

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 7 June 2006

The Council met at Eleven 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, S.B.S., 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, S.B.S., 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.M., 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, J.P.

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

THE HONOURABLE MA LIK, G.B.S., J.P.

PUBLIC OFFICERS ATTENDING:

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

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

PROF THE HONOURABLE ARTHUR LI KWOK-CHEUNG, G.B.S., J.P.
SECRETARY FOR EDUCATION AND MANPOWER

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

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

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

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

CLERKS IN ATTENDANCE:

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

MS PAULINE NG MAN-WAH, ASSISTANT SECRETARY GENERAL

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

TABLING OF PAPERS

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

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
Import and Export (Strategic Commodities) Regulations (Amendment of Schedule 1) Order 2006 (Amendment) Order 2006.....	131/2006
Declaration of Increase in Pensions Notice 2006.....	132/2006
Widows and Orphans Pension (Increase) Notice 2006.....	133/2006

Other Paper

- No. 93 — Report of changes to the approved Estimates of Expenditure approved during the fourth quarter of 2005-06 (Public Finance Ordinance : Section 8)

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. First question.

Massive Death of Fish and Shell Fish in Tolo Harbour

1. **MR RONNY TONG** (in Cantonese): *President, I received complaints from some fish farmers about the sharp increase in the number of incidents in which fish and shell fish died collectively in the fish culture zones of Tolo Harbour, compared to the corresponding figures in the past years. As the laying of natural gas pipelines in Tolo Harbour last year might have stirred up the toxic heavy metals deposited in the seabed, and the test results of the Agriculture, Fisheries and Conservation Department (AFCD) last year indicated that the concentration of cadmium, a heavy metal, in shell fish samples collected from such area was more than twice the permitted concentration specified for food in the Food Adulteration (Metallic Contamination) Regulations*

(Cap. 132 sub. leg. V), the fish farmers requested the Environmental Protection Department (EPD) to take soil samples for testing from two to three metres beneath the seabed near the works site. The EPD turned down the request on grounds of insufficient resources and the lack of drilling equipment and technical staff in this respect. On the other hand, the test results of the AFCD showed that such fish and shell fish were mainly infected by bacteria, virus and parasites. In this connection, will the Government inform this Council:

- (a) whether the EPD has considered adopting other methods such as using hammer grabs, deploying divers or other means for taking soil samples for testing from two to three metres beneath the seabed;*
- (b) how it will solve the problem relating to the lack of resources for the EPD to conduct such tests; and*
- (c) how it will help the fish farmers solve the problem of the infection of a large amount of fish and shell fish with bacteria, virus and parasites?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): President, my reply to the three questions raised is as follows:

- (a) The EPD considers that testing the surface sediment samples collected next to the pipeline is adequate to determine whether the exceedance of cadmium in pearl oysters at the Lo Fu Wat Pearl Farm was caused by the pipelaying works. This is because only sediment stirred up during jetting and deposited on the surface next to the pipeline can possibly be dispersed and drifted to the pearl farm. During the drifting process, the sediment will be dispersed and diluted. Thus, the sediment samples next to the pipeline represent the worst scenario. Moreover, unless heavy metal exists naturally in the sediment, the concentration of heavy metal is usually higher on the surface if the heavy metal is deposited onto the seabed as a result of human activities. For this reason, the EPD considers that there is no technical justification to take sediment samples at a depth of 2 m to 3 m below the seabed. Besides, it is not feasible to take such sediment samples by means of a hammer grab or by deploying divers.

The Hong Kong and China Gas Company Limited (HKCG) or its contractor is required by the Environmental Permit issued under this project to monitor the environmental impacts closely. The EPD has also conducted independent monitoring, including carrying out site inspections and water quality monitoring by taking water samples from Tolo Harbour for testing. All the data collected indicate that the pipelaying project does not induce any adverse impact on the water quality of Tolo Harbour.

- (b) The EPD monitors the heavy metal content of the marine sediment in Tolo Harbour regularly for over a decade. Thus, there are sufficient data to evaluate whether the pipelaying project causes any heavy metal contamination of the marine sediment. Nonetheless, when resources permitted, the EPD had arranged the collection of grab samples of surface sediment next to the pipeline for testing by the Government Laboratory with a view to allaying the concerns of the fish farmers. The test results confirm that the cadmium content of the sediment samples is comparable to that obtained by the EPD under its long-term monitoring programme.
- (c) In the natural environment, there exists a certain amount of pathogens, including bacteria, virus and parasites in the water body. In mariculture zones, fish may be under stress and more prone to infection under crowded environment. In addition, there are other external factors, which may subject the fish to health risk including sudden change in water quality, malnutrition, skin injury resulting from hitting or abrasion, causing an increase in the chance of fish infection or death induced by pathogens. Moreover, parent fish may be carriers of pathogens, resulting in the transmission of diseases from the mother fish to their offspring at birth.

Under the "Fish Health Inspection Programme", the AFCD conducts health inspections of cultured fish at marine fish culture zones on a regular basis. This programme aims to offer assistance on fish culture and identify fish diseases at the earliest opportunity with a view to preventing the transmission of diseases and resulting fish death. Moreover, the AFCD offers suggestions to fish farmers on the selection of healthy fries and on demanding the importers to provide health certificates issued by the country of origin. The AFCD also assists fish farmers to inspect imported

fries specimen and conducts virus tests to prevent the fries from pathogenic infection through their mothers. Besides, the AFCD organizes regular training and on-farm demonstrations for, and distributes leaflets and guidelines to the fish farmers on good mariculture practices and disease prevention.

Apart from the fish health inspections conducted by the AFCD, fish farmers should also carry out simple inspection on their fish every day. Should there be any suspected infection, the fish concerned must be isolated immediately and assistance from the Veterinary Officers of the AFCD should be sought for proper treatment as soon as possible.

MR RONNY TONG (in Cantonese): *Actually, the Secretary has not answered part (c) of the main question, but merely stated some general measures. Information shows that there was only one incident of massive death of fish in Tolo Harbour in 2004, but it rose to eight during September to December 2005. I have in fact this question for the Secretary. What special measures have been implemented to address the sharp increase in dead fish? The Secretary has merely stated some general measures.*

PRESIDENT (in Cantonese): Do you wish to raise a supplementary question? Just now, you were simply making comments instead of raising a supplementary question. What actually is your supplementary question?

MR RONNY TONG (in Cantonese): *I reiterated my original question because the Secretary might have misunderstood it. My question is: There were eight incidents of massive death of fish in Tolo Harbour during September to December 2005, which is a significant increase compared with the one only incident in the past. In this respect, how will she tackle this problem then? How will she help the fish farmers to minimize the sudden surge of dead fish? The Secretary has just mentioned some general measures, but did not answer my question.*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): I have mentioned earlier that the massive death of fish can be

attributed to many factors in the course of fish culture, for instance, bacteria, virus, parasites, and so on. As the recent incident may be caused by external factors, we have therefore inspected the change in water quality. The EPD's inspection result of water quality shows that the change was not attributable to external factors. Such factors as the fish fries' place of origin and their health conditions may also result in the massive death.

Furthermore, I wish to mention one more point. Mr TONG said that there was massive death of fish and shell fish. And yet, shell fish will not be poisoned to death by heavy metal. As we all know, it is the natural function of shell fish to absorb heavy metal, and so they will definitely not die of the accumulation of heavy metal to a level exceeding a few dozens times in their bodies. This is the point I wish to mention in passing.

MR RONNY TONG (in Cantonese): *Will the Secretary adopt some special measures to address the sudden surge of dead fish? Is that what she meant?*

PRESIDENT (in Cantonese): You should repeat the part of the supplementary question which you raised earlier on. Therefore, you need simply ask her whether any measures have been implemented.

MR RONNY TONG (in Cantonese): *Fine. Have any measures been implemented? Thank you, President.*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Colleagues of the AFCD will follow up each and every case using the methods mentioned by me, including the inspection of additional pathogens or the examination of external factors, for example, the inspection and monitoring of water quality.

PRESIDENT (in Cantonese): Altogether 10 Members have indicated their wish to raise supplementary questions, so will Members who have the opportunity to ask supplementaries be as concise as possible.

MR KWONG CHI-KIN (in Cantonese): *President, according to the Secretary's answer, the works project does not seem to have any implications. In fact, the Hong Kong Federation of Trade Unions has received many requests for assistance in this respect, which are now followed up by Miss CHAN Yuen-han. I wish to ask the Secretary: We know that, apart from the HKCG, the CLP Power Hong Kong Limited (CLP) also intends to lay natural gas pipelines at Black Point. How does the Government monitor these works? How does it protect the fish farmers? Given that there is evidence of implications on farmers of fish and shell fish in future, how will the Government help them in making claims for compensation?*

PRESIDENT (in Cantonese): Mr KWONG Chi-kin, the subject of this question is the natural gas pipelines of the HKCG. And yet, you have mentioned other issues, I think.....

MR KWONG CHI-KIN (in Cantonese): *I was also talking about the laying of natural gas pipelines.*

PRESIDENT (in Cantonese): It seems that you have deviated from the subject.

MR KWONG CHI-KIN (in Cantonese): *I had better not mention the CLP. How will the Government exercise its supervision should there be other projects of laying natural gas pipelines in future?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Major projects that have impact on the marine environment and seabed are required to undergo certain statutory processes, that is, the environmental impact assessment (EIA) process. To start with, all items relating to the works project and how the environmental impact can be minimized must be specified. The issue will be open to public scrutiny right at the beginning. The project concerned will have to go through the necessary studies, to be followed by a three-month public consultation exercise and will be subject to the approval of the Advisory Council on the Environment as well. On completion of the EIA, the works to be undertaken must comply with the

requirement of the Environmental Permit issued under the project, whereby the environment will be closely monitored for a long period of time to ensure that the environmental impact is comparable to that observed during the EIA process. Furthermore, random inspection will also be carried out by EPD staff.

MR KWONG CHI-KIN (in Cantonese): *There is still a small part in my supplementary question. Do the monitoring measures include helping the fish farmers to make claims for compensation?*

PRESIDENT (in Cantonese): Are you referring to the monitoring measures?

MR KWONG CHI-KIN (in Cantonese): *Is helping the fish farmers to make claims for compensation one of the Government's monitoring measures?*

PRESIDENT (in Cantonese): This is not monitoring at all. Please sit down.

MR KWONG CHI-KIN (in Cantonese): *President, does the Secretary have any response.....*

PRESIDENT (in Cantonese): The decision as to whether your supplementary question has deviated from the subject should rest with me. I now rule that your follow-up question has deviated from the subject.

MR KWONG CHI-KIN (in Cantonese): *I wonder if the Secretary has any response.*

MR WONG YUNG-KAN (in Cantonese): *President, the Secretary pointed out in part (b) of the main reply that the concentration of cadmium in Tolo Harbour had not exceeded the standard, and that extensive research on Tolo Harbour had been carried out by the Government. Will the Secretary provide us some*

relevant data? As far as I know, the water quality and geological make-up of Tolo Harbour are rather complicated, so how can the Government give us a clear picture of the underwater environment of Tolo Harbour? The same point has been mentioned time and again in the Legislative Council. Will the Government inform the public clearly of the soil condition of Tolo Harbour?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Just as I have mentioned in the main reply, the heavy metal content of the marine sediment in Tolo Harbour has been monitored for over a decade. Our standard is 1.5 ppm, that is, 1.5 parts per million, and its average falls between 0.2 ppm to 0.7 ppm during this decade, which is far below our prescribed standard. In the United States, the standard is 5.1 ppm, whereas in Canada, it is 2.5 ppm. The concentration of cadmium is determined by natural factors as soil of certain geological make-up may contain cadmium. The cadmium content of soil is higher in some countries simply because the soil there contains a higher level of cadmium.

MR LEUNG YIU-CHUNG (in Cantonese): *President, Mr Ronny TONG pointed out earlier that the recent pipelaying project of the HKCG has resulted in the massive death of fish. Although the pipeline was laid under the seabed, sediment samples were collected by the EPD above the pipeline. Therefore, I wish to ask the Secretary: Why were sediment samples beneath the pipeline not taken for testing? At that time, the government official concerned replied that neither resources nor equipment was available. Is it really the case? According to the fish farmers, the necessary equipment can be found in many government departments. Is it true that the Government really does not have such equipment? Why did it not take sediments from deep under the seabed for testing but have only taken samples on the surface? Is it true that there is a lack of resources?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): I will first answer Mr LEUNG that there is no lack of resources. It is not because of insufficient resources that we did not do it in the other way. Rather, the existing inspection method is considered by EPD experts to be more reasonable and practicable. Since the pipeline had been laid, water was

therefore jetted strongly onto the sediment layer to stir up the sediments. These sediments were taken as sample because they were exposed to the project concerned. Such sediment sample is next to the pipeline and has direct contact with it, it is therefore collected for testing the cadmium content. I have also mentioned the dilution of sediment earlier on, but as we can see, the concentration level is comparable to the inspection results previously obtained in Tolo Harbour. We therefore opine that the works project should not induce any impact, and it will not have any implication on the concentration level of heavy metals.

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

MR LEUNG YIU-CHUNG (in Cantonese): *Yes, the Secretary has not answered the part concerning resources. She said it was not a matter of lack of resources. However, according to the information and minutes of the District Office that I now have, EPD staff had in fact admitted that other methods were not adopted due to the lack of resources and equipment, rather because jetting, as the Secretary claimed.....*

PRESIDENT (in Cantonese): Mr LEUNG Yiu-chung, this is not time for debate with the Secretary. She is answering questions on behalf of the Government.....

MR LEUNG YIU-CHUNG (in Cantonese): *I know.*

PRESIDENT (in Cantonese): If the Secretary's reply is inconsistent with the information provided to us previously, will you please follow it up through other channels as a number of Members are still waiting for their turn to ask question?

MR LEUNG YIU-CHUNG (in Cantonese): *I wish to ask her if the Government has the relevant equipment?*

PRESIDENT (in Cantonese): Since this is part of your supplementary question, so you may ask your follow-up question.

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): As far as I understand it, EPD staff had explained at a meeting of the District Office that it was more appropriate to use the existing equipment. However, it seems that Members did not quite get the message. I can tell you that we do have the equipment. As for the reason why the drilling method was not adopted, it is because we considered such a method inappropriate, and therefore the jetting method was used instead. I can now give you a categorical answer, and that is, we do have the equipment. We have both kinds of equipment. Just that we chose to use the more appropriate one.

MS MARGARET NG (in Cantonese): *President, I wish to follow up the references to "no technical justification" in part (a) and "when resources permitted" in part (b) of the main question. President, it is undoubtedly very unusual to have the massive death of fish. But what infuriates the affected parties most is the apparently indifferent attitude of the Government. The key at the moment is the test in question. They have only requested the Government to grab sediment deep under the seabed for testing by means of a hammer grab. The paper we have read and the reply given by the Secretary have both pointed out that there are two reasons accounting for the decision of not doing it this way, one of them being "no technical justification" as mentioned in part (a) of the main reply, and the other being "when resources permitted" as stated in part (b). May I ask the Secretary what is the resource requirement for taking sediment deep under the seabed by means of a hammer grab? Is the amount of resources required of such method being so substantial that it could not support it? Can she tell us what kind of resource is actually required? The key is the test in question. Could the Secretary please give a categorical answer to those people whose livelihood have been adversely affected?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): I find it necessary to make further clarification on the matter. First, is there a lack of resources or should they be used in a rational manner? Fish farmers will certainly feel anxious when their fish die, but the frequency of sampling has already been specified by the AFCD and the EPD. Sometimes,

the frequency of sampling requested by the fish farmers is very high. Can this be considered as rational use of resources? After calculations in a scientific manner, resources will be allocated for testing if the samples collected are considered adequate. We hold that the result thus obtained is well-grounded and consistent with the previous inspection results. Sometimes, the fish farmers even request our crafts to carry out inspections on a daily basis to follow up the progress of works. Since the contractors concerned must meet the EIA requirements, what we have to do is merely supervision. Therefore, only supervision is required on our part should the resources be used in a rational manner.

Second, which sampling method will be adopted? Just as I have replied time and again, since the pipeline was laid under the seabed, the necessary sediment and soil samples are currently taken by means of water jetting, which has obviated the need for drilling. This latter method has therefore not been adopted.

MS MARGARET NG (in Cantonese): *President, the Secretary has not answered my supplementary question. My supplementary question is what kind of resources is required for this purpose. It is another matter as to whether or not the resources identified are subsequently used. Mr Ronny TONG mentioned in the main question that soil samples for testing were taken from 2 m to 3 m beneath the seabed near the works site, which is precisely what we have to do. Can the Secretary inform us what kind of resources is required for testing? What is the cost? The question is not the number of tests we will have to perform, but the cost to be incurred and the resources required.*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS
(in Cantonese): If Ms NG's question is about the cost of the tests.....

MS MARGARET NG (in Cantonese): *Sorry, President.....*

PRESIDENT (in Cantonese): Ms NG, please wait a minute. Secretary, please sit down and let Ms NG explain clearly.

MS MARGARET NG (in Cantonese): *President, let me read it out — to take soil samples for testing from 2 m to 3 m beneath the seabed near the works site.*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): *President, I do not have the exact figures in hand, and such method may involve the engagement of contractors to take soil samples on a craft by means of drilling. Since I do not have the relevant figures now, I will give a reply later. (Appendix I)*

MS MARGARET NG (in Cantonese): *Will the Secretary please provide the required information in writing after the meeting.*

PRESIDENT (in Cantonese): *Secretary, will you provide a written reply?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): *Sure.*

PRESIDENT (in Cantonese): *We have spent more than 22 minutes on this question. We will now proceed to the second oral question.*

"Green" Tax

2. **MR SIN CHUNG-KAI** (in Cantonese): *President, will the Government inform this Council:*

- (a) *apart from the planned tax on plastic bags and levy on tyres, whether the authorities plan to review the modes, percentages and scopes of the existing taxes and government fees and charges (such as first registration tax on motor vehicles and sewage charges, and so on), and to consider other new "green" taxes, so as to change, by way of economic incentives, the public's habit of using environmentally-unfriendly products, thereby improving the quality of Hong Kong's environment; and*

- (b) *whether it will consider setting up an independent agency to take the place of the Treasury in receiving "green" tax revenue and be responsible for examining the details of implementing the levying of "green" taxes, as well as utilizing such revenue on environmental protection, so as to ensure that the purpose of levying "green" taxes is not to increase government revenue but to change the public's habits by way of economic incentives?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): President,

- (a) In December last year, the Government published "Policy Framework for the Management of Municipal Solid Waste (MSW) (2005-2014)" which set out a forward-looking and comprehensive strategy to tackle the serious and imminent waste problem in Hong Kong. The message of the "Policy Framework" is clear and simple — we must be held responsible for the waste we produce. By implementing the "polluter pays" principle endorsed by Members and the public, we hope to induce behavioural changes among the public and encourage waste reduction and recycling through direct economic incentives. This will not only help protect our natural environment, but also let us better utilize the Earth's valuable resources.

In line with the "polluter pays" principle, we propose to introduce the producer responsibility schemes (PRSs) whereby manufacturers or importers are required to take back their products for proper waste management while consumers have to assist in the recovery and recycling process, and share with the manufacturers or importers the cost of proper disposal of end-of-life products. We have set out in the "Policy Framework" the timetable for implementing PRSs for six types of products (vehicle tyres, plastic shopping bags, electrical and electronic equipment, packaging materials, beverage containers and rechargeable batteries), with priority given to vehicle tyres and plastic shopping bags.

The Legislative Council Panel on Environmental Affairs was consulted on the proposed legislation for implementation of PRSs in April this year. The discussion paper sets out the core elements of

PRs, which include, *inter alia*, the requirement for manufacturers or importers to take back their products, the implementation of a deposit-refund system, advance recycling fees and product taxes/levies. We will take into account overseas experience and consider the Hong Kong situation before deciding on how to implement individual PRs.

While we have yet to introduce PRs, some existing charges such as the sewage charge and construction waste disposal charge have already put in place the "polluter pays" principle and offered economic incentives to reduce pollution. For example, since the construction waste disposal charging scheme commenced on 20 January this year, the amount of construction waste handled by construction waste disposal facilities (including landfills, sorting facilities and public fill reception facilities) has been reduced by about 20%.

Regarding the sewage charge and trade effluent surcharge, they aim at recovering the Government's costs of operating sewage treatment facilities. We are reviewing the charges with a view to securing a more equitable sharing of the operating costs among the public and the relevant trades, and with a view to recovering the full operating costs eventually so as to induce further reductions in the volume and pollution loads of discharged sewage.

For the first registration tax on motor vehicles mentioned by Mr SIN, the Government, as stated in this year's Budget, will consider introducing measures to promote the use of hybrid vehicles when more options are available on the market. Also, electric vehicles have been exempted from first registration tax since the 1994-95 fiscal year. This exemption will continue to be effective until 31 March 2009.

We also proposed MSW charging in the "Policy Framework" as a new "green" tax. At present, the annual cost of MSW management, nearly \$1.2 billion, comes out of the public purse. There are no economic incentives for the public to reduce waste. Through MSW charging, we hope to encourage the public to change their consumption-led lifestyle and separate their waste for recovery and recycling, thereby alleviating the burden on our landfills.

The Government will review existing taxes and consider other fiscal measures from time to time to further promote environmental protection. We welcome Members' views in this respect.

- (b) With regard to part (b) of the question, I would like to state again that the purpose of introducing PRSs is certainly not to increase government revenue, but to implement the principle of "polluter pays" so as to change the consumption-led lifestyle of the public. The money received under PRSs will mainly offset government spending on waste recovery, recycling and other environmental protection initiatives. We have no plans to set up an independent agency to take the place of the Treasury in receiving "green" tax revenue.

Having said that, we understand that for certain PRSs, the industries concerned, rather than the Government, might be in a better position to operate recycling programmes for their own products, given their unique market knowledge. Therefore, in the discussion paper submitted to the Panel on Environmental Affairs in April, we proposed allowing the establishment of "industry organizations" under the "Product Eco-responsibility Bill". Such organizations would be tasked to manage recovery and recycling programmes for their own products. This approach has been adopted in places like Canada. We will study and consider the operating mode of such organizations when drawing up individual PRSs so as to make the schemes both cost-effective and environmentally-friendly.

MR SIN CHUNG-KAI (in Cantonese): *President, I wish to follow up part (b) of the main reply. The Government said that it has no plan to set up an independent agency. However, does the Government have any plan to establish an independent account in the Treasury, that is, a trading fund, to let the public know clearly that the revenue received by this account will be used on environmental protection? That is to say, the model of a trading fund under the Environmental Protection Department (EPD) or the Treasury should be adopted. May I know if such an idea has been contemplated?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): I am grateful to Mr SIN Chung-kai for his suggestion. At

present, no such proposal is on the drawing board. However, the principle is very clear. The revenue received on grounds of environmental protection will be used on environmental protection. As regards the details, that is, how the actual operation will be like and how transparency can be enhanced so that the public can have a better understanding, for the time being, we still do not have any proposal on such matters.

PRESIDENT (in Cantonese): A total of nine Members are waiting to ask supplementaries. Will Members who ask supplementaries please be as concise as possible.

DR DAVID LI (in Cantonese): *Madam President, the Rechargeable Batteries Recycling Programme was proposed in 2005. May I ask the Secretary how successful the programme has been?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): The Rechargeable Batteries Recycling Programme was launched last year. When we launched this programme, we co-operated with voluntary participants and the St. James Settlement is one of them. In this regard, there are 1 500 collection points and the batteries recovered must be shipped overseas for recycling because there is no facility designed for this purpose in Hong Kong. Since April last year, we have recovered a total of 14 tonnes of rechargeable batteries.

MR ANDREW LEUNG (in Cantonese): *Apart from levying a "green" tax, does the Government have any other proposal designed to encourage various sectors to take part in environmental protection and recycling, so that small and medium enterprises (SMEs) can support environmental protection more effectively, instead of relying solely on taxation, which will hinder their development?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Apart from adopting the levy of a "green" tax under the PRS as one of the approaches, it is of course necessary to consider how the recovered materials can be recycled and reused, therefore, we very much hope that SMEs

can play a part in the Eco Park. In this connection, we encourage the recycling of all recovered items into products or the shipment of them to other places after processing, so that these resources can continue to be used. I hope Mr LEUNG will do some promotion for us in the Federation of Hong Kong Industries and we also hope very much that local SMEs can have the opportunities to play a part. Of course, in such areas as technologies, we also hope that added value can be achieved.

MR LEE WING-TAT (in Cantonese): *President, the main reply says that the Government will encourage the public to use hybrid vehicles by adjusting the first registration tax on motor vehicles. Secretary, as you know, air pollution in Hong Kong is very serious and one of the major sources of pollution is of course power plants and a secondary source is sulphur dioxide from motor vehicles. It is said that due to a lack of models of this type of vehicles on the market as choices for the people, the relevant measure will not be implemented. May I know if one is being too insistent on this point? Can this measure be implemented first, so that demand is generated in Hong Kong and producers will be induced to produce more models of this type of vehicles? Can we take a more proactive approach?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): This is a question of the chicken and the egg, and we are still considering this matter. Since a reduction of the first registration tax on motor vehicles is an incentive, if the demand outgrows supply, motor vehicle suppliers will have a reason to raise prices and the tax reduction may not benefit members of the public or consumers, so we have to consider these issues carefully.

In addition, if we reduce the first registration tax on motor vehicles, how many people will actually use hybrid vehicles? We are conducting a survey on this issue. Can we really create a market large enough to induce producers to make more such vehicles for our market? This is an issue worth examining. We have been working on this area and have never given up.

MS MIRIAM LAU (in Cantonese): *Madam President, the Secretary mentioned the construction waste disposal charge in the main reply, saying that since*

January this year, that is, since the commencement of the new scheme, the amount of waste handled by construction waste disposal facilities have decreased by about 20%. However, it was reported that since the commencement of the scheme, a lot of such waste was dumped at the roadside. Has the Government really assessed the actual effectiveness of the scheme, so as to prove the effectiveness or otherwise of the scheme? Has the waste really been reduced by 20%, as the Government claimed, or has 20% of it been transported to the facilities and the rest to other places?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): I believe Members have learned from the newspapers that a lot of people had dumped waste illegally to avoid paying the construction waste disposal charge. We have also paid close attention to such matters. Cases of dumping waste illegally are in fact not that many, if they were, we would also be very concerned because doing so will affect the hygiene and cleanliness of the whole city. In fact, after the construction waste charging scheme was implemented, the amount of waste processed by landfills has decreased by 30% as compared to that prior to the commencement of the scheme. If other fill materials are included, the total volume has decreased by 20%. In other words, the volume of actual waste has decreased by 30% and if fill materials are also included, the volume has decreased by 30%. The volume of soil has increased. If a number of projects are launched, the fill materials can be useful and we will recycle and reuse them. Therefore, it can be seen that the actual result is very good. Concerning instances of illegal dumping of waste, we are paying close attention to them and if such cases are detected, we will follow up actively.

