. He stated earlier that the rent should be increased to \$100 per sq ft. This is, in fact, unnecessary. Even if the rental income is maintained at the present level and despite an income of \$3.9 billion only, all that The Link Management has to do is to improve its efficiency by, say, increasing the net income from \$2 billion to \$3 billion which means controlling the expenditure at \$900 million, the valuation could be increased to \$45 billion. Moreover, there are also the vacant shops and car parks as a result of poor management. If The Link Management can miraculously reverse the situation by letting out all these shops and car parks, then the valuation might be further increased to \$50 billion, in which case a rent increase would be unnecessary. This can again be worked out by a housewife in Ngau Tau Kok and an old man in the Victoria Park. No expert is required. Nor is it necessary to commission CB Richard Ellis to work it out. So, this is flogging government assets on the cheap. Since we are not desperately in need of money, how should these assets be listed generally? They should be privatized. The Link Management can still be set up, and if they proceed to listing only after improving their operation, the valuation can be \$50 billion or higher than \$30 billion. It is very easy to work this out, and we do not need to argue about this.

Moreover, another issue of concern to us is the finance of the HA. The HA is expected to obtain \$30 billion, and this is criticized by some Members as killing the hen to get its eggs. What can the HA do five years later? Mr SIN Chung-kai has suddenly become very sympathetic today, earnestly urging us to think about the grassroots. He thinks that with this \$30 billion, more public rental housing can be provided and this will solve the problem of long queues for public housing. But what will happen even if more units are provided? Even with one more unit being provided and rented out, it would only mean incurring more losses that we could no longer sustain. What else could be put up for sale in the future? Mr SIN Chung-kai, I do not know what else could be offered for sale in the future. I really have no idea.

Another issue is that I have been challenged by friends from the Liberal Party as being contradictory. They said that while I consider it a good bargain

on the one hand, suggesting that the valuation should be increased as much as possible and the rental income be boosted, I said on the other that the commercial tenants would be affected. This is contradictory. My position is that it is best not to sell them, and this needs no further elaboration. Regarding the commercial tenants, why did the HA also provide shopping centres when building the public housing units? In fact, this was not intended to make profit in the beginning. Rather, the purpose was to serve the community and residents in the public housing estates. Now, when we go to the shopping centres — there are many wealthy Members; many are in the middle class, and most Members actually belong to the middle class and even "Long Hair" is in the middle class for he is paying a higher rent as a "well-off tenant"— in a private shopping arcade, we do not see retail shops operated by the whole family. We just do not find these shops there. These retail shops, which are so few in number and so rare nowadays and which are like endangered species that need protection, can be found only in the shopping centres of public housing estates. All that has been said about the future is a sham. I do not believe the words of the Secretary. Nor do I believe the words of Mr LEUNG Chin-man. I do believe the words of Mr Victor SO too. It is because I have read this booklet for investors, and if they do not operate in accordance with this booklet, that would constitute fraud and they would be thrown behind bars. It is stated here that The Link Management will operate on commercial principles. So, please do not lie to us. Please do not tell such lies as future rent increases will be negotiable or everything will be negotiable.

Moreover, it is also written here that no subsidy will be granted to welfare organizations and yet, Mr Victor SO has said that the rent of kindergartens, nurseries, and so on, is negotiable. This is sheer gibberish. Members of the Liberal Party are all pampered and spoiled, and they rarely act as the opposition party. I very much respect them, because there has to be a ruling party and there has to be a pro-government party. Otherwise, the balance of the political milieu will be upset.

I am very fair; tonight, I am making every effort to be fair. In fact, Members of the Liberal Party who are industry representatives, including Mr Tommy CHEUNG, Mrs Selina CHOW and Mr Vincent FANG, have indeed made a lot of effort for the commercial tenants in the shopping centres, and I joined such work only recently. This issue had already come to my notice when I was contesting the election. At that time, I asked the wife of Mr LEE

Wing-tat, who was contesting in the catering industry, to pay attention to this issue, for it could be an opportunity to win votes. I also mentioned it to Mr CHAN Tim-shing. Regrettably, they did not listen to me. They simply had no desire to make improvement, and this is why the Legislative Council has shut its door on them. Later, an organization represented by Mrs Selina CHOW, namely, the Hong Kong Public Housing Estate Shop-operators Union, contacted me. Had it not contacted me, I would not have been involved in this incident. We had a meeting in Room 201 and that was not very long ago. They said that this incident had dragged on for some time but Mr Victor SO still refused to meet with them. I said that was impossible. How could a meeting not be arranged even with the assistance of Mrs Selina CHOW from the Executive Council and the ruling party? They said that a meeting had not yet been arranged and I, therefore, became involved.

Perhaps it is precisely because of intervention by Members like us who are irrational and who are labelled as extremist that Mr SO became scared suddenly and therefore agreed to arrange for a meeting with the commercial tenants. Then he said that everything would be negotiable. Here, let me tender a piece of advice to the commercial tenants and Members who are fighting for their interest: Do not walk into their trap. Since they had even refused the tenants' earnest request for a meeting, they could do whatever they like once their objective is achieved and simply go back on their words in the future. They will certainly operate in accordance with this booklet and so, will there still be room for discussion? There will not be any discussion.