MISS CHOY SO-YUK (in Cantonese): *President, concerning the Secretary's main reply on vehicle emissions, I would like to ask about pre-Euro vehicles. The emissions from pre-Euro trucks are 70 times higher than those of Euro IV vehicles. At present, there are over 110 000 pre-Euro vehicles in Hong Kong. Will the Government consider adopting measures such as punitive vehicle registration tax or offer some incentives to make vehicle owners replace their vehicles with those of Euro IV standard as soon as possible? In addition, at present, Euro IV diesel vehicles cannot be used as private cars. Will the Government consider relaxing the restrictions on existing Euro IV diesel vehicles, so that they can also be used as private cars?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS
(in Cantonese): She has raised a number of supplementaries.

PRESIDENT (in Cantonese): Miss CHOY So-yuk, it seems the subject of this question is not related to diesel vehicles or vehicles of Euro standards. Can you ask your question in such a way that it is relevant to the main question?

MISS CHOY SO-YUK (in Cantonese): *Certainly, President. In fact, the so-called Euro IV vehicles are environmentally-friendly vehicles. The subject of this question is about what economic incentives can be adopted to improve the overall environment, in view of this, will the Government consider adopting effective measures to replace environmentally-unfriendly vehicles, such as pre-Euro vehicles, so that vehicle owners can replace them with more environmentally-friendly ones such as Euro IV vehicles or Euro IV diesel vehicles as soon as possible?*

PRESIDENT (in Cantonese): Miss CHOY So-yuk, you are actually asking if, insofar as other new "green" taxes are concerned, this type of vehicles mentioned by you has been included. Secretary, please reply.

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS
(in Cantonese): Of course, vehicle emissions have a direct impact on air quality, therefore, in view of the major principle of "polluter pays", we are now studying how the "polluter pays" principle can be applied according to the volume of vehicle emissions. Be it penalties or incentives, we are examining them actively.

MR CHAN KAM-LAM (in Cantonese): *President, concerning environmentally-friendly vehicles, the Secretary's reply just now was that it would depend on how many models of such vehicles are available on the market. However, I think the Government can take the view of considering how much contribution these vehicles can make towards environmental protection or easing environmental pollution. Is it better to adopt this criterion when making assessments? Will the Government change its viewpoint under this policy?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): In fact, different types of vehicles are all polluting to various degrees. For example, driving a vehicle with great horsepower is definitely more polluting than driving one with less horsepower. There is also a distinction between old and new vehicles. The Euro III and IV vehicles, which I have mentioned, are newer vehicles and the emissions of these newer vehicles are lower than pre-Euro ones. The Government's policy is of course to encourage the reduction of emissions. Concerning the first registration tax for motor vehicles, one of the measures is to require that more tax be payable for high horse-power vehicles. However, if we adopt this as the sole point of departure, we have to consider other issues, for example, whether diesel vehicles should still be allowed to exist, since diesel vehicles are no longer used in many advanced cities as diesel is considered to be a more polluting product.

However, the crux of the matter is the price. We have to strike a balance for the entire transport industry. We are now studying actively how the operating costs are calculated, how great the impact on the sector is and whether it can be sustained.

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

DR KWOK KA-KI (in Cantonese): *The Secretary said in her main reply that there would be a timetable. As the public thinks that the progress has been rather slow, can the Secretary speed up the timetable so that no matter by what method, the "polluter pays" principle can be implemented at an early date?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): The timetable set out in our Policy Framework is in fact very proactive already. Members all know that in the meetings of the Panel on Environmental Affairs, we have proposed the model of Eco-responsibility Bill for Members' consideration since we also want to expedite the work. Originally, we hope that the bill can be tabled before the Legislative Council at the end of this Legislative Session, however, this could not be done for various reasons.

Perhaps I can talk about the PRS in passing here. We intend to enact a piece of general legislation which can be called an "umbrella" that will permit the levy of relevant charges on producers on the ground that their products will cause pollution directly or indirectly. Under this general piece of legislation, which will cover various products, other pieces of legislation will be enacted in the light of different circumstances. This approach is adopted in Australia, Canada and many other places. After the legislation on PRS has been enacted but before the products of individual producers are formally subjected to regulation, many of these producers will introduce processes of recovery of their own accord, since a lot of administrative costs can be saved if they are not bound by legislation. If such matters are handled well, legislation will actually have the opposite effect of hindering such processes. If we enact a general piece of legislation, it will actually help the industry take matters of recovery into their own hands and assume the responsibility of recovery on their own.

However, some Members of the Legislative Council felt that this mode was too abstract, so we have to consider this matter all over again and submit the proposal in the next Legislative Session. I hope Members can refer to the timetable in our Policy Framework and we also hope that faster progress can be made. Since Mr KWOK has raised this matter, I hope everybody can co-operate as far as possible. The principle involved is the same, however, if new approaches are tried, it will be impossible to refer to past experience. I also agree to taking this forward at a greater speed. However, the other conditions must also be favourable.

PRESIDENT (in Cantonese): Third question.

Radiation from Mobile Phone Repeater

3. **DR RAYMOND HO** (in Cantonese): *President, it has been reported that five teaching staff of the Royal Melbourne Institute of Technology (RMIT) have been diagnosed as suffering from brain tumour, which is suspected to have been caused by radiation from the mobile phone repeater located at the rooftop of their office building. In this connection, will the Government inform this Council:*

- (a) *whether the authorities have recently conducted any studies on how the radiation of mobile phone repeaters may affect human health; if they have, of the results;*
- (b) *whether similar clinical cases have been found in Hong Kong; if so, of the details; and*
- (c) *of the treatments adopted in Hong Kong for such clinical cases, and how such treatments compare with those adopted in overseas countries?*

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

Madam President, radiation connected with mobile phone repeaters is generally known as radiofrequency radiation, which is a kind of non-ionizing radiation on the electromagnetic radiation spectrum. Currently, there is no definite medical evidence showing any causal relations between human exposure to radiofrequency radiation and brain tumour. Neither are there any research findings showing a pathological relation between clusters of brain tumour and exposure to radiofrequency radiation.

In Hong Kong, the Office of the Telecommunications Authority (OFTA), on the professional advice of the Department of Health (DH), has set the safety level of electromagnetic radiation permitted to be emitted from mobile phone repeaters against the safety standards recommended by the International Commission on Non-Ionizing Radiation Protection (ICNIRP). Founded in 1992, the ICNIRP is comprised of independent scientists and experts and formed mainly to monitor any possible adverse impact of non-ionizing radiation on human health. Researches and recommendations on protection against non-ionizing radiation aside, the ICNIRP also works with the World Health Organization (WHO) on risk assessments for the purpose of formulating relevant safety guidelines and standards. Now all mobile phone operators are required by the OFTA to comply with the safety limits laid down by the ICNIRP in 1998 on human exposure to radiofrequency electromagnetic field. This set of safety limits has now become an international reference standard and adopted by a number of countries.

Regarding the incident concerning the RMIT as mentioned in Dr HO's question, our understanding is that the RMIT commissioned an independent

telecommunication equipment test consultant, an occupational health doctor and the Australian Radiation Protection and Nuclear Safety Agency to carry out more than 100 tests when it learned that several teaching staff had been suffering from brain tumour in early May in order to find out the occupational safety and health conditions on the floors in question. The test results show that the concentration of radio frequency wave, concentration of volatile organic compounds, radon, micro-organism and surface contamination, and so on, on the concerned floors were well below the standard limits set by the Australian authorities. The highest measured power of electromagnetic wave from mobile phones or mobile phone stations recorded during the tests was only at the level of four in 10 000 of the standard limits.

This is my reply to Dr HO's questions seriatim:

- (a) The Administration, of late, has not conducted any study on the impact of radiation of mobile phone repeaters on human health. Nevertheless, for the protection of public health, the OFTA has required the mobile phone operators to ensure that the level of electromagnetic radiation of their mobile phone repeaters should, at any time, be kept below the standard limits recommended by the ICNIRP under the current regulation of telecommunication and the licensing system. The OFTA has also issued a Code of Practice for the Protection of Workers and Members of Public Against Non-Ionizing Radiation Hazards from Radio Transmitting Equipment to protect workers and the general public against the hazard of electromagnetic radiation. Radio system designers, radio site operators and maintenance staff should observe the Code in the design, construction, installation, maintenance and operation of the radio systems. The OFTA keeps close watch on the mobile phone operators from time to time to ensure their compliance with the safety standards. We will continue to keep track of any research findings and recommendations by the WHO, the ICNIRP and other institutions/countries on the safety of radiofrequency radiation and revise, if and when necessary, the safety standards and the Code.
- (b) The Hospital Authority (HA) has not detected any cluster of brain tumour cases in Hong Kong similar to those in Australia. In fact,

no definite case of brain tumour caused by radiofrequency radiation has ever been recorded in Hong Kong.

- (c) In general, treatments for brain tumour adopted by the HA include excision by surgery, radiotherapy and chemotherapy. Such treatments are on a par with those commonly used in other advanced countries.

DR RAYMOND HO (in Cantonese): *President, no one knows whether and how radiation will affect human health. The Secretary has given a lengthy reply in part (a) of the main reply, but all he intended to say was that the Administration has not conducted any study on the impact of radiation of mobile phone repeater on human health.*

Given the high density of population and buildings in Hong Kong, may I ask the Secretary whether he will consider compiling a register of residential developments where mobile phone repeaters have been installed, so that effective testing can be expeditiously conducted?

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, while Hong Kong has not conducted any study on the impact of radiation on human health, particularly that of non-ionizing radiation, many overseas countries are undertaking studies in this regard. Furthermore, the WHO and the ICNIRP have also developed a co-operation plan, whereby 14 research centres are carrying out studies in this regard. We will determine the corresponding actions to be taken by Hong Kong according to the findings of the relevant studies, and decide whether or not there is a need to undertake similar studies locally. We are of the view that there does not exist a problem of very high risks, and further studies will be conducted only when a certain risk is identified.

DR RAYMOND HO (in Cantonese): *President, my supplementary question to the Secretary is, given the present circumstances, whether he will consider compiling a register of buildings where mobile phone repeaters have been installed so as to facilitate effective monitoring in the future. The Secretary, however, has not answered this point. Has consideration been given to this matter? Is he prepared to compile such a register?*

PRESIDENT (in Cantonese): Secretary, can you give a brief elucidation?

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, if we simply consider from the health perspective, we find it unnecessary to do so for the time being. Certainly, the supplementary question raised by the Honourable Member will be referred to the OFTA to see if there is a need to establish such an information network.

MR ANDREW CHENG (in Cantonese): *President, I also wish to follow up the supplementary question raised by Dr HO just now. Despite that the Secretary has stated in part (b) of the main reply that the HA so far has not detected any cluster of brain tumor cases in Hong Kong, but the absence of any cluster of brain tumor cases or individual confirmed cases cannot adequately reflect the unique situation of Hong Kong, and that is, the high density of population and buildings. If such repeaters are installed on every rooftop of buildings, it will pose serious psychological threats to the residents therein.*

Earlier, the Secretary advised that he would first look at the overseas findings. However, I wish to ask the authorities: Can the studies be undertaken concurrently? In other words, the HA or the bureau concerned will immediately carry out the relevant studies to detect cases of brain tumor, to be followed by verification of such cases with the emission of electromagnetic wave by repeaters and mobile phones to see if there exists any relation between them. The results obtained will then be considered in conjunction with overseas findings. Is this approach more beneficial to public health and Hong Kong's situation?

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, let me give a detailed elaboration on our analysis of the existing health problem.

First, will radioactive wave cause cell mutation? A number of the so-called "in vitro" studies have been conducted, that is, studies conducted in the laboratory, and yet no accurate results can be obtained. Second, clinical cases have been examined. In the case of Hong Kong, the number of cases of malignant brain tumor has not increased over the past 20 years. In other words, it has so far remained at a rather steady figure, and showed even a decreasing trend in recent years. Though the reason is not known to us, it is not an

apparent figure statistically. Therefore, we have all along made our decision on the basis of the number of brain tumor cases in Hong Kong.

Despite that the current number of brain tumor patients has not decreased at all, but the fact is that there has been gradual development of mobile phones for more than 20 years, and it is intensifying. More than 20 years ago, the numbers of mobile phones and repeaters were definitely fewer than at present. Therefore, as to causal relations, there are definitely no special relations between them. So, if there is no indication of any causal relation between them, we should not spend too much public money on such studies. However, should we identify cases or incidents which warrant further studies, detailed studies will certainly be conducted in this regard.

MR WONG KWOK-HING (in Cantonese): *President, I deeply regret that in answering the supplementary questions raised by Dr HO and Mr CHENG earlier, the Secretary has turned down the requests for undertaking the relevant studies and compiling the register concerned.*

The last paragraph of part (a) of the Secretary's main reply is: ".....revise, if and when necessary, the safety standards and the Code". President, since most of the outer walls and rooftops of multi-storey buildings are currently owned by developers, the installation of radio transmitters can be approved without the consent of the residents therein. In this connection, may I ask the Government if it has considered allowing the residents to choose to live in an environment that is free of radiation of electromagnetic wave? At present, residents are not granted with the right to choose, which enables them to be free of the radioactive effect of electromagnetic wave. With the refusal of the Government to compile such a register, the residents are denied even the right to know and are thus left with no choice. Therefore, may I ask the Secretary through the President whether the Government has considered undertaking the study in question, so that the residents themselves can avoid living under the radiation of electromagnetic wave?

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, I believe it is a very difficult question to answer. People who wish to live in an environment free of electromagnetic wave may probably have to leave Hong Kong and live on a barren island instead.

However, we can be sure that, in order to protect the public, we must, first of all, examine if the problem really exists and there is evidence of its existence. We are also aware that this problem has been a concern to all parts of the world for more than a decade, and such concern carries a sense of fear. Nevertheless, there is so far no evidence showing the definite causal relation between them. Should there be evidence suggesting the actual existence of a relation between our health and non-ionizing radiation of electromagnetic wave, active studies will be conducted in this regard and regulation will also be imposed. Yet, there is currently not an absence of regulation as all transmitters must comply with the rules set down by the OFTA. Also, daily inspections will be carried out by OFTA staff territory-wide to see if there are any irregularities. As regards Hong Kong's exposure to radiation hazards at present, I believe the environment in which we live is safe. So, there is no need for Mr WONG to feel worried and the allegation that the public was left with no choice is also groundless.

MR WONG KWOK-HING (in Cantonese): *President, the Secretary said it was very hard for him to answer, and yet he still has to reply.*

There is one point which he still has not answered. Earlier, I pointed out that most of the outer walls and rooftops of buildings were currently owned by the developers, and so the residents therein had no choice in regard to the installation of transmitters. Therefore, my question is: Will the residents concerned be provided with choices, so that they have the right to decide whether or not the installation of transmitters on the rooftops of their buildings is permitted? I hope that the Government will answer this point.

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

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, I have nothing to add.

MISS TAM HEUNG-MAN (in Cantonese): *President, the authorities have stated in part (a) of the main reply that "The OFTA keeps close watch on the mobile phone operators from time to time to ensure their compliance with the*

satisfy standards". In this connection, may I ask the Secretary if any non-compliance by mobile phone operators has been identified in the course of inspection? If it has, what punitive measures are in place to discontinue the contravention?

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, according to the information available, this kind of equipment has generally been standardized, particularly the mobile phone transmitters. Therefore, exceedance of transmitting frequency or power above the level specified in the OFTA's guideline will not be identified under normal circumstances. Daily inspections will be carried out by dozens of OFTA staff territory-wide to see if there is any case of exceedance. Generally speaking, most of the irregularities do not relate to exceedance. As far as I know, sufficient safeguards have been put in place for health protection.

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

MR SIN CHUNG-KAI (in Cantonese): *President, the environment of Hong Kong is actually rather unique. Should the Government free itself from the old constraints and refrain from relying on the international standards alone?*

As far as the distribution of transmitters is concerned, it is higher in Hong Kong as compared with other major cities, where the number of transmitters is not so large. Should Hong Kong design a study on its own, or collect relevant information such as the clinical cases mentioned in part (b) of the main reply? It is because if correlation tests between transmitters and cases of brain tumor have not been performed, record of relevant cases will not be available. My supplementary question is: Does the Government consider it necessary to design its own method of study?

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, I recall that a similar question was raised by Mr SIN Chung-kai in 2005.

Just as I have explained earlier on, as far as causal relation is concerned, there must be some evidence showing the actual existence of this phenomenon before any study will be conducted. Furthermore, if we learn from the relevant international findings that such a possibility does exist, or the problem is already identified in the laboratory, corresponding actions are therefore considered necessary. Yet, neither laboratory tests nor analysis of clinical cases showed such phenomenon. So, I think it is a waste of resources to engage ourselves in such useless work. Should there be news or information showing the existence of a causal relation between them, actions will definitely be taken.

PRESIDENT (in Cantonese): Fourth question.

Difficulties Encountered by Associate Degree Course Graduates

4. **MISS TAM HEUNG-MAN** (in Cantonese): *President, some parents of associate degree course graduates have told me that these graduates encounter difficulties in further studies and employment. I have learnt that some employers are unwilling to employ these graduates because they do not know much about their academic level. Besides, not all professional bodies accept such graduates for professional qualifications examinations. In this connection, will the Government inform this Council:*

- (a) *whether it will consider upgrading the quality of associate degree (AD) courses by setting an enrolment limit; if it will, of the details; if not, the reasons for that;*
- (b) *whether it will consider publicizing the academic level of AD course graduates by various means, such as explaining to employers who have registered job vacancies with the Labour Department, or carrying out large-scale publicity activities, and so on; if it will, of the details; if not, the reasons for that; and*
- (c) *whether the authorities will consider discussing with the Hong Kong Institute of Certified Public Accountants (HKICPA) the acceptance of graduates of accounting AD courses for accountant qualification examinations held by the Institute; if they will, of the time to commence the discussion; if not, the reasons for that?*

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

- (a) To enhance the quality and competitiveness of the local workforce so as to embrace the challenges and opportunities arising from Hong Kong's development into a knowledge-based economy, the Government announced a policy objective in 2000 that within 10 years, 60% of our Secondary Five and Seven school leavers would receive tertiary education. By now, the post-secondary education participation rate has increased to over 60%. The Administration initiated a review of the post-secondary education sector last year to take stock of the development of the sector and to map out the way forward. The findings of Phase 1 of the review were thoroughly discussed at the Legislative Council Panel on Education meeting on 27 March 2006. Members also put forward valuable views on the development of the post-secondary education sector at the motion debate on 10 May 2006. Fortunately, many of the views are valuable.

Basically, the pace of development of the post-secondary education sector hinges on the demand and supply in a free market. The fact that institutions were able to progressively increase the provision of post-secondary places on a self-financing basis shows that there is a keen and genuine demand for post-secondary education from our Secondary Five and Seven school leavers. Hence, we do not consider it appropriate for the Government to set a ceiling for post-secondary places, nor do we have a legal basis to limit the provision of self-financing post-secondary places which are not supported by any form of government subsidy. In fact, there is no causal relationship between setting an enrolment quota and improving the quality of the AD programmes. Nonetheless, the Administration will actively follow up the recommendations of the review report, including further discussions with institutions on ways to upgrade the quality of the programmes, improve the learning environment and supporting facilities, and promote the AD qualification.

- (b) AD is a standalone educational qualification. AD graduates are equipped with the necessary knowledge and skills to start work as junior managers or associate professionals. The Report on Review

of the Post-secondary Education Sector has recommended the Government to implement measures to promote the AD qualification among employers, for example, by enhancing communication between educational institutions and employers so that the courses provided by the institutions can be more responsive to manpower needs, and employers can better understand the academic achievements and relevant abilities of AD graduates. The Government is actively promoting sub-degree (including AD) qualifications to various employer organizations, chambers of commerce and professional bodies, and has planned for a series of promotional activities later this month. Moreover, the Government regularly conducts tracking surveys to gauge employers' views on the performance of sub-degree graduates.

- (c) Since the sub-degree programmes offered by individual institutions are different, institutions will directly liaise with the relevant professional bodies on professional recognition arrangements, and the professional bodies will accord the appropriate level of professional recognition to individual programmes having regard to the academic objectives, structures and content of the programmes as well as the learning outcomes. In fact, at present the AD qualification is recognized by more than 20 professional bodies for the purpose of granting exemptions from parts of their professional examinations. We must respect the judgement of the professional bodies regarding recognition of academic qualifications. We also believe that post-secondary institutions would suitably adjust the content of their courses having regard to the requirements of the professional bodies, in order to expand the scope of professional recognition of the AD qualification and enable AD graduates to participate in the relevant professional qualification examinations directly. We will continue our dialogue with various professional bodies (including the HKICPA) to promote the AD qualification, with a view to enhancing the professional bodies' understanding of this qualification.

Madam President, there are quite a number of Members who are professionals, including Miss TAM Heung-man who raised this question. As the Legislative Council has discussed the subject many times, I believe Miss TAM knows it thoroughly, and I hope she can also communicate with her sector to promote the AD qualification.

MISS TAM HEUNG-MAN (in Cantonese): *President, in the second paragraph of part (a), it is said that the Administration will follow up the recommendations of the review report, including further discussions with institutions on ways to upgrade the quality of the programmes. The Administration states that it will not set a ceiling for post-secondary places. Even though there is a mechanism to assess the quality of these programmes, the unlimited increase of post-secondary places will inevitably affect the average learning standard of AD students. May I ask the Secretary whether the Administration considers the quality of AD graduates can be assured by means of academic accreditation in respect of providing supporting facilities and promoting the quality of AD students as just mentioned by the Administration?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, in fact, we have a lot of mechanisms to ensure the quality of AD programmes. Each institution has a senate to monitor its own programmes. If AD courses are offered by non-self-accrediting sponsoring bodies, we still have the Hong Kong Accreditation Board to assess these programmes. Now, the eight institutions have set up the Joint Quality Review Committee, showing that quality is the keen concern of all parties.

MR JASPER TSANG (in Cantonese): *President, the Secretary said that at present the AD qualification is recognized by more than 20 professional bodies for the purpose of granting exemptions from parts of their professional examinations. May I ask the Secretary whether he knows that the HKICPA is one of these 20 professional bodies? Are there any AD programmes which are not recognized by the HKICPA despite being considered to be very suitable for that purpose by the Secretary? And why does the HKICPA not recognize such programmes?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, I am grateful to Mr TSANG for his supplementary question because we have also conducted some surveys on this. In fact, the Hong Kong Institute of Accredited Accounting Technicians is one of 22 professional bodies which recognize AD qualification and has granted exemptions to AD graduates in accounting from all or part of its examinations for Accounting Technicians.

MR CHEUNG MAN-KWONG (in Cantonese): *President, fortunately the Secretary has reluctantly admitted that some of the Legislative Council Members' views are valuable. (Laughter) However, since 2000, only 13 civil service grades have to date accepted AD qualification as their entry requirement, in addition to more than 20 professional bodies which have recognized AD qualification. Does the Government not admit that the number of organizations, including the Government itself, that recognize and accept AD qualification is too small? How many AD graduates have been employed as civil servants by various government departments? If the Government itself cannot set an example by employing more AD graduates, how can it expect other professional sectors to recognize or employ more AD graduates?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, Mr CHEUNG Man-Kwong has omitted one thing. In fact, apart from the 20-odd professional bodies and organizations which have recognized AD programmes, there are 150-odd overseas institutes in 10 foreign countries which provide articulate courses to our AD graduates who can pursue degree courses in these institutes. From this, we can see that AD programmes are in fact widely recognized. Regarding how many AD graduates being employed by various government departments, I do not have the number at the moment. But I believe that a person's background is not the most important factor, rather, his performance at work is. As Mr CHEUNG Man-kwong may be aware, recently our Police Force also welcome AD graduates to join them.

MR CHEUNG MAN-KWONG (in Cantonese): *President, in other words, the Secretary cannot tell me how many AD graduates have been employed by the Government. Can I request a written reply by the Secretary?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, I do not think we have such information. There are 160 000 civil servants in the Government. If we have to conduct a survey on the qualifications of each and every civil servant, it will waste a lot of efforts and resources. Moreover, it is doubtful whether we can do so. Even if we can, what is the purpose of doing so? Since the situation varies from year to year and from month to month, I think it is not necessary to take any follow-up action on this.

MR CHEUNG MAN-KWONG (in Cantonese): *This question is clearly related to the employment opportunities and recruitment of AD graduates. As the Government has proposed the offering of AD courses and students have been trained, I would like to know the number of AD graduates employed by the Government. To request such a figure is very reasonable. I do not think the Government can say that it is useless to follow up the issue.*

PRESIDENT (in Cantonese): May I make the following suggestion, Secretary for Education and Manpower. I suggest that Mr CHEUNG's request be referred to the Secretary for the Civil Service to see if she has such information. If she does, please ask her to provide a written reply to us. What do you think?

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Yes. (Appendix II)

MR LEUNG KWOK-HUNG (in Cantonese): *Fortunately the Secretary did not bring along his video game player to the Legislative Council on that day in May so that he could listen to our valuable views. If he was playing video games at that time, he might have missed our points.*

The Secretary's views are very valuable. Just now, I heard the Secretary say that it is time consuming to compile statistics on the qualifications of civil servants. May I make the following suggestion to the Secretary: Can he conduct a statistical survey in his own Bureau? If it is impossible to compile such statistics in the entire Government, would the Secretary like to do so in his own Bureau?

PRESIDENT (in Cantonese): If you have finished your question, please sit down and I will ask the Secretary to answer it. If you keep standing, I will not ask the Secretary to answer it. Have you finished your question?

MR LEUNG KWOK-HUNG (in Cantonese): *This is not a supplementary question.*

PRESIDENT (in Cantonese): This is not a supplementary question? I will only allow one supplementary question from you.

MR LEUNG KWOK-HUNG (in Cantonese): *Is this the case? Sorry. On hearing the Secretary's light remark that our views are valuable, I would like to offer more valuable views.*

PRESIDENT (in Cantonese): We are not having a debate. It is the Question Time. Please ask your supplementary question.

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

In the second paragraph of part (a) of the main question, it is said that "the pace of development of the post-secondary education sector hinges on the demand and supply in a free market. The fact that institutions were able to progressively increase the provision of post-secondary places on a self-financing basis shows that there is a keen and genuine demand for post-secondary education from Secondary Five and Seven school leavers". OK? The Secretary has mentioned one thing, that is, the pace of development of AD courses or post-secondary education totally depends on the market. OK? Then, the Secretary said that as the demand for AD courses is keen, it should be determined by the market. May I ask the Secretary whether he knows that in order to enable their children to pursue further studies, many parents of these AD students.....Although the Government aspires to achieving the target set by Mr TUNG that 60% of our Secondary school leavers would receive tertiary education, they cannot enjoy the benefits or right to education. They are in a dire situation because many of them are being excluded by the formal universities.....

PRESIDENT (in Cantonese): Do you want to ask the Secretary whether he knows the situation? Because several Members are still waiting for their turn, I hope you can ask a supplementary question quickly so that the Secretary can answer it.

MR LEUNG KWOK-HUNG (in Cantonese): *Yes. Does the Secretary know that? If he does, what solutions can be adopted so as to avoid the ugly phenomenon that post-secondary education in such an affluent society as Hong Kong is still purely determined by the market?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, I am very happy to answer Mr LEUNG's supplementary question. But before answering it, I may have to clarify one thing. He said that the Secretary might not have heard Members' views if not because the Secretary had not played video games. Here I can assure that Secretaries have many abilities. We use our ears to listen and our hands to play games. *(Laughter)* I wonder if Members cannot do two things at the same time. But I can say that the Secretaries can do so at any time.

Regarding the financial problem mentioned by Mr LEUNG, we have a series of desirable supporting measures to help our students. The Local Student Finance Scheme is a good example. Recently, the Finance Committee of the Legislative Council has endorsed an expansion of the scope of subsidy so that more than 26 000 students will benefit in future.

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

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

PRESIDENT (in Cantonese): Which part of your supplementary question has not been answered by the Secretary? Please repeat that part of the question and do not give other explanation. Thank you.

MR LEUNG KWOK-HUNG (in Cantonese): *He said that he can do two things at the same time, and he can listen to us while playing video games. I think this is sort of quibble. I would like to ask him: Does he think that quibble.....*

PRESIDENT (in Cantonese): Which part of our supplementary question was not answered? Please repeat that part of the question because many Members are waiting for their turn.

MR LEUNG KWOK-HUNG (in Cantonese): *I understand. I have only one question. He said that he can play games while listening, meaning that he can do two things at a time. I think he is very irresponsible, putting up sophistry. Does he agree with me?*

PRESIDENT (in Cantonese): This is not part of your supplementary just now, so the Secretary needs not reply.

MR LEUNG KWOK-HUNG (in Cantonese): *Thank you, President.*

MS EMILY LAU (in Cantonese): *President, the Secretary said that he can play video games while listening to Members' views. I hope university, secondary school and primary school students will not look to him as an example. If they are blamed by the teacher for behaving in such a manner, they may query why they cannot do so since the Secretary behaved in such a manner in the Legislative Council. President, I wonder whether he has set a good example.*

President, in answering Mr CHEUNG Man-kwong's supplementary question just now, the Secretary said that the number of AD graduates employed by the Administration is unavailable. President, in part (a) of the main reply, the Secretary said that the issue was discussed at the Legislative Council Panel on Education meeting on 27 March 2006. On that day, Dr Fernando CHEUNG asked bluntly how many AD graduates had been employed by the Government. He also wondered, if the Administration was unwilling to hire them, how could they be recommended to other employers. At that time, the Secretary said that the relevant figure was not available but he would provide a written reply to the Legislative Council. Now it is early June. To our surprise, the Secretary tells us that it is impossible to have such figure. What a bunch of bull! President, I think if such a figure was not available at that time, the Government should have told Members on 27 March that such information could not be provided to

Members. President, we in the Legislative Council have been going round and round in March, April, May and June without any meaningful thing done.....

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

MS EMILY LAU (in Cantonese): *May I ask the Secretary why the Government is not able to employ more AD graduates so that employers will find that they are worth employing?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, in fact, AD programmes include many different kinds of courses and most of them are related to economics such as accounting and finance. That being the case, can each and every graduate of such courses be able to get employment in the Education and Manpower Bureau? I believe this is quite difficult. However, if they have studied AD courses which are related to education, I believe we are very happy to employ them.

MISS CHAN YUEN-HAN (in Cantonese): *In part (b) of the main reply, the Secretary said that "the Report on Review of the Post-secondary Education Sector has recommended the Government to implement measures to promote the AD qualification among employers, for example by enhancing communication between educational institutions and employers". Besides, the Secretary also said that "employers can better understand the academic achievements and relevant abilities of AD graduates". May I ask the Government what the actual progress of the proposed measures is? What can be done so that the private market can have a better understanding of AD graduates and employ them?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Regarding the situations in 1998, 1999, 2000 and even 2003, we have conducted a survey on the employers in order to find out whether they are happy with our university graduates and AD graduates. This survey is still in progress and the findings will soon be published. I believe the employers will also accept the

findings in this aspect because this is a large-scale survey. Regarding other measures that we will take, we will liaise with chambers of commerce and other professional bodies. That is why I said that we will conduct a series of promotional activities in future.

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

DR YEUNG SUM (in Cantonese): *Madam President, I hope university students will not follow the Secretary's example of playing video games while attending lecture.*

Madam President, just now you asked the Secretary to provide information on the number of AD graduates employed by government departments in a written reply and the Secretary undertook to do so. Can I also request the Secretary to provide information on the number of AD graduates employed by the Government in the past five years in the written reply so that we can know the Government's attitude towards these graduates?

PRESIDENT (in Cantonese): Dr YEUNG Sum, to set the record of proceedings straight, I asked the Secretary for Education and Manpower just now to refer the relevant request to the Secretary for the Civil Service to see if she can provide such information. Meanwhile, in your supplementary question, you asked whether information on the past five years could be provided by the Secretary for the Civil Service. Secretary, please answer the question.

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): I will certainly refer the President's point to her. Regarding whether a person can do another thing when playing video games, I would like to say that what a teacher says in the class is very important and very interesting. I believe our students will be in full attention and listen to their teachers' lectures.

PRESIDENT (in Cantonese): Fifth question.

Economic Co-operation Between Hong Kong and China

5. **MR JEFFREY LAM** (in Cantonese): *Madam President, the 11th Five-Year Plan (FYP), which our country implements this year, has made specific reference to the Hong Kong Special Administrative Region (SAR)'s functions and its interaction with the Mainland. It has also stated that support would be given to Hong Kong's development on fronts such as financial services, shipping, tourism and information services. The Government will hold an economic summit before September to explore the subject. In addition, the Qualified Domestic Institutional Investors (QDII) scheme has been introduced since April this year. In this connection, will the Government inform this Council of:*

- (a) *the measures in place before the economic summit to assist the service industries of Hong Kong in accessing the mainland market and to facilitate co-ordinated development of Hong Kong and mainland provinces and cities; and*
- (b) *the initiatives to be implemented in line with introduction of the QDII scheme to facilitate inflow of mainland capital into Hong Kong and to assist the financial institutions of Hong Kong in providing their services in the Mainland?*

FINANCIAL SECRETARY (in Cantonese): *Madam President, as the main south gate of the Mainland, Hong Kong maintains close economic ties with the Mainland and plays a bridging role of connecting the Mainland with the rest of the world. As the mainland market becomes more liberalized, the mainland enterprises have a growing demand for various professional services. Recently, the State has clearly stipulated in the 11th FYP that it would encourage the rapid development of the service industries, in particular the modern industries such as finance, insurance, logistics, information and legal services. These modern industries are where Hong Kong's niches lie. Hong Kong is well placed to become China's service centre and an ideal two-way business platform for mainland companies.*

- (a) *As regards the measures in place before the economic summit to facilitate co-ordinated development of Hong Kong and mainland provinces and cities, there have been various exchanges and*

co-operation through different mechanisms. High-level co-operation mechanisms have been established between the SAR Government and the local governments in Guangdong Province, the Pan-Pearl River Delta (Pan-PRD) Region as well as Shanghai and Beijing, providing a solid foundation for sustainable co-operation between Hong Kong and the Mainland. In particular, the Pan-PRD Regional Co-operation would create new opportunities for Hong Kong service industries. The Pan-PRD area is a well-known production base with a population of 458 million and a GDP of over HK\$5,700 billion. Meanwhile, the development of service industries, which accounts for 90% of our GDP, is mature in Hong Kong. In view of the highly complementary economic structures of Hong Kong and other Pan-PRD areas, Hong Kong can become the area's service centre by providing value-added services to companies in the area. The SAR Government will continue to assist our service industries to develop the mainland market under the framework of the Pan-PRD Regional Co-operation.

In fact, the SAR Government has all along been helping the Hong Kong service industries in gaining access into the mainland market. Since the signing of Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA), we have already secured advanced and enhanced preferential market access into the Mainland for 27 different service sectors and have also attained mutual recognition agreement and arrangements for a number of professional sectors. In accordance with the building block approach under CEPA, the SAR Government will continue to discuss with the Mainland on further trade liberalization with a view to incorporating the agreed measures under CEPA.

In addition, our new Economic and Trade Offices (ETOs) in Shanghai and Chengdu to be established within this year will help strengthen the links between Hong Kong and the provinces and municipalities concerned, thereby paving the way for more effective co-operation. The Mainland Affairs Liaison Office set up in April this year will also continue to take active steps to co-ordinate and promote co-operation and exchanges between Hong Kong and the Mainland.

- (b) The mainland authorities have introduced liberalization measures allowing qualified (i) banks to offer offshore wealth management services; (ii) fund management companies to pool together foreign currency funds of mainland entities and individuals to invest in securities overseas; and (iii) insurance institutions to convert Renminbi (RMB) funds into foreign currencies to invest offshore.

With regard to offshore wealth management services offered by banks in the Mainland, the Hong Kong Monetary Authority (HKMA) has been in discussion with the relevant mainland authorities both prior to and after the introduction of the scheme. Such discussions served to set out the various benefits for mainland investors to invest in Hong Kong's financial markets and to make use of Hong Kong's financial platform to invest in other overseas markets. The HKMA has also conveyed the wish of Hong Kong banks to have their applications for offering offshore wealth management services to be processed in tandem with those of mainland banks. We have already secured the consent and confirmation of the China Banking Regulatory Commission that applications of Hong Kong banks would be processed in tandem with those of mainland banks.

Furthermore, the HKMA and the Treasury Markets Association organized a workshop and a seminar in May for industry participants to exchange ideas and views on opportunities arising from the introduction of offshore wealth management services by banks in the Mainland. These have helped the banking industry in Hong Kong to understand better the scheme, and Hong Kong banks are in the process of following up with the relevant authorities for launching the services concerned.

The SAR Government has been providing assistance to Hong Kong financial institutions in expanding their services in the Mainland through various channels. For instance, through CEPA, we have successfully negotiated for more relaxed entry and operational requirements for Hong Kong banks over other foreign banks. To attract more funds to Hong Kong, other than our diversified range of investment products, the SAR Government has introduced measures such as exemption of offshore funds from profits tax to help Hong Kong provide an attractive financial intermediation platform for mainland investors.

MR JEFFREY LAM (in Cantonese): *Madam President, may I ask the Financial Secretary, according to his understanding, whether other provinces and municipalities, other than the Hong Kong SAR, are also mentioned in the State's 11th FYP as the financial, trading and shipping centre? In addition, how will the Government assist Hong Kong businessmen and professional bodies in overcoming obstacles in relation to investing in the Mainland?*

PRESIDENT (in Cantonese): Mr LAM, you have asked two supplementary questions. Are they related?

MR JEFFREY LAM (in Cantonese): *They are, because if only Hong Kong is cited as the centre, the mode of assistance will be different. The Government may thus provide different assistance if there are more than one centre.*

PRESIDENT (in Cantonese): Your supplementary question is: If Hong Kong is the only centre mentioned, how will the Government provide assistance? If not, how will the assistance be different?

MR JEFFREY LAM (in Cantonese): *Yes.*

FINANCIAL SECRETARY (in Cantonese): In the national 11th FYP, no other places are referred as the international financial, trading and shipping centre except the Hong Kong SAR. The 11th FYP has signified the basic stance and policy direction of the Central Government to further facilitate and maintain the long-term stability and prosperity of Hong Kong. As Hong Kong is referred as the only international financial, trading and shipping centre in the 11th FYP, in the context of this position, we are certainly duty-bound to provide assistance to Hong Kong businessmen and professional bodies when they encounter obstacles in making investments in the Mainland. Therefore, through the ETO in Guangdong and the Office of the Government of the Hong Kong SAR in Beijing, we will continue to build up and maintain liaison with relevant mainland authorities through existing mechanisms, so as to provide appropriate assistance

and services to Hong Kong companies and individuals in the Mainland. New ETOs in Shanghai and Chengdu will be established within this year to strengthen support in this respect. In addition, relevant departments of the Hong Kong SAR Government and the Guangzhou Municipal Government formed the Guangzhou-Hong Kong CEPA Market Entry Facilitation Group in 23 November 2005, with a view to facilitating Hong Kong businessmen in resolving the difficulties they encounter in obtaining approval for starting businesses or in applying for setting up individually owned stores in Guangzhou. This is a trial mechanism. We will review this mechanism after a period of time. If the mechanism is proved to be effective after review, we will promote it in other municipalities such as Beijing and Shanghai.

MR CHIM PUI-CHUNG (in Cantonese): *President, in the main reply, the Financial Secretary stated that the Hong Kong SAR Government maintains a close relationship with the Mainland in many aspects. Maintaining a close relationship must involve money. At present, conversion of a large amount of RMB openly is not allowed. Is the Financial Secretary aware of any such transactions being conducted behind the scenes, in other words, through unlawful channels? Does the SAR Government have any strategy in place to regularize these transactions?*

FINANCIAL SECRETARY (in Cantonese): Madam President, since early last year, the Central Government has permitted Hong Kong banks to provide four offshore RMB services *viz* deposit exchange, foreign exchange (that is, remittance) and issuance of RMB credit cards. This is a major breakthrough, through which normal channels are established for the flow of RMB from Hong Kong back to the Mainland. Recently, there have been further relaxations. On 13 and 17 April 2006, the Central Government announced relaxation on remittance control in the Mainland, allowing mainland companies and individuals to invest offshore, including streamlining the procedures to allow each mainland resident to convert each year an amount of RMB equivalent to US\$20,000. In fact, this series of measures announced by the State seeks to establish normal channels for mainland residents to make investments and convert RMB into foreign currencies.

MR WONG TING-KWONG (in Cantonese): *What is the progress of the arrangement for the economic summit at this stage? Who will be invited? How many people are expected to be invited? What results are expected to achieve in this economic summit?*

PRESIDENT (in Cantonese): Mr WONG Ting-kwong, please sit down first. Despite the fact that the main question has mentioned convening the economic summit, the subject is not on the details of the economic summit, but rather, on government measures in place before the economic summit, so your supplementary question seems to have strayed too far from the main question.

MR WONG TING-KWONG (in Cantonese): *Since the main question has mentioned the economic summit, I thought it is also related to this aspect.*

PRESIDENT (in Cantonese): I am afraid there is nothing more I can do for you.

MR TOMMY CHEUNG (in Cantonese): *May I ask the Financial Secretary what measures the SAR Government has in place to strengthen the development of the bond market?*

FINANCIAL SECRETARY (in Cantonese): Madam President, in respect of the development of the bond market, Hong Kong has an edge in many areas. For instance, we have a sound legal system, a world-class financial market infrastructure, an effective and transparent regulatory system making the free flow of capitals possible, a simple and low tax regime, as well as numerous financial professionals and intermediaries. In recent years, the Government has spared no effort in facilitating the development of the bond market by way of providing the necessary financial infrastructure, streamlining the issuance procedures, providing tax concession and encouraging public institutions to issue bonds. Moreover, a point many people may not be aware of is that we have spent quite a lot of time recently on discussion with foreign rating agencies because the cost of the bonds will be lower whenever rating agencies raise their rating of Hong Kong. We thus have facilitated the development of the bond market in every possible way to let investors have one more instrument to choose from.

MR HOWARD YOUNG (in Cantonese): *President, it was mentioned in Mr LAM's main question that support would be given to Hong Kong's development on fronts including financial services, shipping, tourism and information services, while the Financial Secretary in his main reply stated that there is a two-way business platform. May I ask the Financial Secretary if he is aware that, on the tourism front, this business platform is not two-way, but one-way? In other words, the tourist industry in Hong Kong can only organize inbound tours to the Mainland, but it has been their aspiration to gain a share of the outbound tour market in the Mainland, which has all along been the forbidden zone. Is the Government not aware of such aspiration of the tourist industry? Or does the Mainland still think that this is a permanent forbidden zone without any room for discussion?*

FINANCIAL SECRETARY (in Cantonese): Madam President, CEPA is a liberalization arrangement adopting a building block approach. Through the first, second and third phase of liberalization, the content of CEPA is enhanced and expanded. We are fully aware of the aspiration of the tourist industry to organize outbound tours in the Mainland and we have been in constant discussion with the Central Government on the liberalization of this market. Yet, this is, after all, a two-way arrangement and they also need to give consideration to the overall system in the Mainland. In the process of reform and liberalization, the Mainland has already progressed a lot. Thus, in the discussion with the Mainland, we have to appreciate that their pace of development and magnitude of liberalization are different. We will continue the relevant discussion with the Mainland.

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

MR SIN CHUNG-KAI (in Cantonese): *I certainly welcome more mainland units, entities or individuals to invest in Hong Kong through the QDII. May I ask whether there is a need to make any structural change or preparation within Hong Kong's regulatory framework? As a matter of fact, once these services*

are made available, complaints may arise. Is there a need to step up regulation or make preparations for these services in Hong Kong?

FINANCIAL SECRETARY (in Cantonese): Madam President, the competitive edge of Hong Kong's regulatory framework is its impartiality. Be it a company or an individual, as long as they are coming to Hong Kong to invest, we treat them without discrimination. In other words, no matter the investor is Mr SIN, one of his mainland friends or one of his foreign friends, they will be dealt with on an equal basis. I am very confident that our existing regulatory bodies are modernized and up to international standards. They are fully capable of handling complaints from the new investors. We welcome new investors to raise their views with us. I am confident that we can deal with them.

MR SIN CHUNG-KAI (in Cantonese): *President, I wish to clarify my supplementary question. In fact, the situation of the mainland investors is unique because they are somewhat like "buying a cow from afar". For example, part (b) of the main reply stated that investors would make investments through banks or fund management companies, so there is an intermediary. Therefore, do we need to handle their complaints in the light of this special situation? I wonder whether our regulatory bodies will then have some special measures in Beijing to handle their complaints? Can the Financial Secretary clearly grasp my supplementary question just now?*

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

FINANCIAL SECRETARY (in Cantonese): Madam President, Mr SIN should understand that no matter the investor is an individual or a company, we will treat them equally. If a mainland resident makes investments in Hong Kong through a company, the regulatory bodies in Hong Kong will regard this company as an investor, and no matter Mr SIN invests as an individual or a company, the regulation will also be the same.

PRESIDENT (in Cantonese): Last oral question.

Opening Hours of Public Libraries

6. **MR ANDREW CHENG** (in Chinese): *Madam President, will the Government inform this Council:*

- (a) *whether it will extend the opening hours of all public libraries in Hong Kong on Saturdays, Sundays and public holidays to facilitate the use of library services by the public in the evening during public holidays and weekends;*
- (b) *whether it will standardize the opening days of all public libraries in Hong Kong by requiring them to operate seven days a week, and extend their opening hours to 12 hours a day; if so, of the details of their opening hours; if not, the reasons for that; and*
- (c) *of the expenditure and manpower involved in implementing the measures mentioned in (a) and (b)?*

SECRETARY FOR HOME AFFAIRS (in Chinese): President,

(a) and (b)

The Leisure and Cultural Services Department (the LCSD) currently operates a total of 74 public libraries, providing a wide range of library services to the public. The total number of weekly opening hours of public libraries in the urban areas and the New Territories are more or less the same. The major and district libraries in the urban areas open seven days a week for a total of 61 hours. They are open from 10 am until 7 pm from Mondays to Thursdays whereas on Fridays, their opening hours are extended to 9 pm for the convenience of readers who are unable to use library facilities during normal opening hours. As for the major and district libraries in the New Territories, they are open six days a week for a total of 62 hours, and their daily opening hours are from 9 am until 8 pm. The Hong Kong Central Library is open seven days a week for a total of 74 hours. The opening hours of various types of libraries are set out at Annex.

The major and district libraries in the New Territories close one day a week for carrying out the necessary work of collection maintenance, cleansing and repair. The two patterns of opening hours have their respective advantages. There is no closing day for the major and district libraries in the urban areas, but their daily opening hours are shorter. On the other hand, though the major and district libraries in the New Territories close one day a week (on either Monday or Thursday), they offer longer daily opening hours, which can fit in better with the life pattern and rest breaks of those readers working in the urban areas and residing in the New Territories.

The major and district libraries in the urban areas offer the same opening hours from 10 am to 5 pm on Saturdays, Sundays and public holidays while those in the New Territories open from 9 am to 7 pm on Saturdays and from 9 am to 5 pm on Sundays and public holidays. With the exception of seven public holidays, namely New Year's Day, the first three days of the Lunar New Year, Good Friday, Christmas Day and the first weekday after Christmas Day, all public libraries are open to the public during the hours listed above on public holidays.

The LCSD provides a variety of services outside the opening hours of public libraries. At present, a total of 49 libraries (including the Central Library, all five major libraries, the majority of district libraries and some small libraries) are equipped with book drops for returning books borrowed from various public libraries after opening hours. Besides, the Hong Kong Public Libraries (the HKPL) provide readers with value-added services including 24-hour online services for renewal and reservation of library materials, viewing of electronic books, retrieval of information in databases and searching of library categories, as well as telephone renewal service.

In addition, from April 2000 onwards, the study rooms of all public libraries have been running on separate opening hours whereby their opening hours on weekdays are extended to 10 pm for use by students sitting public examinations and those in need of study room

services. During the examination period from March to May every year, all study rooms of public libraries throughout the territory are open seven days a week (including the closing day of libraries) from 8 am until 10 pm.

The HKPL conduct public opinion surveys on a regular basis to gauge public views on library services. According to a survey conducted in 2004, more than 70% of the library users surveyed were satisfied with the current opening hours of public libraries in various districts. The LCSD will closely monitor the utilization of public libraries and public views in order to review the opening hours of various libraries in a timely manner.

As mentioned in the Consultation Document on "Review on the Role, Functions and Composition of District Councils" promulgated by the Government in April this year, to actively involve District Councils in the management of some district facilities, we propose to set up a District Facilities Management Committee (DFMC) under each District Council to steer and oversee the work involved. Under this proposal, the management of all district public libraries (that is, with the exception of the Hong Kong Central Library and the Basic Law Library) will be brought under the purview of DFMCs. DFMCs will be invited to provide input on matters concerning the management of district libraries, which include customer service improvement initiatives, collection development programme and extension activities. As such, DFMCs could propose how best to improve the services of the district libraries (including the opening hours) having regard to the needs of the relevant district communities.

- (c) To open all the public libraries for seven days a week for 12 hours a day would incur an additional expenditure of approximately \$200 million per annum. This estimated additional cost includes mainly extra primary costs of staff and electricity. It does not, however, include secondary attributes such as expenditure to defer cleansing and maintenance work to after library opening hours, shift duty allowances of permanent staff, added costs of delivering transit books resulting from increased demand, administrative cost, and so on.

Opening Hours of Hong Kong Public Libraries

<i>Libraries in Urban Areas</i>		<i>Libraries in New Territories</i>	
(1) Hong Kong Central Library (Starting from January 2002) (74 hours per week)			
Monday, Tuesday, Thursday, Friday, Saturday and Sunday		10 am to 9 pm	
Wednesday		1 pm to 9 pm	
Public Holidays*		10 am to 7 pm	
(2) Major/District Libraries (61 hours per week)		(2) Major/District Libraries (62 hours per week)	
Monday to Thursday	10 am to 7 pm	Monday to Friday (Monday or Thursday closed)	9 am to 8 pm
Friday	10 am to 9 pm	Saturday	9 am to 7 pm
Saturday, Sunday and Public Holidays*	10 am to 5 pm	Sunday and Public Holidays*	9 am to 5 pm
(3) Small Libraries (50 hours per week)		(3) Small Libraries (39 hours per week)	
Monday to Wednesday	10 am to 7 pm	Monday, Wednesday and Saturday	10 am to 1 pm 2 pm to 6 pm
Thursday	Closed	Thursday	Closed
Friday	10 am to 7 pm	Tuesday and Friday	1 pm to 8 pm
Saturday and Sunday	10 am to 5 pm	Sunday and Public Holidays*	9 am to 1 pm
Public Holidays*	10 am to 1 pm		
(4) Mobile Libraries (42 hours per week)		(4) Mobile Libraries (42 hours per week)	
Monday to Saturday	10 am to 1 pm 2 pm to 6 pm	Monday to Saturday	10 am to 1 pm 2 pm to 6 pm
Sunday and Public Holidays	Closed	Sunday and Public Holidays	Closed

* Closed on New Year's Day, the first three days of the Lunar New Year, Good Friday, Christmas Day and the first weekday after Christmas Day

MR ANDREW CHENG (in Cantonese): *Madam President, I wish the Secretary could understand that nowadays, the difference between the New Territories and the urban areas is very small in many aspects.*

According to the Secretary's main reply, libraries in the New Territories have to close one day a week and one of the reasons is for carrying out cleansing work. However, libraries in the urban areas do not need to be closed for that purpose. Could it be said that libraries in the New Territories or readers in the New Territories are particularly dirty? Libraries in the New Territories are closed either on Monday or Thursday every week, does it then mean that readers in the New Territories do not need to read or borrow books on either Monday or Thursday?

Therefore, to foster the culture of reading and to provide reasonable and fair library services, may I ask the Secretary whether the work guideline of requiring libraries (be it in the urban areas or the New Territories) to open seven days a week will be included in the Secretary's policy platform for campaigning for another term?

SECRETARY FOR HOME AFFAIRS (in Cantonese): In fact, the reason for public libraries in the urban areas and the New Territories adopting two different modes of operation is that before December 1999, libraries in the New Territories were managed by the Regional Council while libraries in the urban areas were managed by the Urban Council. At that time, the former Regional Council having considered that, with the completion of new towns many residents in the New Territories had to work in the urban areas, made such changes to the opening hours.

For libraries in the New Territories, one day is set aside for cleansing work, but it is not because residents in the New Territories are dirtier; this is definitely not the reason. Although these libraries only open six days a week and is closed one day weekly for the cleansing work, the opening hours during those six days are longer. If Members refer to the Annex provided by me, they will know that the opening hours of libraries in the New Territories are longer than those in the urban areas, which is from 9 am to 8 pm. On the other hand, though libraries in the urban areas are open seven days a week, the daily opening hours are shorter, thus cleansing work can be carried out before opening. That

the libraries in the urban areas are open seven days a week does not mean that residents in the urban areas are cleaner or that cleansing work does not need to be carried out. We do not mean that. Members may refer to the main reply given by me earlier, which states that the opening hours of libraries in both the New Territories and the urban areas are 61 hours or 62 hours in general. Therefore, the weekly opening hours of these libraries are similar, only that cleansing work is carried out at different periods of time.

Regarding part (b) of Mr Andrew CHENG's question, review at the District Council level is now underway, hoping that specific needs of individual districts can be catered for. We hope that by means of this review, the proposal on the setting up of a DFMC will be put forth. It is hoped that views on the need of the residents of individual districts can be collected and relayed to the Government via this committee, and that necessary adjustments can be made. For the future reform of the District Councils or for further facilitating the management of district facilities, this is a crucial link, but it has nothing to do with appointment for a second term.