As Mr CHIM Pui-chung said earlier, to a Member, particularly a directly elected Member, this is an issue through which votes can be won. I am aware that some colleagues have already put up banners in the Kwai Tsing District, saying that they had successfully secured an undertaking from The Link Management that there would be no rent increases. This is very dangerous. If anything goes wrong, say, six months or a year later, they will lose many seats in the District Council election. In fact, we are all fighting for the interest of the commercial tenants. Earlier on, Miss CHAN Yuen-han mentioned something that had happened a long time ago. There was a Member who is no longer a Member of this Council now. I will not name him, and I have given him a nickname, the "cockroach droppings". He once said that retail shops operated by a family would put the shopping centres in a standstill and caused the shopping centres to age, like a tiny grain of "cockroach droppings" fallen into a

pot of congee. Not only was Miss CHAN Yuen-han furious on hearing this. I had flown into a rage too. That was a long time ago. These shops were described as "cockroach droppings" at that time. How pitiable it is that these retail shops are described as "cockroach droppings".

Let me tell Members a more recent case. Members may have heard of it and so, I do not really need to tell them about it. I just wish to remind Members of it. If Members have paid attention to the operation of shopping malls, they will know that the Pacific Place is the most thriving shopping mall in Hong Kong, and I believe many colleagues often linger there. Marks and Spencer has been an anchor tenant of the Pacific Place from day one. It has paid the rent on time and is making handsome profits every year. Its tenancy agreement, which is for a term of seven years, is due to expire this year, and the management of the shopping mall has notified Marks and Spencer that its tenancy agreement will not be renewed. It is not because Marks and Spencer has not paid its rent. Nor is it because the rent will be increased. There is simply no room for negotiation. It has nothing to do with a rent increase. Just that the management wants it to leave, for it does not fit in with the theme of the mall. In the future, even though these retail shops are willing to accept a rent increase because the shopping centre has prospered and therefore wish to stay, they may not be able to do so. This is the reason why we are having this debate today. This is also the reason why we are concerned about the commercial tenants, and I think Members do share this view.

It is impossible to rely on The Link Management to take care of these commercial tenants. Today, as they are managed by the HA, we can still invite Secretary Michael SUEN to come here for an urgent debate, and the Secretary has been here for many hours. In the future, if we invite Mr Victor SO to come before us, he just would not bother even to give us a response. On the question of monopolization, the Secretary did not say anything about it. But it is mentioned in this booklet, just that I have to spend some time finding out where it is as there is only little mention of it. Two years later, The Link Management can sell the shopping centres. It can "dismantle" them, and this is a fact. Moreover, I do not understand why Mr Victor SO is employed for the job. In fact, I have no prejudice against him — it is not true that I am biased against him because he had said that I did not do my homework or because he had criticized me. But how experienced is he in the management of shopping centres? He is totally inexperienced. His contract is a "big wonder" too. He has an annual

remuneration of \$5 million plus a guaranteed bonus. His minimum bonus is 30% of his annual remuneration. Rarely have I seen a contract like this. I have seen many contracts expressly stating that a bonus will be given, but I have never ever seen one which guarantees the minimum amount of the bonus.

I am gravely worried about the situation in the future. This company is set to achieve great success and to make huge profits due to the undervaluation of assets. But the problem is that in order to realize success and profits, many small tenants will have to be sacrificed and the interest of public housing tenants will also be jeopardized. Therefore, I hope that the listing can be deferred, and before the listing of the assets, I hope colleagues can fight for the interest of the commercial tenants. It is hoped that their rights and interest can be guaranteed in black and white, rather than just saying that everything is negotiable.

I so submit. Thank you.

**PRESIDENT** (in Cantonese): I wish to remind Members that if the motion is passed, I will adjourn the Council according to Rule 16(3) of the Rules of Procedure. In such case, this Council meeting cannot proceed further to consider the remaining agenda item.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That this Council do now adjourn. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

**PRESIDENT** (in Cantonese): I think the question is not 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 negatived.

**SUSPENSION OF MEETING**

**PRESIDENT** (in Cantonese): Members, as the motion has been negated, it means that the Council needs not be adjourned. But considering the time, I now adjourn the Council until 2.30 pm tomorrow.

*Suspended accordingly at thirteen minutes past Eleven o'clock.*

## Appendix I

## WRITTEN ANSWER

**Written answer by the Secretary for Health, Welfare and Food to Dr KWOK Ka-ki's supplementary question to Question 2**

As regards the number of patients who failed to turn up for scheduled follow-up consultation, and the number of cases traced under the existing arrangements, based on the information given by the Hospital Authority, the figures are set out in the table below:

## Psychiatric Specialist Out-patient Department — Default Attendances

<i>No. of Default Attendances (November 2003 to October 2004)</i>	<i>Estimated % of Cases Traced</i>
79 577	68.76%