MR ANDREW CHENG (in Cantonese): *The Secretary has not answered the second part of my supplementary question. The Secretary has yet clarified the point that residents in the New Territories cannot borrow books or make use of library services on either Monday or Thursday.*

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

SECRETARY FOR HOME AFFAIRS (in Cantonese): Yes, President, I would like to add a few words. Under the present situation, many library users will make use of the 24-hour on-line service to borrow or return books. This can be done. Certainly, we will monitor the situation closely and pay attention to the need of the public in this respect. But members of the public may return books or make renewals as usual on the day libraries are closed.

MR WONG TING-KWONG (in Cantonese): *May I ask the Secretary whether the authorities have conducted a survey to identify which libraries in which*

districts have the highest utilization rate? If the DFMC concerned puts forth such a proposal, will the authorities consider extending the opening hours of those libraries with a high utilization rate to seven days a week and 12 hours a day?

SECRETARY FOR HOME AFFAIRS (in Cantonese): President, we do have the statistics. In the year 2004, the LCSD conducted a large-scale survey on library users which include the some 6 000 users of the 74 libraries in Hong Kong, and a thousand-odd citizens who have not used the library services were interviewed over the phone of the reasons for not using library services. The survey also aimed to find out which districts have a particularly great demand for library services. If Mr WONG Ting-kwong would like to have the information in this respect, I may give a reply in writing after the meeting. (Appendix III)

MR WONG TING-KWONG (in Cantonese): *The Secretary has not answered whether the proposal of the DFMC will be considered, that is, to open libraries with a high utilization rate for seven days a week and 12 hours a day.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): I have already pointed out in my reply to Mr Andrew CHENG's supplementary question that if the present review of the composition or role of District Councils can be completed and relevant views have been obtained, we will certainly listen to the views of the residents reflected by the DFMC and make appropriate adjustments.

MR LEE WING-TAT (in Cantonese): *President, according to part (c) of the Secretary's main reply, even if libraries were to open seven days a week and 12 hours a day, the additional expenditures to be incurred would only be \$200 million per annum.*

This sum is actually worth spending. For we can encourage young people to read more, which will definitely be more desirable than playing electronic games like the other Secretary did in the Legislative Council. In the main reply, the Secretary states that the review of District Councils to be

conducted will include "proposing how best to improve the services of the district libraries (including the opening hours)". I would like the Secretary to clarify the meaning of the sentence "including the opening hours". Does it mean that even if proposals put forth by members of District Councils will cost the Government additional expenditure, the Secretary will not stop that? Suppose all District Councils agree that libraries should be open seven days a week and 12 hours a day and that an additional \$200 million be spent, will the Secretary then bar us from discussing the issue on the ground that an additional \$200 million is incurred? The Secretary will not do so, will he? Even if additional expenditures are involved, could consultations still be carried out?

SECRETARY FOR HOME AFFAIRS (in Cantonese): We certainly understand the demand of the public on the two aspects. On the one hand, they hope that the Government can provide facilities and services which meet present-day circumstances and the need of the public. On the other hand, they hope the Government will spend the public money appropriately. Therefore, if we are to implement any proposal on the extension of opening hours of libraries which involves additional resources, first, the LCSD has to examine at the outset whether the existing manpower and resources can cope with the demand of the DFMC, and second, the DFMC may consider using the funds of District Councils to cope with the demand, but if the funds are insufficient — Mr LEE Wing-tat, if the funds are insufficient — the Government may consider applying to the Legislative Council for the funds required.

MR LEUNG KWOK-HUNG (in Cantonese): *I have to thank the Secretary for stating the fact that the opening hours of libraries in the New Territories and the urban areas are different because they were managed by two different councils previously. However, these two councils are gone, are they not? The two Municipal Councils have been scrapped. When the two Municipal Councils were scrapped, the Government promised that there would be improvement to leisure and municipal services without the two councils, for the phenomenon of superfluity of framework would no longer exist.*

From the Secretary's main reply, I know that the Secretary issued a paper in April this year which mentioned the setting up of DFMCs. It has been quite a long time since the two Municipal Councils were scrapped until this April. May

I ask the Secretary, during the period between the scrapping of the two Municipal Councils and the issue of the paper in this April, whether discussions on how the outstanding tasks of the two Municipal Councils should be properly dealt with have been held, or whether the issue we mentioned today, that is readers in the New Territories may be affected by the varied opening hours of libraries in respect of reading or borrowing books, has been discussed?

SECRETARY FOR HOME AFFAIRS (in Cantonese): President, just as I have said earlier, the opening hours of libraries in the New Territories and the urban areas are different for they were set by the two former Municipal Councils basing on the need of the local residents at the time. It is not because the mode of management of the two Municipal Councils was different that different opening hours were set. The authorities set the opening hours at the time according to the lifestyles and work patterns of the residents, for instance, their home and work locations may be different.

Are these considerations still valid now? Reviews are carried out continuously. Since the two Municipal Councils were scrapped in 2000, we have been conducting reviews continuously and have conducted various trials. Just as I said earlier, we had conducted an extensive survey in 2004. According to the survey, more than 70% of the respondents were satisfied with the current opening hours of libraries, 10% of the respondents did not have particular comments and only 10% of the respondents considered the opening hours unsatisfactory. In view of this, consultations with different District Councils are conducted separately for different districts to identify the need of individual District Councils with a view to making corresponding adjustments.

The proposals in the Consultation Document relating to the review of District Councils released this April are put forth by us in view of the regional differences and the residents' requirements on opening hours which vary from district to district. Therefore, in future, we will certainly formulate a better and more district-oriented policy on the opening hours of libraries, taking into consideration the provision of the greatest convenience to the public.

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

MR SIN CHUNG-KAI (in Cantonese): *My supplementary question is about part (c) of the main reply. The Government states that if the opening hours of libraries are extended to seven days a week and 12 hours a day, an additional \$200 million will be incurred. May I ask about the percentage of the additional expenditure as a share of the original expenditure?*

Moreover, the Secretary indicated in his earlier reply that the different opening hours of the libraries in the New Territories and the urban areas is the result of the decision made by the two Municipal Councils before the merger. May I thus ask whether savings on library expenditure have been made after the merger of the two Municipal Councils? Actually, my supplementary question is also about this sum of \$200 million. What is the percentage of the increase as a share of the expenditure before and after the merger of the two Municipal Councils?

SECRETARY FOR HOME AFFAIRS (in Cantonese): As far as I understand it now, the expenditures of libraries before and after the merger of the two Municipal Councils are similar. Take last year as an example. The total expenditure for libraries was about \$680 million. If libraries were to open seven days a week and 12 hours a day, the total opening hours would increase by 59% and an additional \$200 million would be incurred, while this \$200 million is only a rough estimation of basic costs like manpower and electricity.

MR SIN CHUNG-KAI (in Cantonese): *Since the Secretary has such a detailed breakdown, will he inform us in writing how he came up with this figure of 59%?*

PRESIDENT (in Cantonese): I only allowed you to ask a follow-up, but you made a further request. You may enquire about this in writing separately or follow up via other channels.

MR SIN CHUNG-KAI (in Cantonese): *Alright.*

PRESIDENT (in Cantonese): Oral questions end here.

WRITTEN ANSWERS TO QUESTIONS**Consultation Paper on "Building a Healthy Tomorrow"**

7. **MRS SOPHIE LEUNG** (in Chinese): *President, regarding the promotion of and the public response to the consultation paper of "Building a Healthy Tomorrow", will the Government inform this Council:*

- (a) *of the details of the authorities' promotion plan for the consultation on the paper, and whether there are promotional programmes which were not implemented or completed as planned;*
- (b) *whether the authorities have, in addition to organizing briefings and consultation sessions, established any other channels through which the public can direct their enquiries on the contents of the paper to the authorities, so that the public can understand the paper from the authorities' replies and submit their views on it;*
- (c) *as the authorities have received a total of about 600 submissions during the period of consultation, whether they have assessed if the number of submissions received is in line with the principle of "extensive consultation"; if they have, of the assessment results, and whether they have estimated the number of submissions, if so, whether there is any discrepancy between the estimated number and the actual outcome; and*
- (d) *whether any special promotional efforts have been directed to health care groups or organizations during the period of consultation, to encourage more active participation of the health care sector in expressing their views on the contents of the paper?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Chinese): President, the Health and Medical Development Advisory Committee (HMDAC) released a consultation document entitled Building a Healthy Tomorrow (the Consultation Document) on 19 July 2005, in which a host of recommendations on the future service delivery model of our health care system and other relevant issues have been put forth for public discussion and consultation. To involve greater public participation in mapping out the future direction of our medical reform, the Government sought views from various sectors of the community

through a number of channels. The public consultation closed on 31 October 2005. We then summarized details of the consultation and the submissions received in a paper submitted to the Legislative Council Panel on Health Services on 12 December 2005. Our reply to Mrs Sophie LEUNG's question is as follows:

(a), (b) and (d)

During the public consultation period which lasted three months, publications and leaflets were prepared and distributed for public information. We also posted the Consultation Document on the website of the Home Affairs Bureau's Public Affairs Forum which was targeted at the middle class. Besides, members of the HMDAC, representatives from the Health, Welfare and Food Bureau and myself had organized and attended a total of 39 briefings, seminars, District Council meetings and public forums. We had also had discussions with various sectors of the community, including medical service providers, health care practitioners and organizations, health care associations, patient groups, academic bodies/students' associations, elderly groups, business and trade bodies, kaifong associations and voluntary organizations, and exchanged views with them on the recommendations of the Consultation Document and the rationale behind the recommendations. We had also had access to their valuable opinions.

In addition, we attended the phone-in programmes of the major radio and television stations to listen directly to the views of the public and had discussions with them. Through press conferences and media briefings, we elaborated to the media the contents of the Consultation Document. During the consultation period, we followed closely media reports and commentaries on the subject.

(c) During the consultation period of over three months, we received some 600 submissions, of which 130 were submitted in the name of organizations. Respondents cover a wide spectrum of the community, including patient groups, private hospitals, doctors in private practice as well as those in public service, medical associations, other allied health groups and organizations, elderly concern groups, academic bodies, non-governmental organizations,

the middle class, political parties, business bodies and individuals. We believe that the views received have reflected the different voices and expectations of the community. At the same time, we had taken the opportunity to respond to queries from some members of the public regarding the Consultation Document in our replies.

We continue to receive from time to time submissions from various sectors on this subject after the close of the public consultation period. We also take note of the views received. The public consultation on the Consultation Document is only the first step in our long and difficult journey towards the reform of our health care system. There have been lively discussions on this subject in the public domain. Members of the public and community organizations have been forthcoming in putting forth many constructive ideas. We will continue to canvass public views and take forward the reform in a progressive manner with a view to building a sustainable health care system that caters for the needs of the community.

Opening up of Frontier Closed Area

8. **MR DANIEL LAM** (in Chinese): *President, in his policy address delivered in October last year, the Chief Executive announced that the authorities had decided to reduce the coverage of the Frontier Closed Area (FCA), redraw its limits and put the land thus released to proper use. The results of an opinion poll which I carried out last month indicate that the residents in the FCA hold divergent views on the opening up of the FCA and they are also not clear about the details of the Government's proposal. In this connection, will the Government inform this Council:*

- (a) *of the timing for announcing the concrete proposal and the implementation timetable;*
- (b) *how the Government will consult the residents in the FCA on the proposal, and whether the Heung Yee Kuk, individual Rural Committees, District Councils and the representatives of residents will be consulted;*
- (c) *of the principles on which the Government will consider the development mode for the land released; and*

- (d) *whether the authorities plan to conduct, in collaboration with the Shenzhen Municipal Government, studies on how to avoid the situation in which the planned uses of the land on both sides of the boundary were incompatible with each other?*

SECRETARY FOR SECURITY (in Chinese): President, the FCA has been an effective security measure for safeguarding the integrity of the Hong Kong-Shenzhen boundary and combating cross-boundary crimes. Since the reunification, the Hong Kong and Shenzhen law-enforcement agencies have been co-operating closely and effectively in fighting against cross-boundary crimes. From the security point of view, therefore, there is scope for a substantial reduction of its coverage.

- (a) We are currently at the final stage of examining the relevant details of the FCA reduction. We will publicize the location of the new FCA boundary as well as the ancillary security measures as soon as possible.
- (b) After the announcement of the FCA review results, we will consult the Heung Yee Kuk, the relevant District Councils and Rural Committees.
- (c) The Planning Department will embark on a planning study on the land to be released from the FCA once the new FCA boundary has been confirmed. The study will, under the principle of sustainable development, comprehensively consider factors such as land use, land development potentials and constraints, transport infrastructure, environment and conservation, as well as the views of the public, including those of the relevant District Councils, Rural Committees, resident representatives and environmental groups, with a view to formulating proposals for the future use of the land to be excised from the FCA.
- (d) The Governments in Shenzhen and Hong Kong have a regular liaison mechanism and a number of channels for the exchange of views and information on the town planning work of the two places. Exchange visits between the relevant planning authorities are arranged from time to time to facilitate the exchange of views on planning and future development of the two places. The Planning

Department also briefs the Shenzhen Planning Bureau on long-term strategic planning studies in Hong Kong. For example, the Planning Department briefed its Shenzhen counterpart on the "Hong Kong 2030" Study, in particular the proposals on development directions for the boundary areas, and listened to their views. The Administration will give due regard to the relationship between the development of the two places so as to ensure that the planned land uses on both sides of the boundary will not be incompatible with each other.

Redevelopment Project of Nga Tsin Wai Village

9. **MISS CHAN YUEN-HAN** (in Chinese): *President, it has been reported that when meeting the residents of Nga Tsin Wai Village (NTW Village) in February this year, the Urban Renewal Authority (URA) undertook to announce the commencement of the redevelopment project of the NTW Village within three months, but no announcement in respect of the project has been made so far. It has also been reported that as the URA has to discuss with the developers the collaboration of the project, its commencement has to be delayed for a year. In this connection, will the Government inform this Council whether it knows:*

- (a) when the URA will announce the commencement of the redevelopment project of the NTW Village; and*
- (b) whether the URA will consult the villagers involved before deciding whether or not the project should be delayed, and provide them with rehousing and compensation first as originally planned?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Chinese): President, the URA is an independent statutory body established under the Urban Renewal Authority Ordinance. It is tasked with the mission to implement urban renewal. The Board of the URA is responsible for formulating and overseeing the policy and operation of the URA, including the timing for commencement of individual urban renewal projects, the implementation mode and the compensation policy.

Regarding the two parts of the question, the information provided by the URA is as follows:

- (a) The NTW Village project is one of the 25 urban renewal projects announced by the former Land Development Corporation. The URA has all along accorded priority to the handling of this project. At the end of last year, the Wong Tai Sin District Council, having considered the aspirations of the villagers of the NTW Village, supported a comprehensive redevelopment of the NTW Village with the preservation of the gate house, the embedded stone plaque and the Tin Hau Temple within the NTW Village. The URA is now in close dialogue with the residents in order to assist them in addressing their issues of concern. At the same time, the URA is in discussion with the property owner who owns the majority of property interests within the project, with a view to exploring feasible options to implement the project. The URA will announce the details of the project upon the completion of the preparation work.
- (b) The URA is now actively undertaking preparation work for the NTW Village project. The URA will continue to maintain close dialogue with the Wong Tai Sin District Council and the residents, and explain its current compensation and rehousing policy to the residents concerned. Following previous practice, the URA will, upon commencement of a redevelopment project, provide appropriate compensation, rehousing and the necessary assistance to the affected residents.

Manpower of Forensic Pathologists

10. **MR BERNARD CHAN** (in Chinese): *President, will the Government inform this Council of:*

- (a) *the current number of forensic pathologists in the Department of Health (DH); and*
- (b) *the respective numbers of bodies handled by hospital mortuaries and public mortuaries in each of the past three years; among them, the number of those which required autopsy by forensic pathologists for investigating the cause of death, and the average time they had to be stored in mortuaries before forensic pathologists performed autopsy on them?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Chinese): President, schedule 1 to the Coroners Ordinance (Cap. 504) sets out the types of death cases which are required to be reported to the Coroner for a decision on whether it is necessary to carry out an enquiry into the cause of the death. The Ordinance also empowers the Coroner to make an order for an autopsy to be performed on a dead body. Generally speaking, the bodies of persons who died in hospitals are handled by hospital mortuaries while the bodies of those who were involved in criminal cases and died while in detention are handled by public mortuaries under the DH. Besides, the DH's public mortuaries also receive the bodies of persons who died in a place other than a hospital or in the Accident and Emergency Department of a hospital. Pathologists of the Hospital Authority (HA) and the DH's forensic pathologists are responsible for performing autopsies on bodies kept in hospital mortuaries and in the DH's public mortuaries respectively. Below is my reply to the questions *seriatim*:

- (a) Currently, there are 16 forensic pathologists in the DH.
- (b) The numbers of bodies handled by all hospital mortuaries^(note) under the HA in the past three years are as follows:

2003	2004	2005
29 248	29 947	31 527

Among them, the numbers of those which required an autopsy by the HA's pathologists (the total of such pathologists is 70) for establishing the cause of death are as follows:

2003	2004	2005
889	765	704

The numbers of bodies handled by the DH's public mortuaries in the past three years are as follows:

2003	2004	2005
6 714	6 480	6 875

^(note) The numbers of bodies handled by the mortuaries under the HA are an aggregate of the numbers of bodies handled by each of its hospital mortuaries. Under certain circumstances, double counting of the body may occur, say, in a case where a body is required to be transferred from one mortuary to another mortuary equipped with autopsy facilities for storage to facilitate an autopsy. Thus, the above numbers may be slightly higher than the numbers of bodies actually handled.

Among them, the numbers of those which required an autopsy by the DH's forensic pathologists for establishing the cause of death are as follows:

<i>2003</i>	<i>2004</i>	<i>2005</i>
3 731	3 312	3 256

According to the Coroners Ordinance, there is an established procedure for the Coroner to make a decision on whether an autopsy is required for establishing the cause of death. The police will first conduct a preliminary inquiry upon the delivery of a dead body to a hospital mortuary/a public mortuary of the DH. Arrangements would then be made for the police officer tasked to handle the case to accompany the next of kin for identification of the body at the mortuary. After that, hospital staff/public mortuary staff will forward the documentation of the case to the Coroner for a review as soon as practicable. For cases where an autopsy is required for establishing the cause of death, the Coroner will usually issue an Order to make an autopsy to the mortuary within the same day of receiving the documentation. Depending on their prevailing workload, the HA's pathologists/the DH's forensic pathologists will as far as possible conduct the autopsy within the next working day after receipt of the order. The waiting time for individual bodies to undergo an autopsy is determined by factors such as the progress of police investigation and identification process, the time taken by the Coroner to make a decision on the case as well as the workload of the mortuary concerned. In addition, in some cases, bodies may have to be transferred from one hospital to another hospital for an autopsy because of the availability of certain facilities. Under normal circumstances, autopsies will be performed in hospitals within five working days from the date of death of the persons concerned, whereas those in public mortuaries will be performed in two or three working days after the delivery of the bodies. If the case so warrants, the police and forensic pathologists may immediately start the process of body identification and seek the issue of an order from the Coroner to perform an autopsy on the body as soon as possible.

Selecting Providers for Training Courses

11. **MR MA LIK** (in Chinese): *President, it has been reported that some trainees of the Youth Pre-employment Training Programme (YPTP) have complained that the staff of the relevant training providers had requested them to join the march held on 1 May this year. Regarding the non-government organizations which run publicly-funded training and retraining courses, will the Government inform this Council:*

- (a) *whether it has received any complaints of this kind lodged by the trainees over the past three years; if it has, of the details of the complaints; and*
- (b) *of the measures to ensure that training providers will not seize the opportunity to promote activities which are irrelevant to the training or retraining courses, and whether it will take into consideration the training providers' past performance in this respect when selecting training providers?*

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

- (a) The publicly-funded training and retraining programmes currently run by non-governmental organizations (NGOs) mainly include the various training and retraining courses under the Employees Retraining Scheme, the Skills Upgrading Scheme (SUS) co-ordinated by the Education and Manpower Bureau, the YPTP and the Youth Work Experience and Training Scheme (YWETS) organized by the Labour Department (LD), as well as the Intensive Employment Assistance Projects (IEAPs) launched by the Social Welfare Department (SWD). During the past three years, the Administration has not received any complaints from trainees of the abovementioned courses about training providers requesting them to take part in activities that were unrelated to training.
- (b) To ensure that its training courses will not be used to achieve other purposes, the Employees Retraining Board (ERB) has specified, in the guidelines issued to training providers, that such terms as

"Employees Retraining Scheme" and "Employees Retraining Courses" should not be used in organizing or co-organizing any political activity or social campaign. In selecting training providers, the ERB will consider a number of factors including the mission of the training provider, its experience and track record in providing training courses, as well as its administrative and management systems. If a training provider is found to have asked its trainees to participate in activities unrelated to retraining, the ERB will seriously consider whether or not the provider concerned should be disallowed to provide retraining courses.

As for the SUS, the Secretariat of the Scheme has stipulated in the administrative guidelines and tender documents issued to the training providers that they are not allowed to promote or publicize any activities that are unrelated to the SUS courses; and that any publicity activities to be launched by them must have the prior approval of the Secretariat. The training provider's past performance and the trainees' feedback would be taken into account in selecting training providers.

Each year, the LD conducts tender exercises to select suitable training providers to run courses under the YPTP and the YWETS. The selection is conducted in accordance with the established procedures and criteria. In doing so, the LD will take into account the experience and track records of the training providers and examine the quality of their courses. The LD would not agree to training providers arranging their trainees to participate, involuntarily, in activities that are completely unrelated to training. Training providers who fail to deliver services to trainees as required by the Schemes may be warned or disqualified from future provision of the services.

The SWD commissions NGOs to run the various programmes under the IEAPs, including job-matching services, skills training and employment counselling. The purpose is to assist the unemployed recipients of Comprehensive Social Security Assistance (CSSA) to overcome employment barriers and help them rejoin the workforce. Proposals submitted will be vetted by a Project Vetting Committee comprising representatives from the funding agents, the SWD and other government departments. In selecting service providers, the

Committee will consider whether the goals and objectives of the proposals submitted are in line with those of the IEAPs, as well as the providers' experience and track records in offering employment assistance services. The SWD would not agree to service providers arranging IEAPs participants to take part in activities that are unrelated to employment assistance. Any violation of the terms of the service agreement signed between the service provider and the SWD may result in termination of the service contract. To uphold the quality of the projects, SWD officers regularly visit the service providers to examine their service records and related information and conduct regular interviews with the participating CSSA recipients to collect their views on the services.

The above organizations and government departments have adequate channels for the trainees and the public to lodge complaints or express opinions on the course arrangement and other relevant matters.

Applications Under Kindergarten and Child Care Centre Fee Remission Scheme

12. **DR FERNANDO CHEUNG** (in Chinese): *President, will the Government inform this Council of the number of applications received by the Student Financial Assistance Agency in this academic year under the Kindergarten and Child Care Centre Fee Remission Scheme (the Scheme) for full-day fee assistance; the number of applications approved, together with a breakdown by the level of assistance (100%, 75% and 50%) and the number of applications which were processed within two months?*

SECRETARY FOR EDUCATION AND MANPOWER (in Chinese): President, up to 31 May 2006, the Student Financial Assistance Agency (SFAA) received a total of 11 460 applications for fee remission under the Scheme for whole-day pre-primary services in the 2005-06 academic year.

In general, processing of applications with complete information will be finished in about two months' time from the date of receipt by the SFAA. In the 2005-06 academic year, the SFAA completed the processing of about 9 700 applications within two months. The remaining applications include those

received recently which would be processed within the above timeframe, and those requiring a longer processing time due to incomplete information provided by the applicants.

Among the applications received, 10 325 children passed the means test for assistance under the Scheme. Fee remission for whole-day pre-primary services is applicable to those passing the social needs test. Otherwise, fee remission for half-day pre-primary services is provided. Breakdown of the number of beneficiaries by level of fee remission is as follows:

<i>Level of Fee Remission</i>	<i>No. of beneficiaries</i>
50%	5 101
75%	3 198
100%	2 026
Total	10 325

Hill Fire Caused by Illuminating Flares

13. **MR LEE WING-TAT** (in Chinese): *President, it was reported that during a police operation against illegal immigrants in Sai Kung on 12 May this year, five rounds of illuminating flares were fired from police launches to assist in detecting illegal immigrants, and one of them landed on the hillside of Sharp Peak nearby, causing a hill fire. In this connection, will the Government inform this Council:*

- (a) *whether the police have issued any guidelines regarding the circumstances under which illuminating flares may be used; if they have, whether the firing of illuminating flares in the above operation complied with the guidelines; if they have not, of the reasons for that;*
- (b) *whether the authorities have reviewed the incident and examined ways to prevent similar occurrence in the future, and whether any police officers should be held responsible for the incident; and*
- (c) *of the number of trees damaged in the hill fire and the area of land involved; whether restoration measures will be taken for the trees damaged in the fire; if so, of the details of such measures, as well as the expenditure and manpower involved?*

SECRETARY FOR SECURITY (in Chinese): President,

- (a) There are internal guidelines governing the usage of pyrotechnics, including illuminating flares. They are used for signalling and illumination purposes, and the guidelines concerned require officers to give prior consideration to the fire risk. Under no circumstances are pyrotechnics to be used punitively, and they must not be aimed directly at any person, vessel or conveyance.

Initial enquiries regarding the case in question suggest that the discharge of illuminating flares complied with the police's internal guidelines. It is believed that the flare which caused the fire malfunctioned and hence fell short of the anticipated landing point.

- (b) The police are conducting a review of the incident. The review will look into the operational plan, weather and sea conditions at the time, and the procedures for the discharge of pyrotechnics to see if there are lessons to be drawn to prevent recurrence of similar incidents in the future. If any breach of the procedural guidelines is established, consideration will be given to taking disciplinary action in respect of the officer(s) concerned.
- (c) About 20 hectares of grassland was affected by the hill fire caused by the incident. As the hillside involved is mainly grassland, apart from some common hill shrubs, no trees were affected. Vegetation of the burnt area is expected to regenerate naturally. The Administration will monitor the situation using existing resources.

Number of Civil Service Directorate Posts

14. **MR HOWARD YOUNG** (in Chinese): *President, in an information paper submitted to the Establishment Subcommittee (ESC) of the Legislative Council in November last year, the Civil Service Bureau made a forecast of civil service directorate proposals for the 2005-06 Legislative Council Session. At the same time, it emphasized that the number of posts involved was only an assessment made at that time. In this connection, will the Government inform this Council:*

- (a) *among the above estimated number of posts, of the respective numbers of posts already created, deleted, lapsed or extended, together with the titles of the posts concerned;*
- (b) *whether it has so far revised the forecast of directorate proposals set out in the above paper; if so, of the details and reasons for that; and*
- (c) *regarding the forecast of directorate proposals set out in the above paper, of the number of posts involved in the proposals which have not yet been submitted to the ESC; and the estimated timeframe for submitting the proposals to the ESC?*

SECRETARY FOR THE CIVIL SERVICE (in Chinese): President, in November 2005, the Administration submitted an information paper to the ESC of the Finance Committee (FC) of the Legislative Council on the overall directorate establishment position. The paper enclosed a forecast of the creation/deletion of civil service permanent and supernumerary posts in the 2005-06 Legislative Council Session. We emphasized in the information paper that the forecast was the best estimate at the time and that it was inevitable that unforeseeable circumstances might arise or proposals might take shape during the course of the year which would result in the creation or deletion of additional posts.

With regard to part (a) of the question, among the directorate staffing proposals we included in the forecast, the ESC/FC have approved the proposals to:

- (i) create 10 new permanent directorate posts (excluding upgrading/downgrading, transfer of posts, and so on) and delete seven permanent directorate posts; and
- (ii) extend one supernumerary directorate post, create five supernumerary directorate posts and delete one supernumerary directorate post. Also, five supernumerary posts have lapsed without extension.

In addition, two staffing proposals involving the creation of one permanent directorate post and the extension of two supernumerary directorate posts were recommended by the ESC on 1 June 2006 for the FC's approval on 23 June 2006. Details are set out at Annex A.

With regard to parts (b) and (c) of the question, a summary of the revisions to the forecast is set out below:

- (i) two directorate proposals included in the forecast have not been taken forward in the 2005-06 Legislative Council Session;
- (ii) three directorate proposals included in the forecast but with revisions in the number of directorate posts created or deleted as approved by the ESC/FC; and
- (iii) before the end of the 2005-06 Legislative Council Session, there will be four unexpected but urgent directorate proposals requiring the approval by the ESC/FC but which have not been included in the November 2005 forecast. One of the proposals has been recommended by the ESC on 1 June 2006 for the FC's approval on 23 June 2006 while the remaining three will be submitted to the last ESC meeting of the 2005-06 Legislative Council Session to be held on 14 June 2006. These four directorate proposals involve the creation of three additional permanent posts and four supernumerary posts.

The above directorate staffing proposals and the reasons for the revisions are set out at Annex B.

Annex A

Creation/Deletion/Extension of Directorate Posts
in the 2005-06 Legislative Council Session
(Position as at 1 June 2006)

A. Directorate proposals included in the November 2005 forecast and have already been approved by the ESC/FC

<i>Bureau/ Department</i>	<i>ESC Proposal</i>	<i>Rank</i>	<i>Creation</i>	<i>Deletion</i>	<i>Extension</i>	<i>Others (upgrading, downgrading, transfer)</i>	<i>Remarks</i>
Chief Executive's Office	Reorganization of the Chief Executive's Office to provide better support to the Chief Executive	Administrative Officer Staff Grade A (D6)	1				EC(2005-06)6
		Information Co-ordinator (D4)/non-civil service position at D4-equivalent	1				Approved by the FC on 13 January 2006

<i>Bureau/ Department</i>	<i>ESC Proposal</i>	<i>Rank</i>	<i>Creation</i>	<i>Deletion</i>	<i>Extension</i>	<i>Others (upgrading, downgrading, transfer)</i>	<i>Remarks</i>
	Establishment of a Mainland Affairs Liaison Office under the Constitutional Affairs Bureau, setting up of new offices in Shanghai and Chengdu, and consequential changes in the Offices of the Chief Secretary for Administration and the Financial Secretary, Beijing Office and the Hong Kong Economic and Trade Offices (ETOs)						EC(2005-06)7 Approved by the FC on 13 January 2006
Constitutional Affairs Bureau	(a) establishment of Mainland Affairs Liaison Office	Administrative Officer Staff Grade C (D2)	2				
	(b) establishment of Shanghai ETO	Administrative Officer Staff Grade B (D3)	1				
	(c) establishment of Chengdu ETO	Administrative Officer Staff Grade C (D2)	1				
Beijing Office	(d) adjustment of the functions and coverage of Beijing Office	Administrative Officer Staff Grade A (D6)				1	
		Administrative Officer Staff Grade A1 (D8)				-1	
Constitutional Affairs Bureau	(e) transfer of Guangdong ETO from the Commerce, Industry and Technology Bureau to the Constitutional Affairs Bureau	Administrative Officer Staff Grade B (D3)				1	
Commerce, Industry and Technology Bureau		Administrative Officer Staff Grade B (D3)				-1	
Offices of the Chief Secretary for Administration and the Financial Secretary	(f) advanced deletion of a supernumerary post in Hong Kong Guangdong Cooperation Coordination Unit	Administrative Officer Staff Grade B (D3)		-1 (S)			

<i>Bureau/ Department</i>	<i>ESC Proposal</i>	<i>Rank</i>	<i>Creation</i>	<i>Deletion</i>	<i>Extension</i>	<i>Others (upgrading, downgrading, transfer)</i>	<i>Remarks</i>	
Offices of the Chief Secretary for Administration and the Financial Secretary Department of Justice Information Services Department	Creation of five permanent posts of Administrative Officer Staff Grade C (D2)/non-civil service positions at D2-equivalent to serve as administrative assistants to the Chief Secretary for Administration, the Financial Secretary and the Secretary for Justice as well as press secretaries to the Chief Secretary for Administration and the Financial Secretary; to be offset by the deletion of five existing civil service posts of Administrative Officer Staff Grade C (D2) with the same job responsibilities	Administrative Officer Staff Grade C (D2)/non-civil service position at D2-equivalent				2	EC(2005-06)8 Approved by the FC on 13 January 2006	
		Administrative Officer Staff Grade C (D2)				-2		
		Administrative Officer Staff Grade C (D2)/non-civil service position at D2-equivalent				1		
		Administrative Officer Staff Grade C (D2)				-1		
		Administrative Officer Staff Grade C (D2)/non-civil service position at D2-equivalent				2		
		Administrative Officer Staff Grade C (D2)				-2		
Financial Services and the Treasury Bureau (Financial Services Branch) Companies Registry	To take forward the rewrite of Companies Ordinance	Administrative Officer Staff Grade B (D3)	1 (S)				EC(2005-06)9 Approved by the FC on 13 January 2006	
		Administrative Officer Staff Grade C (D2)	1 (S)					
		Deputy Principal Solicitor (DL2)/non-civil service position at DL2-equivalent	1 (S)					
Buildings Department	Conversion of two Assistant Director posts from single-disciplinary to bi-disciplinary	Government Building Surveyor/Government Structural Engineer (D2)				2	EC(2005-06)10 Approved by the FC on 13 January 2006	
		Government Building Surveyor (D2)				-2		
Hong Kong Monetary Authority	Deletion of six civil service directorate posts which are no longer required	Commissioner of Banking (D6)		-1			EC(2005-06)11 Approved by the FC on 7 April 2006	
		Deputy Commissioner of Banking (D3)		-2				
		Deputy Secretary (Monetary Affairs) (D3)		-1				
		Assistant Commissioner of Banking (D2)		-2				

<i>Bureau/ Department</i>	<i>ESC Proposal</i>	<i>Rank</i>	<i>Creation</i>	<i>Deletion</i>	<i>Extension</i>	<i>Others (upgrading, downgrading, transfer)</i>	<i>Remarks</i>
Offices of the Chief Secretary for Administration and the Financial Secretary (Administration Wing)	To co-ordinate and undertake the major tasks in implementation of the Tamar development project	Administrative Officer Staff Grade C (D2)	1 (S)				EC(2005-06)12 Approved by the FC on 7 April 2006
Health, Welfare and Food Bureau Food and Environmental Hygiene Department (FEHD) Government Laboratory	Establishment of a Centre for Food Safety in the FEHD and rationalization of the directorate structure of the Health, Welfare and Food Bureau	Administrative Officer Staff Grade A1 (D8)	1				EC(2005-06)14 Approved by the FC on 7 April 2006
		Controller, Centre for Food Safety (D4)				1	
		Deputy Director of Health (D3)				-1	
		Principal Medical and Health Officer (D1)	2				
		Chief Chemist (D1)			-1		
Commerce, Industry and Technology Bureau	Reorganization of the ETOs in Europe and setting up of a new Office in Berlin and consequential changes in directorate establishment to strengthen Hong Kong's representation in Europe						EC(2006-07)1 Approved by the FC on 19 May 2006
		(a) adjustment of the rank of the Head of ETO in London	Administrative Officer Staff Grade B (D3)			1	
			Administrative Officer Staff Grade A (D6)			-1	
		(b) redeployment of post from London ETO to head the new Berlin ETO	Administrative Officer Staff Grade C (D2)			1	
			Administrative Officer Staff Grade C (D2)			-1	
Offices of the Chief Secretary for Administration and the Financial Secretary (Central Policy Unit)	To strengthen the Secretariat to the Commission on Strategic Development	Administrative Officer Staff Grade C (D2)	1 (S)				EC(2006-07)2 Approved by the FC on 19 May 2006

<i>Bureau/ Department</i>	<i>ESC Proposal</i>	<i>Rank</i>	<i>Creation</i>	<i>Deletion</i>	<i>Extension</i>	<i>Others (upgrading, downgrading, transfer)</i>	<i>Remarks</i>
Transport Department	To oversee the implementation of the Transport Information System and Traffic Control and Surveillance Systems, as well as the development of information technology applications under the Intelligent Transport Systems Strategy	Chief Engineer (D1)			1 (S)		EC(2006-07)3 Approved by the FC on 19 May 2006
Leisure and Cultural Services Department	To rationalize the existing directorate structure of the Administration Branch following a review of the directorate complement and to further enhance operational efficiency and cost-effectiveness	Assistant Director of Accounting Services (D2)	1				EC(2006-07)4 Approved by the FC on 19 May 2006
		Principal Executive Officer (D1)				1	
		Senior Principal Executive Officer (D2)				-1	
Total			10 + 5 (S)	7 + 1 (S)	1 (S)		

B. Supernumerary directorate posts already lapsed*

<i>Bureau/Department</i>	<i>ESC Proposal</i>	<i>Rank</i>	<i>Lapse</i>	<i>Remarks</i>
Economic Development and Labour Bureau	For the Hong Kong Disneyland	Administrative Officer Staff Grade C (D2)	-1	Lapsed on 1 January 2006
Trade and Industry Department	For the Sixth Ministerial Conference of the World Trade Organization	Administrative Officer Staff Grade B1 (D4)	-1	Lapsed in January 2006
		Administration Officer Staff Grade C/non-civil service position at D2-equivalent	-2	
Housing Department	Divestment of the Hong Kong Housing Authority's retail and car-parking facilities	Assistant Director of Housing (D2)	-1	Lapsed on 31 March 2006
Total			5	

* not including four other supernumerary posts included in the November 2005 forecast which are due to lapse in July and September 2006.

C. Directorate proposals included in the November 2005 forecast pending the FC's approval

<i>Bureau/ Department</i>	<i>ESC Proposal</i>	<i>Rank</i>	<i>Creation</i>	<i>Lapse</i>	<i>Extension</i>	<i>Remarks</i>
Immigration Department	To make permanent a supernumerary post to head the Technology Services Division and to support the development and implementation of the information technology strategic plans on an ongoing basis	Chief Systems Manager (D1)	1	-1 (S)		EC(2006-07)5 To be considered by the FC on 23 June 2006
Environment, Transport and Works Bureau	To follow through the implementation of the proposed merger of the Mass Transit Railway and Kowloon-Canton Railway systems	Administrative Officer Staff Grade B (D3) Administrative Officer Staff Grade C (D2)			1 (S) 1 (S)	EC(2006-07)6 To be considered by the FC on 23 June 2006
Total			1	1 (S)	2 (S)	

S : supernumerary post

Civil Service Bureau

June 2006

Annex B

Revisions to the Forecast of Directorate Proposals
for the 2005-06 Legislative Council Session

<i>Bureau/ Department</i>	<i>Forecast of creation/deletion of directorates posts in November 2005</i>	<i>Revision</i>	<i>Reasons for the revision</i>
(A) Directorate proposals included in the forecast but not taken forward			
Home Affairs Bureau	Redeployment of the permanent Deputy Secretary (2) post to the Culture and Sport Division to oversee the Bureau's portfolio for recreation and sports: + 1 Administrative Officer Staff Grade B (D3) - 1 Administrative Officer Staff Grade B (D3)	The proposal will not be taken forward in the 2005-06 Legislative Council Session.	The Bureau has critically reviewed its directorate structure and considers the current set-up appropriate for the time being. It will keep its directorate structure under review and put up proposals to the ESC should the need arise in future.

<i>Bureau/ Department</i>	<i>Forecast of creation/deletion of directorates posts in November 2005</i>	<i>Revision</i>	<i>Reasons for the revision</i>
Housing, Planning and Lands Bureau	Staffing requirement for West Kowloon Cultural District Development under review which may result in additional supernumerary directorate posts	The proposal will not be taken forward in the 2005-06 Legislative Council Session.	A Consultative Committee has been set up to re-examine and reconfirm if appropriate the need for the Core Arts and Cultural Facilities of the West Kowloon Cultural District (WKCD). The Housing, Planning and Lands Bureau and the Home Affairs Bureau will jointly review the future staffing requirement for taking forward the WKCD project and will put up staffing proposals to the ESC for consideration where necessary.

(B) Directorate proposals included in the forecast but with revisions in the number of posts created/deleted as approved by the ESC/FC

Offices of the Chief Secretary for Administration and the Financial Secretary (Central Policy Unit) (CPU)	Creation/deletion of the following permanent posts to strengthen the secretarial support for the Commission on Strategic Development: + 1 Administrative Officer Staff Grade B1 (D4) - 1 Administrative Officer Staff Grade B (D3) + 1 Administrative Officer Staff Grade C (D2)	The proposal to upgrade a post of Administrative Officer Staff Grade B (D3) to Administrative Officer Staff Grade B1 (D4) was not submitted to the ESC. The staffing proposal as set out in EC(2005-06)13 for creation of a permanent post of Administrative Officer Staff Grade C (D2) was withdrawn. A revised staffing proposal for creating a supernumerary post of Administrative Officer Staff Grade C (D2) up to 30 June 2007, submitted vide EC(2006-07)2, was approved by the FC on 19 May 2006.	Having critically examined the case during the internal scrutiny process, the Administration has decided not to pursue the upgrading proposal. Members of the Legislative Council have been informed of the decision at the meeting of the Legislative Council Panel on Public Service on 16 January 2006. Having considered the views of Members of the Legislative Council Panel on Public Service and the ESC, the CPU sought the ESC/FC's approval for creation of a supernumerary post of Administrative Officer Staff Grade C (D2) from 19 May 2006 to 30 June 2007. The CPU will consider making further recommendations to the ESC/FC on the longer-term directorate support required by the Secretariat to the Commission on Strategic Development.
Health, Welfare and Food Bureau Food and Environmental Hygiene Department (FEHD) Government Laboratory	Creation/deletion of the following permanent posts to enhance food safety and veterinary public health control, and to integrate nature conservation with environmental protection functions: + 1 Administrative Officer Staff Grade A1 (D8) + 1 Controller, Centre for Food Safety (D4) - 1 Deputy Director of Health (D3)	The Administrative Officer Staff Grade C (D2) post was not included in the ESC proposal. The remaining posts were submitted vide EC(2005-06)14, which was approved by the FC on 7 April 2006.	The Administrative Officer Staff Grade C (D2) post was originally proposed to be created for the establishment of a new Department of Food Safety, Inspection and Quarantine. After consultation with relevant parties and stakeholders, the Administration decided to proceed with the establishment of the Centre for Food Safety under the FEHD while putting on hold the proposal for a new department. The Administrative Officer Staff Grade C (D2) post will be created a later stage when the Administration has further reviewed the long-term plan for reorganizing the food safety framework.

<i>Bureau/ Department</i>	<i>Forecast of creation/deletion of directorates posts in November 2005</i>	<i>Revision</i>	<i>Reasons for the revision</i>
	+ 2 Principal Medical and Health Officers (D1) + 1 Administrative Officer Staff Grade C (D2) - 1 Chief Chemist (D1)		
Leisure and Cultural Services Department	Creation/deletion of the following permanent posts to rationalize the directorate structure: + 1 Administrative Officer Staff Grade B (D3) + 1 Assistant Director of Accounting Services (D2) - 1 Senior Principal Executive Officer (D2)	The Administrative Officer Staff Grade B (D3) post was not included in the ESC submission. A staffing proposal involving the creation of an Assistant Director of Accounting Services and the downgrading of a Senior Principal Executive Officer post to a Principal Executive Officer post was submitted vide EC(2006-07)4, which was approved by the FC on 19 May 2006.	The Department has critically reviewed the directorate complement of its Administration Branch. In the light of the outcome of the review, the Department considered it prudent, cost-effective and functional to revise the original forecast of creating a Deputy Director post at the rank of Administrative Officer Staff Grade B (D3) to a Departmental Secretary post ranked at Principal Executive Officer (D1).

(C) Directorate proposal not included in the forecast but has been endorsed by the ESC pending the FC's approval

Commerce, Industry and Technology Bureau	-	Creation of the following supernumerary post for six months to provide continued directorate support for the work of the Committee on Review of Public Service Broadcasting was endorsed by the ESC on 1 June 2006, pending approval by the FC on 23 June 2006: + 1 Administrative Officer Staff Grade B (D3)	As the need to undertake a Public Service Broadcasting (PSB) review was only at a formative stage in late 2005/early 2006, a definitive proposal on the staffing needs arising from the PSB review could not be drawn up then.
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(D) Directorate proposals not included in the forecast but will be submitted to the ESC on 14 June 2006

Education and Manpower Bureau	-	Creation of the following supernumerary post for two years to enable the secondment of a civil servant to the Employees Retraining Board: + 1 Administrative Officer Staff Grade B (D3)	The former Executive Director of the Employees Retraining Board only tendered notice of his resignation to the Board in the first quarter of 2006. The decision for civil service secondment could only be confirmed after deliberation by the Board.
Housing Department	-	Creation of the following supernumerary posts respectively for the Divestment residual functions and Comprehensive Structural Investigation Programme for two years:	The Hong Kong Housing Authority (HA) is committed to building a lean and dynamic organization to make the best use of its resources. The staffing proposal was not included in the November 2005 forecast because the Department was still exploring redeployment opportunities to meet its

<i>Bureau/ Department</i>	<i>Forecast of creation/deletion of directorates posts in November 2005</i>	<i>Revision</i>	<i>Reasons for the revision</i>
		+ 1 Chief Estate Surveyor (D1) + 1 Chief Structural Engineer (D1)	operational needs in late 2005. It was only after a careful deliberation on the overall manpower requirements <i>vis-a-vis</i> the prevailing establishment of the HA that the Department finalized its current staffing proposals.
Security Bureau	-	Creation of the following permanent posts to implement the Interception of Communications and Surveillance Bill: + 2 Judges of the Court of First Instance of the High Court (in the Judiciary) (JSPS 16) + 1 Principal Executive Officer (D1)	The legislative proposals were only at a formative stage in late 2005. As such, a definitive proposal on the staffing needs arising from the legislative proposals could not have been drawn up at that time.

Civil Service Bureau

June 2006

Five-day Work Week

15. **MR CHEUNG HOK-MING** (in Chinese): *President, many members of the public have reflected to me that the Government's cessation of some counter services on Saturdays from next month onwards, for implementing the five-day work week, will cause them inconvenience. In this connection, will the Government inform this Council whether:*

- (a) *it has considered adjusting the work hours of the civil servants concerned, so as to further extend the counter service hours on Mondays to Fridays, which have already been planned to be extended; if so, of the details; if not, the reasons for that; and*
- (b) *it will maintain the provision of the services concerned on Saturdays in accordance with the wishes of the public?*

SECRETARY FOR THE CIVIL SERVICE (in Chinese): President,

- (a) In taking forward the five-day week initiative, our primary consideration is to maintain the overall level and efficiency of

government services. The Government adheres to the following basic principles:

- no additional staffing resources;
- no reduction in the conditioned hours of service of individual staff;
- no reduction in emergency services; and
- continued provision of some essential counter services on Saturdays.

Under phase one to start on 1 July 2006, back-offices, offices providing in-house professional and administrative services; and selected government services will cease to operate on Saturdays. Upon moving to the five-day week mode of operation, the Government will fully, if not more than, compensate the opening hours lost on Saturdays by extending the opening hours on weekdays. More specifically, the opening hours of the government offices under phase one will generally be extended by some 45 minutes to 1.5 hours on a daily basis. Certain departments will make services available during lunch hours or further extend the opening hours on selected weekdays, such as Mondays or Fridays, to cater for the needs of their clients. In addition, Internet services, drop-in boxes and alternative payment channels will be made available or further enhanced to facilitate business transactions with the Government. All these measures aim to minimize the impact of the five-day week initiative on the community. To enable the continued provision of services during the extended opening hours, the staff concerned may work in staggered hours under a roster arrangement, having regard to their conditioned hours of service and operational requirement.

- (b) The Government has carefully considered the nature of services, the availability of alternative means of service delivery and the utilization rates before deciding on the services that will cease operation on Saturdays from 1 July 2006. Where appropriate, departments have consulted the relevant customer liaison groups, advisory committees or representatives of the industry sectors served. Our assessment is that non-provision of the selected services on Saturdays would have no significant impact on the general public. Indeed, in most cases, it is not necessary for

members of the public to acquire the various government services in person. Following implementation of the five-day week initiative in July 2006, bureaux and departments will review the operation in August and, where necessary, consider making necessary adjustments to fine-tune the service hours or means of service delivery, taking into account feedback from clients and new service utilization patterns.

Discussion with Central Authorities Before Announcement of Government Policies

16. **MS EMILY LAU** (in Chinese): *President, it has been reported that the Secretary for Constitutional Affairs released, immediately after a meeting with officials of the Central Authorities in Beijing last month, to the media a discussion paper for the Committee on Governance and Political Development (the Committee) under the Commission on Strategic Development (the Commission). In this connection, will the executive authorities inform this Council:*

- (a) *whether the Secretary for Constitutional Affairs discussed the contents of the aforesaid paper with officials of the Central Authorities during his visit to Beijing; if so, of the reasons for that, and whether the authorities have assessed if such an action is detrimental to the implementation of "one country, two systems", "a high degree of autonomy" and "Hong Kong people ruling Hong Kong" in the territory; and*
- (b) *of the policies which the authorities had discussed with officials of the Central Authorities before announcing them in the past; as well as the details of and the reasons for such discussions?*

SECRETARY FOR SECURITY (in the absence of Secretary for Constitutional Affairs) (in Chinese): President,

- (a) At the invitation of the Ministry of Foreign Affairs, the Secretary for Constitutional Affairs visited the Mainland from 21 to 25 May 2006. The visit was conducted under the established arrangement of reciprocal visits between the Government of the Hong Kong

Special Administrative Region (SAR) and the Ministry of Foreign Affairs to enhance communication and mutual understanding.

Regarding the paper for the meeting of the Committee of the Commission on 26 May, as pointed out by the Secretary for Constitutional Affairs to the Hong Kong media during his visit to Beijing, the SAR Government had not mentioned the contents of the paper to officials of the mainland authorities before it was issued by the Commission Secretariat.

- (b) The high degree of autonomy enjoyed by the SAR is conferred by the National People's Congress through the Basic Law in accordance with the Constitution. The SAR Government has been handling affairs of the SAR according to the provisions of the Basic Law.

The establishment of the SAR and the design of its political system have been determined by the Central Authorities in accordance with the Constitution through the enactment of the Basic Law. Thus, the Central Authorities have the constitutional powers and responsibilities to oversee and determine the constitutional development of the SAR. According to Annex I and Annex II to the Basic Law, if there is a need to amend the two Annexes to change the relevant electoral methods, such amendments must be made with the endorsement of a two-thirds majority of all the members of the Legislative Council and the consent of the Chief Executive, and they shall be reported to the Standing Committee of the National People's Congress for approval or for the record.

At present, issues relating to constitutional development of the SAR are being discussed by the Commission within Hong Kong. The Committee of the Commission has just concluded discussions on the principles and concepts relating to universal suffrage at its meeting last month. It will proceed to discuss possible models for electing the Chief Executive and the Legislative Council by universal suffrage. The aim of the Commission is to conclude discussions by early next year. The conclusions on the discussions can provide a basis for us to commence our next stage of work. We will also reflect the conclusions to the Central Authorities.

Provision of Wider Service Choices by Hospital Authority

17. **DR KWOK KA-KI** (in Chinese): *President, it has been reported that the Chief Executive of the Hospital Authority (HA) pointed out at the HA Convention held in early May this year that 23% of HA patients had medical insurance cover or certain subsidies, while persons having such insurance or subsidies constituted 37% of the total Hong Kong population; furthermore, 10% (200 000 persons) of HA patients had a monthly income of \$35,000, which is twice the overall median income for Hong Kong. He said that these patients were willing or could afford paying higher medical fees and charges, and they could turn to the private sector or private services provided by the HA, and the HA was therefore considering the provision of wider service choices for them. In this connection, will the Government inform this Council whether it knows:*

- (a) *the sources of the above data, the target group, number of subjects, statistical method and details of the results of the survey concerned;*
- (b) *the justifications for the HA's claim that the above patients can afford paying higher medical fees and charges; and*
- (c) *the HA's plan to provide wider service choices for such patients, and whether the HA is considering a corresponding increase in the number of private beds in HA hospitals?*

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

- (a) In a speech given at the Opening Ceremony of the HA Convention on 8 May 2006, the Chief Executive of the HA indicated that,

"The HA data shows that among users of HA hospitals, 23% have medical insurance or subsidy, compared with 37% in the total Hong Kong population. The top 10% of HA users have monthly incomes over \$35,000 per month — that is about 200 000 of our existing patients earn more than double the median income for all of Hong Kong. So HA is already attracting a significant portion of people who have chosen to spend extra on their health care or have the capacity to do so."

The figures quoted by the Chief Executive of the HA above were based on the preliminary results of a household survey conducted by the HA except for the figure on the percentage of total Hong Kong population with medical insurance coverage, which was worked out from information published by the Hong Kong Federation of Insurers.

The household survey was conducted in the second half of 2005 as part of the new round of review of public medical fees now being conducted by the Administration and the HA. Data of the survey were collected from face-to-face interviews with over 3 000 persons. These respondents were randomly selected based on a scientific sampling method from 2.1 million patients, who had utilized the HA's in-patient, specialist out-patient or Accident and Emergency services at least once in the 2004-05 financial year, excluding the HA's private patients and those patients who were not eligible to receive public hospital services at heavily subsidized rates (that is, excluding Non-eligible Persons). As the public medical fee review exercise is yet to be concluded, we are not in a position to release the results of the survey.

- (b) We understand that the Chief Executive of the HA meant that the HA was already attracting a group of users who have the capacity to spend more on health care because they are paying for their own private health insurance and their income is significantly higher than the median household income for all of Hong Kong, which is around \$16,000 per month in the second half of 2005 according to the Census and Statistics Department.
- (c) The HA will continue to strive to improve the quality and standard of both its public and private services. However, there is currently no plan to increase the number of private beds in public hospitals.

Upgrading Works for Slopes

18. **MR FREDERICK FUNG** (in Chinese): *President, it has been reported that the Government has compiled a list on which upgrading works for various slopes in the territory are prioritized according to their levels of risk. In this connection, will the Government inform this Council:*

- (a) *of the number of slopes where landslides occurred as a result of no upgrading works being carried out in the past three years, whether they have been upgraded and, among them, the number of slopes which had not been included in the above list before the landslides occurred;*
- (b) *whether the authorities have assessed if the occurrence of landslides on the slopes mentioned in part (a) reflects inadequacies in the existing system of slope risk assessment; if they have, of the assessment results; whether it will review the system and the upgrading works priority list, and enhance investigations of slopes in the territory;*
- (c) *of the respective numbers of government-managed and privately owned slopes where landslides occurred in the past three years and, among them, the number of slopes which have been upgraded; whether the authorities have looked into why landslides still occurred on those upgraded slopes, and whether they will review the current design of the upgrading works, the existing slope safety factor and drainage requirements, and so on, and make improvements accordingly; and*
- (d) *of the number of slopes which are on the above list and were upgraded in the past year; its percentage in the total number of slopes on the list, the number of slopes which are on the list and have not yet been upgraded, as well as the timetable for completing upgrading works for these slopes?*

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

(a) and (b)

There are currently some 57 000 man-made slopes registered in the "Catalogue of Slopes" (the Catalogue) in the territory, among which 39 000 are government slopes and the rest privately owned.

Landslip incidents occurred in the past three years are set out in Annex 1. Among the various landslips occurred in 2003, 2004 and 2005, there were 93, 94 and 260 landslips respectively involving

man-made slopes which had neither been studied nor upgraded prior to the incidents. However, these slopes were mostly located in remote areas where no large-scale development or important facilities would be affected in case of landslips; and hence their potential risk was relatively lower. As such, the slopes concerned had not been included in the Government's annual "Landslip Preventive Measures (LPM) Programme". In fact, most of these landslide incidents were minor ones with no casualty or loss of property. After the incidents, all necessary emergency slope repair works had been completed.

In screening slopes for inclusion in the "LPM Programme", the Government would select man-made slopes formed before the establishment of Geotechnical Engineering Office (GEO) in 1977 for assessing the landslip risk according to a "risk-based ranking system" and for determining the priority of studies and upgrading works. Launched in 1979 and fine-tuned in 1995, this system has been operating effectively in assessing the relative probability of impact on life and property caused by slope failures. As for man-made slopes formed after 1977, the compliance with the Government promulgated safety standards and audit requirements would be essential in the design and construction stages.

Apart from the above "LPM Programme", the Government also conducts regular inspections on all government slopes and completes routine maintenance works before the onset of the rainy season so as to minimize the risk posed to the public by landslips. As for private slopes, the Government carries out safety screening studies on certain high consequence private man-made slopes and issues "Dangerous Hillside Orders" when necessary. The GEO, in a continued effort to educate the public about slope maintenance, also steps up publicity before the onset of the rainy season.

- (c) A breakdown of landslip incidents involving upgraded slopes in the past three years is at Annex 2. It can be seen that most landslips were minor ones, while the other four landslips involving a larger volume of debris did not cause serious consequences but only affected open spaces or non-major roads for a short time.

Investigation works are normally carried out after the major landslip incidents involving those government slopes listed in Annex 2. As

for private slopes, the Buildings Department will serve Dangerous Hillside Orders on the owners concerned, requesting them to commission geotechnical engineers to carry out investigations on the slopes and submit proposals for upgrading works. The GEO will draw lessons from these studies and identify areas for improvement. After the investigation reports are completed, the GEO will publish guidelines for improving work practices for reference by government departments and the industry.

- (d) Under the "10-year Extended LPM Programme" from 2000 to 2010, the Government is targeted to upgrade 250 high priority government man-made slopes and to carry out safety-screening studies on 300 high priority private man-made slopes annually. In 2005, this target was fully met. By 2005, upgrading works were completed for 1 510 government man-made slopes (over 60% of the target) and safety-screening studies were carried out on 2 210 private slopes (over 73% of the target); well above the target set under the Programme. Works on the remaining high priority man-made slopes under the "10-year Extended LPM Programme" will be completed by March 2010, in order of priority.

Annex 1

Record of landslide incidents in the past three years

<i>Year</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Number of landslide reports	201	69	482
Number of landslips involving slopes in the Catalogue	104	40	288
Number of landslips involving natural slopes	97	29	194
Number of landslips involving man-made slopes not included in the "LPM Programme"	93	34	260

Annex 2

Breakdown of landslide incidents involving upgraded slopes
in the past three years

<i>Year</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Number of landslips involving slopes in the Catalogue	104	40	288
Number of landslips involving government slopes	89	35	213

<i>Year</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Number of landslips involving private slopes	15	5	75
Number of landslips involving upgraded slopes	11	6	28
Number of minor landslips (less than 50 cu m in volume) involving upgraded slopes	10	6	25
Number of major landslips involving upgraded slopes	1	0	3

Provision of Statement Copies

19. **MR ALBERT CHAN** (in Chinese): *President, recently, I have received complaints from many members of the public, alleging that they were not given immediately a copy of the statement they made at the police station. In this connection, will the Government inform this Council:*

- (a) *of the number of such complaints received by the authorities concerned in each of the past three years;*
- (b) *whether there are guidelines requiring police officers to give a copy of the statement to the person from whom the statement was taken immediately after completion of the statement-taking procedure;*
 - (i) *if there are such guidelines, of the details, including whether there are penalties for non-compliance by police officers; if there are such penalties, of the details; if not, the reasons for that; and*
 - (ii) *if there are no such guidelines, of the reasons for that; and*
- (c) *whether it will improve the measures for providing a copy of the statement to the person from whom the statement was taken; if so, of the details; if not, the reasons for that?*

SECRETARY FOR SECURITY (in Chinese): *President,*

- (a) Complaints relating to the failure of providing a copy of the statement fall within the category of "Neglect of Duty". There is no further break down within this category, and the police have not kept separate statistical figures for this specific type of complaints.

- (b) The police have internal guidelines to govern matters relating to statement-taking. According to the guidelines, the witness/suspect is entitled to a free copy of his/her statement, irrespective of whether it has been signed or not, unless there are specific grounds for withholding disclosure under Part II of the "Code of Access to Information" or if there is an applicable exemption from doing so under the Personal Data (Privacy) Ordinance. Even in such cases, a free copy of the statement will still be provided to the witness/suspect once the ground/exemption for withholding disclosure ceases to be applicable. The general requirement is that a copy of the statement should be provided to the witness/suspect as soon as practicable after the interview, except which, for example, providing a copy to a suspect is likely to cause hindrance to the administration of justice.

Appropriate actions, including disciplinary action, will be considered if the police officer concerned is found to have failed to comply with the internal guidelines.

- (c) We consider that the existing mechanism governing statement taking is appropriate for ensuring that police officers will carry out statement taking related duties properly.

Dependent Parent/Grandparent Allowance

20. **MR LAU KONG-WAH** (in Chinese): *President, under the Inland Revenue Ordinance (Cap. 112) (the Ordinance), a person chargeable to Salaries Tax may claim dependent parent/grandparent allowance in respect of his or her parent/grandparent, or his or her co-residing spouse's parent/grandparent, who is maintained by that person and is ordinarily resident in Hong Kong. In this connection, will the Government inform this Council:*

- (a) *of the definition of being "ordinarily resident in Hong Kong";*
- (b) *given that an increasing number of retired elderly dependants have moved to live in the Mainland, whether the authorities will consider relaxing the relevant residence requirement; if not, of the justifications for that;*

- (c) *whether the authorities will consider permitting such allowance in respect of the same dependant to be equally apportioned among two or more eligible claimants; if not, of the reasons for that; and*
- (d) *of the evidence that the authorities may, during their spot checks of claims for such allowance, require the claimants to show that the dependants concerned were maintained by them during the relevant year of assessment, and whether the authorities have reviewed if this requirement is reasonable?*

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

- (a) "Ordinarily resident in Hong Kong" is not defined in the Ordinance. The Inland Revenue Department (IRD) handles the relevant cases according to general legal principles.

In deciding whether dependent parents/grandparents are ordinarily resident in Hong Kong, the IRD will consider their social and economic ties with Hong Kong. Objective factors for consideration include:

- (i) the number of days they stay in Hong Kong;
- (ii) whether they have a fixed abode in Hong Kong;
- (iii) whether they own properties overseas for residential purpose;
- (iv) whether they have a job or carry on business in Hong Kong or overseas; and
- (v) whether their principal family members reside in Hong Kong or overseas.

Generally speaking, dependent parents/grandparents who reside overseas on a long-term basis and stay in Hong Kong for a limited number of days for visiting relatives only will not be regarded by the IRD as ordinarily resident in Hong Kong even if they are holders of Hong Kong Permanent Identity Cards.

- (b) According to the existing Ordinance, the definitions of parents and grandparents are rather broad. Apart from the natural father/mother of a taxpayer or his/her spouse (including deceased spouse), the step parents and adopted parents are also included in the definition of parents. As for the definition of grandparents, it includes natural grandparents, adoptive grandparents and step grandparents. In other words, a taxpayer can claim dependent parent/grandparent allowance in respect of a number of dependants. If the requirement of "ordinarily resident in Hong Kong" is waived, that means a taxpayer can claim allowance in respect of any dependent parent/grandparent living overseas. It would be very difficult to verify the relationship between the taxpayer and the dependant, whether the dependant has been maintained by the taxpayer, whether there are more than one taxpayer claiming the allowance in respect of the same dependant, and whether the dependant is still alive. As it would be difficult for the IRD to verify the authenticity of the information, the allowance might be subject to abuse, which would lead to a loss in tax revenue.

For the above reasons, we have no plan to waive the requirement that the dependants must be ordinarily residents in Hong Kong.

- (c) If we allow the dependent parent/grandparent allowance in respect of the same dependant to be shared by two or more eligible claimants, verification of such claims will become more complicated and difficult. Therefore, we do not intend to change the requirement at present.
- (d) In checking claims for such allowance, the IRD will require taxpayers who claim to be residing with their dependants to provide documents (such as monthly bank statements) in proof of the dependants' residential addresses. Taxpayers who claim to have contributed towards the maintenance of the dependants must set out details of their contributions to the maintenance. If necessary, the IRD may check the records of their bank accounts or verify from the circumstantial evidence the maintenance information provided by the taxpayers. Generally speaking, the IRD will not require taxpayers to submit the bills and receipts in respect of the daily expenses of their dependants.

The IRD will check the information provided by taxpayer against its computer records. In addition, the IRD will request other government departments such as the Immigration Department, Social Welfare Department and Housing Department to provide the relevant information so as to verify whether the information provided by taxpayer is correct.

To prevent abuse of the dependent parent and grandparent allowances, the IRD will review this checking method from time to time so that the checks will be conducted without being abused and causing any inconvenience to the public. We consider the existing practice reasonable.

MOTIONS

PRESIDENT (in Cantonese): Motion. Proposed resolution under the District Councils Ordinance to approve the District Councils Ordinance (Amendment of Schedule 3) Order 2006.

PROPOSED RESOLUTION UNDER THE DISTRICT COUNCILS ORDINANCE

SECRETARY FOR SECURITY (in the absence of Secretary for Constitutional Affairs) (in Cantonese): Madam President, I move the motion that the District Councils Ordinance (Amendment of Schedule 3) Order 2006 be approved. The purpose of introducing this Order is, with effect from the start of the next term of District Councils (DCs) in 2008, to increase two and three elected members in the Islands DC and Sai Kung DC respectively, so as to cope with the projected population growth of the two DC constituency areas.

The Constitutional Affairs Bureau had consulted the Legislative Council Panel on Constitutional Affairs, the Islands DC and Sai Kung DC in February this year on the proposal of increasing the numbers of seats, and it was generally supported. The Chief Executive in Council made the above Order at the meeting of 9 May 2006. The House Committee of the Legislative Council deliberated the Order at the meeting of 26 May 2006 and came to the view that it

was not necessary to form a subcommittee on subsidiary legislation to study the Order.

Subject to the Order being passed by the Legislative Council today, the Electoral Affairs Commission (EAC) will proceed with the work of demarcation of the constituency areas for the DC elections to be held in 2007 according to the new numbers of seats and statutory demarcation criteria. The EAC will announce the provisional proposal of demarcating the 405 DC constituency areas throughout the territory at a later date of this year, and the public will be consulted on the proposal and the EAC will submit the Final Proposal to the Chief Executive before the statutory deadline which is November of this year.

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

I implore Members to approve the above Order, so as to facilitate the implementation of the proposal of increasing the number of seats in the DCs.

Thank you, Deputy President.

The Secretary for Security moved the following motion:

"RESOLVED that the District Councils Ordinance (Amendment of Schedule 3) Order 2006, made by the Chief Executive in Council on 9 May 2006, be approved."

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

DR YEUNG SUM (in Cantonese): Deputy President, I rise to speak in support of the resolution moved by the Government. The resolution seeks to add a combined total of five seats to the Islands DC and Sai Kung DC.

However, I also wish to take this opportunity to express my regret that the Government still insists on retaining appointed DC membership, instead of

proposing its abolition in this resolution. Deputy President, as you also know, the prevailing mainstream public opinion is basically for the election of the Chief Executive by universal suffrage, but the Government still insists on retaining appointed DC membership. This obviously runs counter to the mainstream public opinion and poses an obstacle to the course of democratization. What is more, since appointed DC members can vote in the Chief Executive election, there is in a way the possibility of vote-planting on the part of the Government. I therefore wish to put down my regret on record and hope that the Government can conduct a review as soon as possible, with a view to abolishing appointed DC membership.

Thank you, Deputy President.

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

(No Member indicated a wish to speak)

DEPUTY PRESIDENT (in Cantonese): If not, Secretary for Security, do you wish to reply?

SECRETARY FOR SECURITY (in Cantonese): Deputy President, first of all, I would like to thank Dr YEUNG Sum for speaking in support of this motion. Regarding his opinions on appointed DC membership, I would like to make the following response.

With regard to the composition of future DCs, the Government is currently conducting a public consultation in connection with a review of the role, functions and composition of DCs. The consultation will cover the long-term development of elected, appointed and ex officio members of DCs. We shall listen to and consider opinions submitted by people from all walks of life in Hong Kong. I would like to reiterate here that I hope Members can endorse this motion, so as to implement the plan of increasing the numbers of seats in the Islands DC and Sai Kung DC.

Thank you, Deputy President.

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

(Members raised their hands)

DEPUTY 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

DEPUTY PRESIDENT (in Cantonese): Members' motions. Proposed resolution under the Interpretation and General Clauses Ordinance to extend the period for amending the Broadcasting (Revision of Licence Fees) Regulation 2006.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR SIN CHUNG-KAI (in Cantonese): Deputy President, I move that the motion, as printed on the Agenda under my name, be passed.

The House Committee agreed at its meeting on 19 May 2006 to form a Subcommittee to study the Broadcasting (Revision of Licence Fees) Regulation 2006 (the Regulation) tabled at the Legislative Council on 17 May 2006. The Regulation aims to amend the licence fees set down in the Broadcasting Ordinance (Cap. 562). The Subcommittee will hold a meeting on 8 June 2006 to listen to the views of the television programme service licensees affected by the Regulation. In order to give the Subcommittee sufficient time to scrutinize the Regulation and report its deliberations to the House Committee, I move, in

my capacity as the Subcommittee Chairman, that the scrutiny period for this piece of subsidiary legislation be extended to 5 July 2006.

Deputy President, I call upon Members to support the motion.

Mr SIN Chung-kai moved the following motion:

"RESOLVED that in relation to the Broadcasting (Revision of Licence Fees) Regulation 2006, published in the Gazette as Legal Notice No. 98 of 2006 and laid on the table of the Legislative Council on 17 May 2006, 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 July 2006."

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr SIN Chung-kai be passed.

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

DEPUTY 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.

DEPUTY PRESIDENT (in Cantonese): Two motions with no legislative effect.

First motion: Maintaining Hong Kong's role as the leader of economic development in the region.

MAINTAINING HONG KONG'S ROLE AS THE LEADER OF ECONOMIC DEVELOPMENT IN THE REGION

DR RAYMOND HO (in Cantonese): Deputy President, I move that the motion as printed on the Agenda be passed.

Ever since the Mainland initiated economic reform and opened up to the outside world in 1978, Hong Kong has been playing the important role of a promoter. Many local manufacturers took the lead in going into the Mainland to invest and set up factories, also transferring the bulk of their labour-intensive manufacturing processes northward into Guangdong Province, especially the Pearl River Delta (PRD) Region. As a result, gradually forged between Hong Kong and the Mainland is a partnership featuring "a shop at the front and a factory at the back", with the two sides complementing each other's strengths. Consequently, our economy grew continuously from the late 1970s to the early 1990s. Drawing even more attention around the world was the Mainland's rapid economic growth during the same period.

However, on account of the incessant northward relocation of the manufacturing industry over the past 20 years, by the early 1990s, it became a hard fact that our economy had become rather hollow. However, on the eve of the reunification in 1997 there was this bubble effect which, vigorously led by real estate and finance, kept the economy booming and concealed the gravity of the problem of a hollowing-out economy. Nobody was paying attention to the urgency of economic restructuring. Not until late 1997, when the bubble of our economy burst following the outbreak of the Asian financial crisis, did we realize

the substantial gravity of our economic problem. Unfortunately, before Hong Kong was able to recover from the shock and reposition its economy, there came, successively, the impacts of the September 11 incident of 2001 and the SARS epidemic of 2003. As a result, our economy was plunged into another slump. Not until last year did our economy return to the path of recovery.

Deputy President, it appears that no government official is present, doesn't it?

DEPUTY PRESIDENT (in Cantonese): Yes, I now suspend the meeting till government officials are in the Chamber.

1.14 pm

Meeting suspended.

1.23 pm

Council then resumed.

(THE PRESIDENT resumed the Chair)

PRESIDENT (in Cantonese): The Financial Secretary is in the Chamber, but a quorum is not present. Clerk, please ring the bell to summon Members back to the Chamber.

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

PRESIDENT (in Cantonese): A quorum is now present. Dr Raymond HO, please continue.

DR RAYMOND HO (in Cantonese): President, I was saying just now that not until last year did our economy return to the path of recovery. On the contrary, economic development on the Mainland has been vigorous. Over the past 25 years, China's annual Gross Domestic Product (GDP) on average has grown by as much as 9.4%, thus ranking the country among nations with the fastest economic growth. The GDP of the Mainland has sharply increased by six times in comparison with that of 1978. Over the past decade, there has been a sharp contrast between Hong Kong's economic performance and that of the Mainland.

In the past, Hong Kong always played the important role as a leader in promoting the Mainland's economic development. With regard to objective factors, both software and hardware, Hong Kong has enjoyed some advantages. In the first place, we have first-class infrastructures, such as sophisticated transport networks, efficient port and airport facilities and advanced communication systems. In addition, Hong Kong has a sound legal system, managerial and technical talents with international outlook and personal ties, and a world-class financial system. Furthermore, Hong Kong, having been an entrepot for years, has accumulated considerable experience and reputation in international business and trade. To the Mainland, these are important, especially in the early days of the policy to open the economy to the outside world. As a result, Hong Kong has been the bridgehead for foreign businesses seeking access to China.

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

As economic development on the Mainland gained speed, the challenge to Hong Kong's role as the leader of economic development in the region set in. Moreover, as our economy has failed to keep abreast of the times by undergoing structural changes, the problem has become quite complicated. Locally, our strength in terms of manpower is gone, which is particularly worrying. In the '80s and '90s of the last century, as our industries moved to the north, local workers in the manufacturing sector began to feel the pressure of being marginalized. It so happened that our service industry was growing prosperously then, and could offer employment to some of the affected workers. However, in the aftermath of the Asian financial crisis, the gravity of the marginalization affecting workers in local manufacturing sector and the hollowing out of our economy again surfaced, and drew much attention.

However, marginalization happens not just to the working class with low educational attainment or low skill. Some professionals and administrators also feel the same pressure. In the old days, when the country first opened up to the outside world, many mainland joint ventures required our professionals or administrators. However, having pursued almost three decades of rapid development, the Mainland has already accumulated certain experience, and gradually had the calibre of their manpower enhanced. Among them are many "returnees" with expertise, individuals endowed with global vision and work experience coming back to the country on completing their education abroad. Times and circumstances have changed, so our professionals and administrators are no longer favoured by mainland enterprises. Conversely, our professionals or administrators are often not well-versed in the mainland situation, and, as a result, there is a curb limiting the growth of their business. Also, many professionals have yet to fully master Putonghua.

In contrast, mainland professionals and administrators, taking advantage of the opportunity given by the rapid economic development taking place on the Mainland in recent years, have more opportunities for business development and experience accumulation than their counterparts in Hong Kong. There is a good example in the case of professionals in the construction industry, people with whom I am familiar. Our economy entered a period of big chill in the wake of the Asian financial crisis, with the real estate market taking a nose-dive, private development projects slowing down considerably, and the Government halting the construction of Home Ownership Scheme estates and reducing the erection of public rental housing estates. Besides, for reasons of either fiscal deficit or disagreement among the public over certain infrastructures, a number of major infrastructure projects could not proceed or were delayed again and again. As a result, the unemployment rate in the construction industry (professionals included) persistently remains high. It went up to as high as about 20% in 2003. Even now, when the overall unemployment rate in Hong Kong has dropped to 5.2%, the unemployment rate in the construction industry is still two times that of the overall unemployment.

Yet, there are large-scale construction projects everywhere on the Mainland. With construction and major infrastructure projects coming up one after another, there are far more opportunities for mainland professionals to get involved, and have their professional level raised. In a situation where one

advances whilst the other one falls behind, our professionals gradually suffer the loss of the competitive edge that they used to enjoy.

At the same time, especially in the days following the reunification in 1997, we have wasted a lot of time on certain political rows. So, the importance of economic development was neglected. Here is something even more ridiculous. In the days right after the reunification, Guangdong Province and the PRD Region were quite keen to establish closer partnership of co-operation with Hong Kong. To give expression to "one country, two systems", we ventured to draw a clear line between Hong Kong and the Mainland. I do not know if it was due to the "big Hong Kong ego" or if there were some other considerations. Consequently, there was no keen response from the SAR Government. Only when it was realized that the economic development on the Mainland turned out to be very strong did we, belatedly, scream out the request for closer co-operation with the other side. However, we have already missed a golden opportunity. We, therefore, must learn a lesson from such a bitter experience and move faster so as to catch up.

Even though the inter-flow of people and goods between Hong Kong and the Mainland has been increasing unremittingly ever since the reunification, the development of our cross-boundary infrastructures apparently is lagging behind the actual needs. Let alone cross-boundary infrastructures, the growth of our internal infrastructure apparently has also slowed down in comparison with that of the old days. Over the past 10 years, I have, on different occasions, including meetings of this Council, repeatedly urged the Government to speed up the investment in our infrastructures, especially the development of cross-boundary infrastructures. It can be said that I have already shouted myself hoarse. However, there has been no proactive response to my recommendations from the SAR Government in the form of actions. I wonder whether it is due to the aforesaid "big Hong Kong ego" or whether it is because the Government has been restraining its spending too conservatively.

Prior to the reunification in 1997, major infrastructure projects launched between 1992 and 1995 included the North Lantau Highway, Tsing-Ma Bridge, Kap Shui Mun Bridge, Hong Kong International Airport, Western Harbour Crossing, Ting Kau Bridge, and Tai Lam Tunnel. As for railways, there were the Airport Railway and MTR Tung Chung Extension. After the reunification in 1997, only the railway programme seems to be more aggressive, producing

such projects as the MTR Tseung Kwan O Extension, West Rail, Ma On Shan to Tai Wai Rail Link, KCR Hung Hom to Tsim Sha Tsui Extension, Disneyland Extension, and Sheung Shui to Lok Ma Chau Spur Line. There are not many major projects other than the Disney Theme Park, Shenzhen Western Corridor, and Stonecutters Bridge. It has actually taken 10 years to materialize the cross-boundary Shenzhen Western Corridor.

With regard to the Mainland, ever since the start of the reform and opening in 1979, there has been rapid development of infrastructures. It is especially so in the development of transport networks. Take as example the number of major bridges constructed along the Yangtze River Valley. The number of major bridges built between 1979 and 2005 totals 38, of which at least two are enormous bridges each having a main span measuring more than 1 000 m. Major bridges that are under construction number 14, of which at least two have a main span each measuring more than 1 000 m. With regard to railways, the total mileage of mainland railways stands at 100 000 km, thus ranking the country among nations with the largest railway networks. The mileage of railways under construction alone stands at 17 000 km. Among them are many stretches that are for express service, including the Qing-Zhuang Railway to be opened soon. As for road networks, the total mileage of highways stands at 2.3 million km, inclusive of the many inter-province throughways that link up different provinces.

In addition, the Mainland is also constantly upgrading their port and airport facilities. Major ports such as Dalian, Tianjin, Shanghai, Ningbo and Fuzhou, as well as Guangzhou and Shenzhen close to Hong Kong, are either developing or expanding their container terminals. Shanghai's container port at Big and Little Yangshan Islands alone is likely to surpass both Hong Kong and Singapore and become the largest cargo terminal in the world upon the completion of its phase 5 expansion project. As for airports, Shenzhen, Guangzhou, Shanghai, and Chengdu are all expanding their airports. Surely, we are glad to see the proud accomplishments scored by the Mainland in infrastructures. However, if Hong Kong only relies on existing infrastructures and invests no further in infrastructures (especially cross-boundary transport facilities), then we are going to lose the competitive edge of the old days. There is a good example in the case of the much-discussed Hong Kong-Zhuhai-Macao Bridge. It is still not known when its construction can be launched.

Over the past 10 years, Hong Kong also has not made apparent progress in repositioning its economy. Following the reunification, the SAR Government, in a bid to re-invigorate the economy, put forward quite a few proposals, for example, the Chinese medicine centre and the cruise terminal designed to boost our tourism industry. In the end, however, such grand projects did not materialize. Even in the case of some plans that managed to materialize, such as the Cyberport and Disneyland, their economic effectiveness has been called into question, not to mention their roles in repositioning Hong Kong economy. In contrast, the State's 11th Five-Year Plan is going to launch on the Mainland a number of infrastructure projects to speed up the development of service industries like modern logistics, finance and commerce. In order not to be marginalized, we have got to earnestly explore ways to maintain our competitive edge at a time when the country is developing at a tremendous pace.

In the past, Hong Kong had all along adhered to the policy of "positive non-interventionism". But the Government still invested heavily in infrastructures in order to maintain our competitive edge. Now not even this is done. Undoubtedly, in the last century the policy of "positive non-interventionism" did send our economy into a soaring boom, and brought with it magnificent achievements. Given the fact that Hong Kong now faces challenges from places nearby, I wonder if the said policy can still apply to Hong Kong today.

Deputy President, It is hoped that the Government will seriously consider the abovementioned points, and expeditiously study the long-term direction and strategy for Hong Kong's future economic development with a view to formulating relevant policies to ensure that Hong Kong can maintain its role as the leader of economic development in the region. With these remarks, I beg to move. Thank you, Deputy President.

Dr Raymond HO moved the following motion: (Translation)

"That, in order to ensure that Hong Kong can maintain its role as the leader of economic development in the region, this Council urges the Government to expeditiously study the long-term direction and strategy for Hong Kong's future economic development, with a view to formulating the relevant policies; furthermore, this Council also urges the Government to increase its investment in the infrastructures in Hong Kong, particularly the cross-boundary transport networks."

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

DEPUTY PRESIDENT (in Cantonese): Four Members will move amendments to this motion. The motion and the amendments will now be debated together in a joint debate.

I will call upon Mr Jeffrey LAM to speak first, to be followed by Mr Andrew CHENG, Mr CHAN Kam-lam, and Mr Ronny TONG, but no amendments are to be moved at this stage.

MR JEFFREY LAM (in Cantonese): Deputy President, even though our economy is again picking up, I am glad to notice the keen concern shown by everybody for the long-term development of our economy, especially with regard to the question as to how to maintain our existing competitive edge so as to sustain our role as the leader in the region. This is the second time we debate on a similar topic within a short span of one month.

I propose an amendment today because I am of the view that the prospect of our economy is bound to grow more and more closely related to the development on the Mainland. Today's China has already become the world's fourth largest economy, ranking just behind the United States, Japan and Germany. The economic development of the PRD can be described as the locomotive of economic development on the Mainland. To secure the competitive edge of our own development, it is absolutely necessary to hook up with the course of development on the Mainland.

It so happens that in the outline of the 11th Five-Year Plan released in March this year, there is, for the first time, mention of the interaction between the positioning of the role of Hong Kong and the development on the Mainland. There is reference to the need to "enhance the co-operation between the Mainland and Hong Kong and Macao in the areas of infrastructure, industry development, resource utilization, and environmental protection" and to "support the development of Hong Kong's financial, logistics, tourism and information industries, and maintain Hong Kong's position as an international financial, trading, and shipping centre". In my opinion, these all hit the key points and merit careful consideration by us so as to find ways to take appropriate moves in

order that we can continue to bring into play our strengths and become a launchpad for mainland enterprises to "bring in" and "reach out".

In the first place, Hong Kong's status as an international financial centre is recognized globally. We are also ceaselessly upgrading our competitiveness in this respect. Since the implementation of CEPA, members of the banking sector have been looking forward to making big strides on the Mainland to complement the rapid economic growth on the Mainland and take up a broader range of business. With the Mainland having announced the implementation of QDII, mainland enterprises may avail themselves of the foreign exchange in their possession and make investments in our financial markets. Hence, Hong Kong may continue to serve as the intermediary of funds and to play its roles in hedging and clearing whilst mainland funds may make full use of our investment market to venture into the international arena. This is a win-win situation. I am convinced that, given its position as an international financial centre, Hong Kong can help Renminbi (RMB) go global. Hong Kong has the conditions to become the off-shore trading centre of RMB. It is advisable for us to put in real efforts to strive for this.

I am pleased to note that yesterday, when receiving a delegation of local bankers led by the Hong Kong Monetary Authority on a visit to the capital, the Governor of the People's Bank of China, ZHOU Xiaochuan, remarked that Hong Kong could hope to expand the scope of RMB business within the current year. The Hong Kong Institute of Bankers has also concluded a Memorandum of Co-operation with the Chinese Bankers' Association under which both parties are going to increase the exchange of information, and give recognition to each other's corporate members. It is believed that this can help to upgrade the calibre of industry practitioners on the Mainland. It is believed that if members of our financial sector press on, and if there are also complementary policies on the Mainland, then Hong Kong can play an even greater role in helping mainland enterprises in financing and making investments. For example, with more than 500 000 enterprises in the Pan-PRD Region, if we can further boost the idea of allowing private enterprises to have free access here, and strengthen the co-operation and communication with financial institutes in nearby places like Guangdong and Shenzhen, all these can help us maintain our status as an international financial centre.

Surely, Hong Kong's role in trading has yet to be further strengthened while our logistics industry also stands to gain. To attain this, it is necessary

for us to work harder when going into the Mainland to solicit and promote business. For instance, some friends from the business and industrial sectors and I visited Guangxi with the Chief Executive, and the Chief Executive is also having exchange activities with leaders of the Pan-PRD Region. I think all these are helpful to promoting trade transactions between Hong Kong and the Mainland. However, we must also put in more efforts to dovetail with mainland infrastructures, build more cross-boundary infrastructures, and improve the efficiency at boundary control points. There, too, should be efforts to implement as soon as possible projects like the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link. Only that can contribute to the exchanges of people and goods.

With regard to tourism infrastructures, I think that Disneyland alone is not enough. What if there can be more tourist attractions? The Wetland Park at Tin Shui Wai, which officially opened last month, is an example. When it first opened, many locals and mainlanders went there to visit. Ngong Ping 360 Skyrail is scheduled to go into operation in two months. It is going to be quicker and more convenient for those heading for the Big Buddha Statute. Also going to become popular among visitors are the beautiful mountain scenery along the route, the Monkey's Tale Theatre and Ngong Ping Tea House. Ocean Park, which has recently been named one of the world's top 10 amusement parks, is also actively making preparations for its expansion project with a view to erecting more new rides and more new attractions to make visitors find everything fresh and new. Deputy President, I hope everybody can put in unremitting efforts to develop and construct more tourism infrastructures so as to attract more people to come here for leisure and shopping.

Surely, when carrying out development and construction, we must not overlook the importance of environmental protection. In recent years, both Guangdong and Hong Kong have put in great efforts to improve air quality. It is hoped that we can put in even more efforts so that we, under the same sky, can see more of blue sky and white clouds on days which are not rainy.

Deputy President, next I would like to comment on the other amendments. The amendment proposed by Mr Andrew CHENG mentions the expeditious construction of the northern section of Route 10. The Liberal Party does not quite agree with that because Route 3 has yet to be used to its full capacity. There is the worry that the resources of the community will be wasted if there is

further spending on the construction of Route 10. We, however, agree that the construction of the long-planned Shatin to Central Link ought to be launched expeditiously. According to the amendment proposed by Mr CHAN Kam-lam, it is advisable to cut red tape for the business and industrial sectors, improve the business environment, and develop innovative and high value-added new industries. The Liberal Party and members of the industrial and business sectors have raised these points many many times. We will give support here. Mr Ronny TONG's amendment seeks to enhance the independence and transparency of the regulatory regime of the financial market to bring it into convergence with the international standards. That appears to be at variance with the prevalent circumstances. As mentioned by me earlier on, our status as an international financial centre is recognized. That is realizable without enhancing the regulatory regime as suggested by Mr TONG.

According to the Chief Executive, an economic summit will be convened before September this year to gather members of the public to discuss the next step of work with regard to the outline of the 11th Five-Year Plan. I very much hope that the summit can start as soon as possible so that various trades and industries in Hong Kong can expeditiously seize the opportunities to enter the mainland market and bring the development of Hong Kong to another summit.

With these remarks, Deputy President, I propose the amendment.

MR ANDREW CHENG (in Cantonese): Deputy President, the Democratic Party considers it to be indeed quite important to maintain Hong Kong's role as the leader of economic development in the region. The question as to whether or not Hong Kong will be marginalized has been the most fervently discussed topic in the political circle over the past couple of months. We believe that, given our contrast with places nearby, where the legal system is defective, law and order messy, corruption rampant, and democracy not available, it is hard to replace the unique position of Hong Kong so long as Hong Kong preserves its sound legal system and progresses towards universal suffrage.

Surely, in our pursuit of democracy, we should at the same time strengthen our economic system and step up the liaison affecting the ties between China and Hong Kong. Only with that can Hong Kong's status as the leader in the development of the region be fortified.

This motion today has induced four amendments. It does not matter whether it is from Mr Ronny TONG, or from Mr Jeffrey LAM or from Mr CHAN Kam-lam, the theme of each of their amendments is economic strategy. After discussion, the Democratic Party concluded that the amendments can be supported. While the three amendments quite specifically put forward economic proposals, my amendment focuses on transport and infrastructure.

Deputy President, one of the viewpoints stated in the original motion urges the Government to increase its investment in the infrastructures of Hong Kong, especially cross-boundary projects. With regard to this general direction, the Democratic Party thinks that nobody will disagree. However, even if Hong Kong is prepared to increase investment, it is still necessary for the Mainland to be so inclined before things can materialize. As the Mainland is vast in expanses, a lot of local interests are involved. In the case of some projects, it is not possible to proceed expeditiously even if there is a will on the part of Hong Kong. The Hong Kong-Zhuhai-Macao Bridge is an obvious example. With regard to its alignment, views vary from province to province or differ from city to city. The choice between a single-Y design or a double-Y design alone has already given rise to a debate spanning many years. So it has long been the hope of the Democratic Party that there can be more comprehensive planning in dealing with the planning of transport networks of the PRD. Last year, I had the chance to have discussions with the official in charge of our Planning Department. That person sometimes also had the feeling that in many cases, Hong Kong did not get to know details of major infrastructure projects in nearby provinces or cities until a late stage of planning. I believe that so long as the Mainland and Hong Kong still go on their own ways in infrastructure building, it will not do any good to the integration of PRD. So, in the motion, Democratic Party advocates the need to carry out comprehensive planning for cross-boundary transport networks. We hold that given the "Nine plus Two" platform, Hong Kong and all the other provinces and cities should make proper use of such a channel to regularly exchange infrastructure information and regularly hold joint briefing sessions to explain to the public the planning progress of each item of infrastructure. Only in this way can Hong Kong and all the other provinces and cities forge a macro vision and develop infrastructure projects beneficial to the country.

Deputy President, with regard to the various existing cross-boundary infrastructure projects, the Democratic Party holds that the Regional Express

Line has the greatest need for expeditious construction. The Regional Express Line, now known as Guangzhou-Shenzhen-Hong Kong Express Rail Link, is part of the national express rail network. According to information, the Wuhan-Guangzhou section of the Beijing-Guangzhou Passenger Link falls under the category of projects within the national express rail network scheduled to start construction first. The project was launched in 2004, and is scheduled for completion by 2009. Works on the Shibi-Longhua section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link already started in December 2005, and is expected to complete by 2010. The works schedule for the section from Longhua to the border has yet to be set pending the Hong Kong section. We are aware that insofar as the Hong Kong section is concerned, the main controversy is on the choice between a track for common use or a track for exclusive use. Our preference is for an exclusive track, for this can provide more speedy connection between Hong Kong and Guangdong. Also, in this way, the impact on the West Rail can be pre-empted.

Deputy President, although we should attach weight to external transport networks, we still ought not neglect domestic transport arrangements. Over the past few years, we have been ceaselessly urging the Government to build the northern section of Route 10, the Shatin to Central Link and the South Hong Kong Island Line (SIL). In our opinion, as we have to maintain Hong Kong's role as leader of economic development in the region, we, in addition to working on cross-boundary projects, must also strengthen our domestic economy and infrastructure so that both people and goods can move smoothly and quickly. The northern section of Route 10 is going to be a major trunk link. As pointed out by us again and again, as the northern section of Route 10 is still non-existent, the purchase of Route 3 has come to nothing, and the negotiations for franchise extension are just dragging on, traffic jams will reappear in Northwest New Territories once the Shenzhen-Hong Kong Western Corridor is opened to vehicular traffic in due course. We do not think that improvement works being done to Tuen Mun Road and Tuen Mun town centre can, to all intents and purposes, reverse the jams. At most, there can be just some relief. We have been persistently making the request that there should be link-up between the Mainland and Hong Kong. However, when people and goods are moving in and out of Hong Kong, it is likely to find that every road is blocked; and that to get into or out of the downtown area, it may be necessary for one to stop and move again and again on the way. Would that not be a great irony?

Deputy President, with regard to the Shatin to Central Link, we believe that upon its completion, it is going to have positive impact on passenger transport between the Mainland and Hong Kong. However, the plan has dragged on for several years. There have been many twists and turns just over the choice between crossing the harbour direct via the East Rail or extending along the east of Kowloon. We hope that the Government can build the Shatin to Central Link as soon as possible. This is also the wish long cherished by residents of New Territories East.

With regard to the SIL, the Democratic Party is quite disappointed by the fact that the decision to make arrangements for its construction has been held up for a long time. Residents of the Southern District have been suffering from traffic jams for years. Now with the opportunity offered by the redevelopment of Ocean Park and the completion of a number of hotels and commercial buildings there, there is indeed a need for a mass carrier. We again urge the Government not to engage in discussions without making a decision in respect of the SIL. Given the need to develop the tourism industry to bring benefits to the community, there is bound to be favourable impact on our economic development if the SIL can be commissioned before 2012.

With these remarks, Deputy President, I propose the amendment.

MR CHAN KAM-LAM (in Cantonese): Deputy President, some time ago, Chief Executive Donald TSANG announced the convocation of the economic summit in September this year with a view to examining the impact of the State's 11th Five-Year Plan (FYP) on Hong Kong's long-term development for the purpose of drawing up an action agenda. This means that the Government has acknowledged that to dovetail with the 11th FYP is the direction as well as the way out for our future economic development. In fact, by tying in with the 11th FYP, Hong Kong will be able to seize the opportunity to complement each other, and continue to play an important role in the course of the country's development. Otherwise, Hong Kong's leading position is likely to be debilitated quickly as the provinces and cities on the Mainland grow rapidly.

To link up the veins of the two sides so as to ensure free movements of both people and goods, in addition to having more cross-boundary transport infrastructures, it is also necessary to have befitting local transport. The

Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) is in favour of building the South Hong Kong Island Line, the Shatin to Central Link and the Regional Express Line. We also put forward the idea of developing "a bridgehead economy" in the context of the Hong Kong-Zhuhai-Macao Bridge as well as the idea of expeditiously building an Eastern Link connecting Deep Bay with Route 3 so as to dovetail with the Shenzhen Western Corridor. With regard to building the northern section of Route 10, there is a question of priority. We do not rule out the possibility of having such a need in the future. However, at present, this is not the most important task. For investment in any transport infrastructure, the prerequisite has got to be the full utilization of existing facilities. Projects duplicated or not well planned can only waste resources, and result in reduced effectiveness.

In the 11th FYP, the State emphasizes Hong Kong's status as an international financial centre. In recent years, Hong Kong has become the capital formation centre of the Greater China Region. Up to February this year, mainland enterprises listed in Hong Kong made up 30% of the total number of listed enterprises in Hong Kong. With the total sum of funds raised amounting to more than US\$142 billion, efforts to help mainland enterprises to reach out have been successful.

The development of our derivatives market is apparently not as good as that of the stock market. According to statistics, the turnover from our futures and stock options trading ranks 35th in the world, even outmatched by markets in India, Dalian, Taiwan, Shanghai and Singapore.

Three years ago, the Hong Kong Stock Exchange and its Shanghai counterpart once explored the prospect of developing a commodity futures market. Ultimately, nothing came out of it. However, it does not mean that there is not such a need in Hong Kong. According to estimate, the turnover of copper futures notched by mainland investors in the London market through Hong Kong exceeded 400 000 tonnes in 2004. The value was around RMB 10 billion yuan. Try to picture this. If only half of that can take place here, there will be a turnover as high as \$5 billion. That means security deposits amounting to several billion dollars will be kept in Hong Kong. Obviously, to develop a commodity futures market in Hong Kong is definitely "something really worth doing". What is more, it is not just something "to be done". It has got "to be done immediately" and "properly". It is because the Central Authorities are going to speed up the development of the Mainland's

futures trading. If not, Hong Kong is likely to miss out on this golden opportunity, namely, with the Mainland "having capital but no market".

With the robust development of the Chinese economy, those in the market generally look favorably on the future of RMB, and consider it to be a major international currency other than US Dollar in the future. To dovetail with the national strategic planning and financial needs, the Hong Kong Government should take further steps to promote among our banks greater participation in RMB business, encourage the issuance of RMB bonds and various notes in Hong Kong, support the introduction of the QDII on the Mainland, provide more investment instruments for RMB and help the State rationalize the RMB reform so that we can become an off-shore centre of RMB true to the name.

We are pleased to note that the Chief Executive mentioned some time ago that the Hong Kong Government would study the issuance of RMB bonds in Hong Kong. However, in Hong Kong, the bond market has all along primarily catered for corporate investors. The performance of retail bonds has been mediocre. In our opinion, it is certainly necessary to expedite the issuance of RMB bonds. However, currently it is imperative to first better and expand the development of the local bond market. The Government should actively promote the issuance of retail bonds to enlarge local enterprises' financing avenue, and further expand the range of local bonds. At the same time, more efforts should be put in to find ways to fire up the secondary market of bonds, which is now very inactive.

The key factor for becoming an international trade centre is the availability of a good business environment that attracts enterprises to set anchorage here. Therefore, business regulation must be simple and predictable. Good efficiency in licensing should be maintained. For the convenience of investors, for several years the Singaporean Government has been offering online service to applicants for business licences. To apply for various licences, an applicant merely has to complete an e-form as directed. For information on progress of vetting or licence renewal, one may make enquiries online. In Singapore now, it takes only five working days to complete the vetting and approval of an application for food premises licence. Even for massage parlour licences and karaoke licences, it only takes seven working days.

However, in Hong Kong it takes an applicant for a food premises licence two months to go through just the vetting and approval for a provisional licence.

For the formal licence, it takes as long as half a year or even one whole year. It takes five to six months to apply for a massage parlour licence or karaoke licence. It is apparent that our efficiency is poorer than that of other places. Even in Shenzhen, for a similar application, the vetting and approval just takes about 30 days. The process is still faster than Hong Kong's. We, therefore, hold that if the Hong Kong Government wants to cut red tape and streamline procedures for the business sector, it is, first of all, necessary to make the licensing procedures simpler and faster.

Deputy President, the gravest problem confronting Hong Kong is our excessively narrow industrial structure. The manufacturing sector is going downhill. Apart from the four pillar industries, there is no new growth point in the economy. The overall competitiveness is showing signs of decline. Here, the DAB again calls upon the Government to formulate new industrial policies to develop high-tech and high value-added industries and upgrade the traditional industries so as to create new growth points in our economy. Hong Kong may first develop the automobile and vehicle parts industries, multimedia industry, and Chinese medicine. It is also necessary for the Hong Kong Government to give support in terms of administration and policy, which may include tax concessions, special funding, training and more co-operation among the three parties, namely, the industries, the Government and training providers.

According to a survey conducted by The Chinese University of Hong Kong some time ago, business starters make up just 3% of the population, with new venture activities falling below the global average of 8%. In the case of Shenzhen, the rate is 10.1%, which is higher than the global rate. With regard to adults taking part in high-expectation new venture activities, our rate is as low as 0.7%, which is nearly 90% lower than that in Shenzhen, which stands at 6.2%. This is indicative of the inadequacy of our ability to initiate innovations. At present, in giving support to those launching new ventures, the Government mainly works through the Support and Consultation Centre for SMEs, providing information and services, and holding seminars business ventures. However, measures making active promotion or encouraging Hong Kong people to launch new business ventures are not available. The more new venture activities there are, the stronger the community's cohesion and competitiveness will become. They can also bring to our economy growth, employment and flexibility. The Government should, therefore, review existing policies on support for SMEs and draw up policies for the inspiration of new venture activities so as to galvanize Hong Kong people into starting up business.

The Third Pan-PRD Conference, already in progress for several days in a row, is scheduled to end today. In the course of that, Chief Executive Donald TSANG frankly admitted that the question as to how to follow up the 11th FYP with regard to the development of transport networks and city network and the role of Hong Kong gave him the main concern. Our wish is for the economic summit to be convened by the Government in September to tie in with the outline of the 11th FYP to make comprehensive planning for our short-term, medium-term and long-term development, and formulate strategies to enhance our inherent strengths and boost the co-operation with the Mainland so as to defuse the crisis of marginalization.

Deputy President, I so submit.

MR RONNY TONG (in Cantonese): Deputy President, the thrust of today's motion is to urge the Government to expeditiously work out the long-term direction and strategy for Hong Kong's economic development. Why do we propose such a motion? Deputy President, it is because explicit policies for long-term economic development constitute the main force enhancing investors' confidence in our economy. Also, with that, more long-term investments, both domestic and foreign, will be attracted, business opportunities created and jobs increased. Otherwise, measures for the promotion of economy devoid of long-term strategy are prone to abrupt changes, even contradictions and an impasse. Some academics even worry that Hong Kong's role as a leader will be challenged in five years.

The Chief Executive in his policy address last year mentioned to take "leveraging on the Mainland and engaging ourselves globally" and "big market, small government" as our development strategy. In fact, this is just the fundamental macroeconomic concept long held by the Hong Kong Government. It can be said that there is no explicit direction for our economic policy. Saying those words is tantamount to saying nothing at all.

It is definitely wrong to equate the formulation of explicit and unwavering long-term economic policies with planned economy. I also have firm belief in the merits of allowing the market to lead. This, however, does not mean that the Government need not set explicit economic policies or do anything. By the same token, to develop Hong Kong into an international centre for finance,

services, tourism and logistics does not mean that the Hong Kong Government has to commit all the resources to these industries. Instead, policies should be implemented to promote their growth and enhance their competitiveness so as to bring benefits to the overall economy as well as to every sector of the community.

In order that there can be a long-term direction and strategy for development, it is necessary to have focused and explicit discussions. Furthermore, they must not be too extensive or offer no practical measures. Because of this, I, in the amendment, urge the Government to expeditiously work out a long-term direction for our economic development with the objective of developing the territory into an international centre for finance, services, tourism, and logistics. These four industries are now the lifelines of our economy. In 2004, these four cornerstones of economy yielded 90% of our GDP, with finance taking up 12.2%, tourism taking up 2.9%, trade and logistics taking up 27.6%, and professional services and supporting services for industry and commerce taking up 10.5%. From this, it can be noticed that these industries carry a big weight in our economy. However, it appears that few people know what strategies have been adopted by the Government to promote these four major industries and maintain their leading position in the region. Today, I am moving this amendment in the hope of arousing the Government's consideration in this respect by way of a debate in this Council. I will offer some brief views on every industry. However, because of the time constraint, I have to leave it to other colleagues of the Civic Party to present their views on individual industries.

I would like to speak on the financial industry first. Deputy President, it is unquestionable that the financial industry has made it possible for Hong Kong to establish a certain status and role in the international arena. Article 109 of the Basic Law even stipulates that the Hong Kong SAR Government shall provide an appropriate economic and legal environment for the maintenance of the status of Hong Kong as an international financial centre. With regard to this, it is in the independence and transparency of the regulatory regime of the financial markets that primarily lies international investors' confidence. In this respect, Mr Jeffrey LAM appeared to have misinterpreted my amendment in the speech just delivered by him, supposing that I was going after more regulation on the financial markets. It is in fact not so. Deputy President, I do not mean

that. I just seek to enhance the independence and transparency of the regulatory regime.

In this connection, the Government recently introduced the Securities and Futures (Amendment) Bill 2005 and the Financial Reporting Council Bill with a view to conferring on the Chief Executive the power to interfere with the operation of the regulatory bodies of financial institutions. In my opinion, that cannot converge with international standards. On the contrary, it will bring Hong Kong the negative image of being at variance with the principle of free market, further upset foreign investors' confidence to invest in Hong Kong, and deal a heavy blow to the efforts to maintain our reputation as an international financial centre. I hope the Government can conduct a review to see whether or not it is in keeping with the Government's long-term financial policy to maintain, or even increase, the Chief Executive's power to interfere with the market.

Regarding talents, I once stated that the Government should, by way of focused investments, seek to prevent the drain of talents, nurture professionals and raise the language proficiency of Hong Kong people. Over the past few years, measures to that effect may not be considered as blank completely. For instance, the Standing Committee on Language Education and Research (SCOLAR) has been established. However, they are merely some petty acts of patching up. A comprehensive long-term strategy determining and giving effect to basic principle or direction is not available.

As for preventing the drain of talents, Hong Kong surely has a lot of talents, however, to them, the appeal of Hong Kong is gradually fading. Though they can make a lot of money here, socially and politically Hong Kong leaves much to be desired. The education system has undergone changes again and again. The pressure on teachers and students is rising sharply. What is more, parents have no more confidence in the education system. As far as those professionals and senior government officials whom I know are concerned, their children almost invariably have gone abroad for education. Of these, not many are coming back. Such a state of affairs is likely to aggravate our talent drain. There is not a democratic political system. Besides, the ill-balanced political system also has the direct effect of making the upgrading of quality of governance difficult. Not much weight is being given to public opinions. The principle of the rule of law is being eroded away. With regard to the fundamentals of the environment, there are air pollution, noise pollution,

worsening crowdedness affecting living space and all the problems arising from uneven distribution of wealth. These are enough to make professionals originally thinking of establishing footholds here go abroad to look for a better quality of living. If we still ignore the problems that now exist, it is going to be difficult to avert the talent drain.

With regard to the nurturing of professionals, the former Chief Executive, Mr TUNG Chee-hwa, in his policy address of 2004 presented a viewpoint, namely, education as an investment. I agree with that. However, judging from the recent moves by the SAR Government, it appears that the said viewpoint has yet to be put into effect. In his policy address for 2005-06, Chief Executive Donald TSANG did make mention of education. However, it seems that no consideration has been given to the problems now confronting our tertiary institutions. In March this year, the University Grants Committee made a grant amounting to \$1 billion under the matching grant mechanism. However, the various tertiary institutions are required to raise almost \$1.9 billion correspondingly themselves. In addition to investing in the economy, investing in manpower, construction and social classes is similarly important. The Government should not invest solely in the children of middle-class families. To implement or beef up small-class teaching and the teaching of English in remote and poor districts can, to a considerable extent, help to search out talents, improve social mobility and expand the sources of talent.

(THE PRESIDENT resumed the Chair)

With regard to raising the language proficiency of Hong Kong people, the performance of SCOLAR in recent years has been unsatisfactory, failing even to put forward new policies or ideas to raise the language proficiency of Hong Kong people. On the contrary, while national education and mother-tongue teaching are being promoted, English, an international language for business, is being, wittingly or unwittingly, downgraded to the status of a second-class language. The drop in the standard of basic English lately visible in the education sector, among mass media or even in government papers is really alarming. At the same time, the English standard of top-notch students on the Mainland is rising sharply, which presages the marginalization of the SAR.

Regarding tourism, we are in acute shortage of a cruise terminal, and are, therefore, unable to attract large numbers of cruise passengers, individuals with strong spending power. In this respect, there have been repeated delays by the Government. In my opinion, to sit back and look on is no longer permissible. To give tourists more choices, the Government should also offer incentives for the construction of a resort centre. With regard to manpower, the Government should step up the nurturing of talents so as to ensure the professionalization of those serving the tourism industry.

Regarding the environment, besides the need to develop more tourist attractions, it is also imperative to ameliorate the problem of air pollution. There was a report by a foreign news agency that on 23 May, 6 500 expatriates living in Hong Kong wrote a letter demanding the Government to ameliorate the problem of air pollution. Since the start of the year 2006, Hong Kong has had 16 days with the air pollution index above 100. If we still do not address the issue, it is likely for our reputation as the Pearl of the Orient to fizzle out and the tourism industry that we count on go belly up.

Regarding the logistics industry, given the competition from the logistics industry in the Pearl River Delta (PRD) Region, and the pressure arising from soaring costs, there is a grave challenge to the competitiveness of our logistics industry, one of the four pillars of our economy. Here, it is also hoped that the Government can come up, as soon as possible, an effective way to provide for an environment of fair competition. For this, I have repeatedly requested the Government to formulate a competition law so as to make it possible to lower our costs and reinforce our competitive edge in the region.

With regard to electricity tariffs, we should, as soon as possible, set a timetable for opening up the power grid so as to lower costs by bringing in competition. If the Government cannot work out a comprehensive and proper control scheme with the two power companies, then legislation on the opening up of the market should be drawn up as soon as possible. To lower electricity tariffs and enhance the competitiveness of the logistics industry and other trade operations, it is also suggested that a price cap mechanism be introduced after 2008.

In sum, President, the Basic Law has already set a basic but strict framework for the economic system of the SAR. What we need is a long-term

economy policy compatible with our actual situation, focused and explicit, so as to enhance our competitiveness. Otherwise, the integration of the PRD Region is not going to bring any benefits to Hong Kong but, on the contrary, going to marginalize Hong Kong.

President, I so submit.

DR LUI MING-WAH (in Cantonese): China initiated reform and opening in 1978, and has ever since provided Hong Kong enterprises, especially the manufacturing sector, with much room for development; fired up rapid economic growth in the Pearl River Delta (PRD) Region; and established Hong Kong's status as the leader of the region. However, the times have changed. Today, 20 years down the line, Guangdong Province has grown up. With its economy gradually maturing, it has become our competent partner, and a strong competitor. The relative advantages that Hong Kong once enjoyed began to show obvious signs of waning several years ago. To bring up now a motion on maintaining Hong Kong's role as leader of economic development in the region so as to draw attention from Hong Kong people and the Government, to inspire self-reliance among Hong Kong people, and to make the Government take another look at our economy seems to be somewhat "belated". However, as the saying goes: "It's better late than never." So, let there be another round of discussion.

First, let us take a look at the latest situation. Having had rapid growth for years, the national economy has reached such a scale and strength that it is gradually becoming a stabilizing force in the global economy. The role as the "southern gateway" and "window" previously played by Hong Kong has undergone changes in both nature and importance. Economic development in the PRD Region is gradually growing in maturity. The advantage enjoyed by Hong Kong over some mainland provinces and cities has shrunk. The lead once enjoyed is gradually disappearing. There is even the trend that the late comer is about to overtake or displace the old timer. In Hong Kong, as a result of the outward relocation of the manufacturing sector, the gravity centre of economic development has been moving to the north gradually. There is greater economic reliance on the outside. Hong Kong's advantage of being in the lead once enjoyed by us in relation to the economic development of the region has

been undermined. If Hong Kong is to maintain the role as the leader of economic development in the region under new circumstances, it is necessary for the Government to comprehensively plan the long-term direction and strategy for forthcoming economic development with vision and a positive mindset. It is because the so-called "market force" that the Government long holds in awe has already become an "opposition force" harmful to Hong Kong.

Today, the motion moved by Dr Raymond HO of The Alliance has given rise to widespread interest and four amendments. Of these amendments, one comes from the Liberal party, the party mindful of the economy; one comes from the DAB, the party mindful of the people's livelihood; one comes from the Civic Party, the party mindful of ideology; and the other comes from the Democratic Party, the party mindful of democratization. This is a very good sign as all the parties and groupings now finally appreciate the importance of economy. In reality, there can be social harmony and stability only if there is economic prosperity. To talk about democracy when it is not supported by a sound economy is empty talk. If there is no economic development, there can only be frail democracy not capable of establishing proper procedures. Many nations in the world are typical examples.

With regard to the four amendments, the movers have put forward very good proposals from different perspectives. These include the expansion of transport networks, the operation of the financial market, the nurturing and the drain of talents, improvement of air quality, betterment of the business environment, encouragement for business ventures, and the preservation of the economy's four pillar industries, and so on. All these are important ingredients of economic development, but do not constitute the crux of Hong Kong's economic ills. The core issue of our economic ills is that whilst GDP remains high, it is still hard to lower the unemployment rate, and the low-income earners can benefit very little from the economic recovery. It is because, at present, the active economy is powered by the third industry. With no support from the local manufacturing sector, the economy is superficial. It is illusive. To re-invigorate our economy, it is necessary to rationalize the economic structure so as to propel the economy by firing up internal energy instead of relying only on the pull from external factors. Here lies the difference between being proactive and being passive. For the purpose of such a process, which is capable of rejuvenating our economy, market force already can do nothing.

The Government should act as the initiator and facilitator. The Government should recognize the trend of the moment and keep abreast of the times in putting forward economic policies that are proactive and positive so as to lead our economy to healthy growth. If the Government remains aloof and just serves as an umpire or onlooker, it is most unlikely for our long-term economic prospect to be sanguine. Hong Kong will lose its status as the leader of the region. What is more, there is going to be the risk of being marginalized. This is not alarmist talk. It is hoped that the Government will give this careful consideration. Thank you, President.

MR WONG KWOK-HING (in Cantonese): Madam President, early last month this Council had a motion debate on maintaining the competitiveness of Hong Kong. Today, this Council again comments on Hong Kong's role in the economic development of the Mainland. Ever since the Chief Secretary for Administration, Mr Rafael HUI, remarked in March that "Hong Kong runs the danger of being marginalized", people of all sectors in the community have been very much concerned about how to maintain Hong Kong's competitiveness in the future. The topic of today's motion is about maintaining Hong Kong's role as the leader of economic development in the region. What is meant by "leader"? Does Hong Kong's "leader" mean the four government-promoted pillars, that is, finance, logistics, tourism and real estate? "Leader" is not just an empty slogan. We have got to take a down-to-earth approach and look for an industry that can enliven and lead our economy, not just something in the form of a speculative trade. According to what Dr LUI said earlier on, there is something illusive about Hong Kong economy. I quite agree with him. In this connection, I am going to analyse the economic situation that Hong Kong is now facing from two perspectives, namely, the transport industry and encouragement for the launch of new ventures.

First, it is about transport infrastructure. Madam President, as we all know, the efficiency of our port has long been Asia's best. In recent years, however, there has been a grave challenge to the development of our port and maritime industry. Some time ago, a survey showed that the competitiveness of our port lagged behind that of Singapore — even though Chief Executive Donald TSANG once opined to the effect that "At present, in shipping industry, we and Singapore are more or less even, sometimes we rank first, sometimes they rank first." And he appeared to be so complacent. In addition to running up

against the strong competition from places nearby, Hong Kong in recent years has been subject to the impact from the Mainland's port and maritime industry on account of the rapid economic development on the Mainland. Here is an example. At present, the container throughput of Yantian Port in Shenzhen is growing at a rapid rate in excess of 10%. In contrast, the container throughput of Hong Kong has seen growth at just 5%. This indeed makes us worry. I wonder if the Government is aware that our growth rate is inferior to that of other places. I have been told by many front-line drivers of the transport industry that many of those in the cross-boundary transport industry are underemployed. Moreover, because the anchorage charges of our container terminals are exorbitant, it has been necessary for containers to go to neighbouring ports. Is the Government aware of this? In the final analysis, such a state of affairs is due to the fact that the franchise of all our container terminals is monopolized by a few consortia. There being no competition, the consortia can whimsically raise their terminal charges. To front-line drivers, this just add more to their burden.

Also, I notice that, among the different amendments proposed by Members, there is one from a Member who advocates "reviewing the current policy on supporting small and medium enterprises, and encouraging Hong Kong people to start up their business". Although these words sound like extracts from government publicity that we usually come across, on second thoughts we agree that to encourage the launch of new ventures is indeed a way out for the economy that is worth developing. How can the launch of new ventures be encouraged? What sorts of new ventures to launch? In this connection, the Hong Kong Federation of Trade Unions (FTU) has all along sought, through different channels, to convey to the Government the economic concept of developing creative industries. It is, however, a pity that there has been no sign of the Government telling us that weight is being attached to our view. In addition to the fact that we have yet to see any government policy coping with the development of creative industries, there is the paradox that the Government is trying to drive small businesses out of existence. At the motion debate last month, I cited three examples to prove the Government's stranglehold on small businesses. I indeed have many such examples. Today, I just want to make one statement, namely, that government policies, both big and small, are smothering, in varying degrees, the vitality of business starters. Here is an example. In the last three decades, the Government built public housing estates on a massive scale, bringing with that various ancillary facilities, such as

shopping centres and markets. It can be noticed that in the old days, shops in the shopping centres of housing estates were mostly businesses of proprietorship, such as stores, grocery shops and other small shops. What do we see today? Before our eyes are, one after another, splendid shopping centres under the management of The Link Management Limited (The Link). Those brought in are just some big chain groups. Traditional small shops are being deprived of even a small space for existence. How can the Government encourage the launch of new ventures in this way? Let alone launching new ventures. There is even a problem in getting employment. As we all know, to start up a business, it is necessary to put in a lot of capital. Often, the Government's business start-up funds do not dovetail with the needs of those running small businesses. They have to start as wage earners so that they can save up the capital required for the start-up of business from their meagre incomes. Regrettably, in recent years, wages have long been pushed down. It is becoming more and more difficult for them to realize their dreams. Today, they can hardly feed themselves. It is precisely because of The Link just mentioned, which turns out to be a typical case of downsizing and pay cuts. Grass-roots employees in the employ of shopping centres managed by The Link now can hardly feed themselves, not to mention starting up businesses.

Madam President, when talking about the planning and positioning of our economic development, many people hold different views. Quite a few creative ideas have been put forward in this Council. In the past few years, the FTU alone has put forward, one after another, "economic strategy giving priority to employment", "support for the waste recovery and recycling industry" and "creative industries". How many proposals did ultimately make their way into the Government's ears? How many proposals in the end received from the Government sheer indifference? It is my earnest hope that the Government will not just listen and then forget about it as if nothing has happened. It is hoped that there can be specific responses from the Government. Thank you, Madam President.

MR CHIM PUI-CHUNG (in Cantonese): President, today there are four things which Hong Kong is proud of and which are understood by us all.

The first one is the so-called logistics, that is, transportation. As land premiums and wages in Hong Kong are rising, I hold that in three years, our

strength in this respect will be outperformed by other ports in China. By then, our edge derived from logistics, something we take pride in, will be irreversibly lost. This, being the trend of the time, is unavoidable.

The second one is trade. Hong Kong has all along enjoyed an edge in trade. As we all understand, some 150 years have gone by since the opening of Hong Kong, and there is a lapse of five or six decades between the Liberation and the present time. On account of special circumstances, Hong Kong has all along held an edge. Here, because of progress in technology, this edge is going to be subject to challenge and threat from all directions in the near future.

In comparison, the tourism industry is still the industry on which we can still keep our foothold so far. However, the fact we enjoy some advantage is, as stated just now, due to special circumstances and the pent-up demands of China's population of 1.3 billion following the implementation of the Individual Visit Scheme under China's opening-up policy. Nonetheless, we must not forget that in recent days, all related costs of our hotels have been soaring. Hong Kong is not now so attractive to mainland tourists coming here for visits. Besides, mainlanders may visit other countries too. So, there are also challenges to our tourism industry. It is, however, laudable that our people understand their situation and have changed their service attitude in compliance with good advice. So, some people are still able to maintain their appeal to mainland tourists. This is especially so in matters concerning the so-called genuine goods and counterfeits. It is because commodities that Hong Kong sells or supplies are still genuine ones. These include gold and other precious commodities.

There being so many challenges, Hong Kong is only left with the financial industry. With regard to the financial industry, different quarters on the Mainland have different opinions on the issue. Regarding Hong Kong's financial industry, opponents on the Mainland hold that profits arising from the spending of mainlanders have been conveyed to Hong Kong or elsewhere abroad for the subscription by other groups and financial institutions, and that has led to the outflow of benefits. So there was a big controversy with regard to the Central Authorities' policy. Only lately did Premier WEN come forth and gave the final word, making it necessary for various quarters to close ranks. This is not Hong Kong's strength. It is just support from the Central Authorities. So, it is necessary for us to understand why Hong Kong enjoys an edge in the financial industry. In the first place, this edge is attributable to the

Government's policies. The Government has all along adhered to the policy of "positive non-interventionism". It was not until 1998 that there came one intervention, which, after all, turned out to be successful. In the second place, our foreign exchange market allows free exchange and holds a large pool of talents. Here lies the second edge. Procedural efficiency is naturally the third strength. In the fourth place, taxes are lower than in other places. Therefore, when making efforts to promote the financial industry in the future, the SAR Government should maintain and protect these four edges. Only in this way can our overall economic development be advanced. In my opinion, there are problems in the financial industry.

We must also bear in mind that in the past, forces from all parts of the world (including many funds) had made attacks by striking at Hong Kong's weak spots. In the pre-1997 era, there was the 1987 catastrophic collapse of the global stock market, an event about to have its 20th anniversary next year. However, what sort of catastrophic collapse of the stock market was it in reality? It just gave an excuse to a massive international force to raid the stock markets of Hong Kong and Asia so as to deal a heavy blow to everybody's confidence. The second attack is, of course, the one that came at the time of the 1997 hand-over. Looking back from today to the time of the hand-over, it can be noticed that in 1997 the Hang Seng Index stood at 15 800. By coincidence it is more or less the same today. It can be said that it has not gone up even after nine years. The second attack was the one that made use of Asia's financial trouble. Next year is going to be the 20th anniversary of the catastrophic collapse of the stock market. I must remind the SAR Government that the wolf is coming. Global funds and forces will definitely take upon themselves as their prime target a raid or attack on our economy and finance. Surely, their ultimate goal is basically money.

Not long ago, we congratulated ourselves on having a stock market carrying a total value of \$10,000 billion. If the \$10,000 billion goes down by 40% to become \$4,000 billion or \$5,000 billion, the impact of the fall is going to smash into the financial systems of both Hong Kong and China in the days to come. Never have we repudiated the position held by international financial institutions in Hong Kong. They are going after their fair share of profits and interests. Relatively, the SAR Government should also protect local Chinese stockbrokers and Chinese investment interests and exercise some checking here. We understand that foreign investment interests are just going after gains. Once they have made it, they will leave or go somewhere else in the world also

to make gains. With regard to those indigenous Chinese investment interests that have made contribution to our financial industry, they should be credited for their toil, if not for their achievement.

So, my earnest wish is for the Financial Secretary and the entire Government to also take into consideration local interests when attending to international interests. I am not a person speaking behind closed door. Here, I am not working for my own good. Nor does it involve self-interests or issues about any interests. Hong Kong's interests can be safeguarded only if the Government takes precautions for the financial industry. Thank you, President.

MS MARGARET NG (in Cantonese): President, with regard to the amendment proposed by Mr Ronny TONG, I would like to say something more on the issue of talents. As a matter of fact, Mr Ronny TONG has already thoroughly covered many aspects.

Among the many public policies in Hong Kong, one of culture is lacking. It is very much hoped that the Government can pay more attention to culture, draw up policies on culture, strengthen culture awareness, value and preserve culture and cultural relics, encourage the growth of native culture and promote cultural education.

President, I wonder if everybody is having the feeling that we are now discussing matters like West Kowloon Cultural District, Central Police Station Compound, Tamar Site or Government Hill. In fact it is not so. It has a direct bearing on our nurturing of talents, or the nurturing of the calibre of talents, and is closely related to the question of how best we can prevent the loss of talents, nurture professionals and raise Hong Kong people's language proficiency.

Today, Financial Secretary Henry TANG has taken his seat here to listen to our views. Seldom do I speak at debates involving Mr TANG. However, today's topic directly concerns the Financial Secretary. I recall that some years ago, Financial Secretary Henry TANG threw us a banquet, in the course of which he told a story that deeply impressed me. He said that those working in our banking and financial sectors were indeed rather professional. When they went abroad for business talks or professional contacts, their performance was very good, showing a high level of professionalism. However, when people had casual chats over a few cups of tea at the end of business, it was found that

our people were in lack of something. For instance, when other people talked about other matters, we seemed to have nothing to say, not being able to make any exchanges. These are signs indicative of the lack of culture awareness or a respect for culture.

Apart from the story told by Financial Secretary Henry TANG, I also found a book *Rethinking Hong Kong* edited by Prof LONG Ying-tai very interesting. The president of Taiwan Tourism Association is a person who achieved success through self-learning. He claimed to have succeeded in several fields through self-learning. However, whenever he had casual chats with people from other places — for example, at an international meeting of exchanges on tourism, he was aware of his own ignorance about each other's culture. So, he could only "remain silent while getting rich". That would, he thought, affect his development as well as the development of the tourism industry, something he cared about. Even if it is purely for the sake of utilitarianism, it is still necessary to put emphasis on the promotion of culture when striving to improve Hong Kong's competitiveness. This is to acquaint Hong Kong people with the cultures of the world, make them culturally cultivated and knowledgeable, and get them involved and interested.

Secondly, it is also necessary to attach weight to the need to understand native or noumenal culture while acquaintance with the cultures of the world is being sought. It is about not only the source of our culture — the rich contents of China's culture of 5 000 years. There is also an opportunity given by the history of colonial rule for us to get acquainted with Western culture, especially that of the then sovereign state — Britain's culture and language. This is to endow Hong Kong with our own history and substance of culture in the course of development. Hong Kong is rich with native culture — today the Secretary for Home Affairs, Dr Patrick HO, is absent; otherwise he would definitely be more excited than I and let everybody know his considerable knowledge about and interest in Hong Kong's culture. Why are these so important to today's topic? To prevent the drain of talents, the most significant and direct approach is, of course, to make the best use of the talents. At the same time, native culture has got to be strengthened to make it possible for one to assert oneself, and find oneself in a position of dignity and unique authority here. This is very important to the individual. We are not dwelling on protectionism, according to which there is no chance for those knowing no Chinese and holding neither Hong Kong citizenship nor Hong Kong permanent resident status to serve as government officials or get employment. We are also not advocating blind faith

in things foreign, according to which all foreigners are better than Hong Kong people — what we should say is that this place has its own culture, and it is necessary for us to advance it.

With regard to professionals, culture is more important to the legal profession than it is to those in the field of finance because language is our tool of trade. In due course, I will come to the point that language and culture are in fact closely linked. In order to communicate, it is necessary to understand the other side's culture. When a topic is brought up, it is not enough just to listen or concur. There has got to be involvement. So, it is necessary to talk about Hong Kong's culture. Culture is, in fact, the foundation of language. By eloquence, we do not mean being sarcastic. It denotes expressiveness or articulateness. Often, it is necessary for the language to have substance. For example, it has got to have allusions, that is, the citing of quotations; imagery, that is, the use of analogies and other figures of speech; connotation, that is, the use of words that are rich and suggestive; wit, that is, the use of sharp-witted words; and precision. In order that the words that one uses in speech can be precise, refined, and rich in vocabulary, one has to do reading.

It is not right for us to superficially study the admission of talents or the investment in education. We should invest in culture too, especially to get acquainted with world culture, to have cultural exchanges and to develop native culture in order to achieve a profound culture awareness. So, Secretary for Home Affairs Dr Patrick HO ought to be here today. Thank you, President.

MISS TAM HEUNG-MAN (in Cantonese): Madam President, the 11th Five-Year Plan (FYP) of the Central Authorities was endorsed by the National People's Congress in March this year. To Hong Kong, this FYP carries some particular significance. The reason is that the Central Government for the first time had Hong Kong included in the State's FYP. The 11th FYP confirms Hong Kong's status as an international centre for finance and logistics. For Hong Kong now, it is crucial to find ways to maintain this status. Today, I am going to speak on the development of the financial and other related industries.

To maintain Hong Kong's status as the leader in the financial industry, it is crucial to attract to and concentrate in Hong Kong funds for use as capital, both domestic and overseas funds. On the one hand, we have to draw mainland capital down to the south. Efforts also have to be made to attract to Hong Kong

capital intended for investment in the Mainland. Only with the inflow of capital can prosperity be brought to our various investment markets. Only then can our financial industry be further developed and our leading position maintained. Otherwise, the development of our financial industry will be held back for the lack of capital.

In order to draw in capital, it is, of course, necessary to first work on our prime investment market, that is, our stock market. In order to gather in Hong Kong both domestic and overseas funds for use as capital, the authorities concerned, in conjunction with the Securities and Futures Commission and the Hong Kong Exchanges and Clearance Limited, should by all means give encouragement and provide convenience to qualified major mainland enterprises to get listed here. For instance, the authorities concerned may as soon as possible include in the Hang Seng constituent index state-owned enterprises so as to enhance their presence in our stock market. Currently, given the fact that foreign capital is still subject to various restrictions on the Mainland, Hong Kong is still the sole window for mainland enterprises to reach out to the world in respect of finance. The authorities concerned should, therefore, properly grasp such a unique advantage.

Madam President, to maintain Hong Kong's leading position in the financial industry, it is, in addition to promoting the development of the financial market, absolutely necessary to promote and protect the development of professional services related to the financial industry. Being one important professional service, the accounting profession is naturally no exception. Apart from the shortage of talents, the issues that members of the profession find most pressing are the questions of professional liability reform and going north to provide service.

As stated earlier on, in order that our financial industry can grow, it is necessary to encourage more enterprises to get listed in Hong Kong. When there are more listed companies, there will naturally be a greater demand for accounting service. Besides, in recent years the people have been paying quite a lot of attention to the financial management of listed companies. The supervision and control exercised by the authorities concerned over accountants and auditors are getting more and more stringent. Under such circumstances, the professional liability risk borne by accountants inevitably grows with each passing day. Under the existing professional liability regime, even just a minor mistake on the part of an accountant or his partner can easily wipe out the whole

business and lead to a total loss of fortune. Even one's professional qualification will be at stake. Is it to the advantage of Hong Kong in maintaining our leading role in the financial industry to subject accountants to so big a risk? So, professional liability reform is an issue that brooks no delay.

In the case of both the accounting and legal professions, their basic request in connection with professional liability reform is merely for the authorities concerned to bring in limited liability partnership by making reference to the approaches adopted in foreign countries like Britain and the United States. Britain and the United States are the world's major financial powers, and they have also set up such regimes. Why is it not practicable in Hong Kong? If eventually the development of the accounting profession becomes stagnant because of the effect of the archaic professional liability regime, it is going to be difficult for our financial industry to keep the leading role.

Today, I do not expect government officials to respond to this request of mine. But the authorities should at least respond to the view long presented by members of the accounting and legal professions and seriously carry out the relevant study. Carrying out a study probably will not impact on the Chief Executive's chances of getting another term of office. It is hoped that the SAR Government can spend some time on this during the remainder of the current term.

In addition to the issue of professional liability regime, going north to provide accounting services is also one of the quests of the accounting profession. If more accountants can go north to provide services, then ideas of our advanced, professional and high-calibre accounting service, financial management and operation management will be introduced to mainland enterprises, thus assisting their development and bringing them on par with international standards. Only in this way can we enable more mainland enterprises to become eligible for listing in Hong Kong. It is only in this way can we maintain Hong Kong's leading role.

To make it easier for more accountants to go north to provide services, the authorities should proactively discuss with the relevant departments on the Mainland to arrange through CEPA or some other arrangements to facilitate the provision of service by our accountants, for example, permission for Hong Kong accountants to set up partnership firms with mainland accountants, lowering the threshold for Hong Kong accounting firms to set up offices on the Mainland, and

relaxing the exemption requirements for Hong Kong accountants taking the Mainland's professional examinations.

Madam President, it goes without saying that to attract investments from all parts of the world is an important step in maintaining Hong Kong's leading role in the financial industry. However, the authorities must not disregard the relevant professional sectors. Because Hong Kong definitely cannot maintain its status as a financial centre without these professionals, people who are quietly making contribution behind the scene.

I so submit. Thank you, Madam President.

DR KWOK KA-KI (in Cantonese): Madam President, it is very meaningful for Dr Raymond HO to propose the motion today as we have recently heard much discussions on our economic development. It is believed that the most crucial one is the discussion on the likelihood of Hong Kong being marginalized.

Two incidents have taken place. First, at the fourth session of the 10th National People's Congress this year, Premier WEN Jiabao of the State Council, for the first time, explicitly included Hong Kong in the 11th Five-Year Plan of China's economic development. It was also pointed out that Hong Kong should maintain its status as an international financial, trade and shipping centre. The discussion thus induced in Hong Kong is also about the need for Hong Kong to maintain its position in finance as well as in shipping and trade. Surely, the discussion on marginalization was not started only today. As a matter of fact, as China's economy gradually advances, the growth of Shanghai, Guangzhou, Beijing and other coastal cities has been wearing away the strengths long enjoyed by Hong Kong in areas like economy, finance, and manufacturing. In fact, this is fully reflected in the structures of our economy and job market.

Furthermore, we still face a very big problem, namely, mismatch in employment. Both our stock market and property market have experienced the bubble effects over the past few months, thus creating an illusion leading us to believe that our economy is bouncing back. Surely, if we only look at those luxurious apartments that cost \$20,000 per sq ft or the stock market that keeps hitting new highs, it is likely for us to get a false impression, and mistakenly think that Hong Kong is becoming more and more affluent.

However, if we take a look at the local employment situation, especially the workforce and the pays, we can see that it is not a matter of course for most members of our workforce to share the fruit of economic success. Hong Kong's current situation is different from what it was a decade or two ago. In the first place, there are far more challenges to Hong Kong than before. In the second place, in comparison with the past, the SAR Government is in a far better position to make changes to the economy and employment situation. At present, our reserves, inclusive of trade reserves and fiscal reserves, amount to \$1,000 billion, ranking among the top ones in the world. In *per capita* terms, our GDP is very high. However, compared to other places, the SAR Government is apparently not up to par in promoting our economy, especially with regard to positive measures for the promotion of employment.

Let me cite a few examples. There are several industries which the Government once undertook to promote with extra efforts. These include the service industry and tourism industry. With regard to the tourism industry, it can be noticed that as the Mainland opens up and CEPA takes further effect, there come more and more mainland visitors. However, in Hong Kong the tourism industry is also facing a very big problem. There is even the likelihood of it drying up. Why? Now more and more visitors notice that there are not enough tourist attractions in Hong Kong. Besides, within the tourism industry are many unscrupulous practices. For instance, some travel agencies that arrange packaged tours employ malpractices and many shops are doing business dishonestly. All these have been doing harm to Hong Kong's reputation as a tourist hub. Despite the many pleas for reform, the Government still has not responded very positively.

The second point about tourism, surely it is hoped that there can be more new hotels and that more moderate to cheap hotels can be provided for tourists to make their picks. But what sorts of software can we offer to tourists? I cannot but reiterate that what we have done to the environment, the harbour, and the preservation of monuments is most unsatisfactory. I do not wish to dwarf Hong Kong by constantly referring to success examples like Macao and Singapore. However, let us take a look at Hong Kong. Performance in respect of tourism, especially that in the preservation of the harbour and relics, is, in reality, very bad. When visiting Hong Kong, many tourists, of course, are not thinking of visiting big shopping malls. They are looking forward to seeing our scenery, which includes the scenery at the Victoria Harbour as well as the scenery at the

Peak. However, when they are in Hong Kong, they can feel the gravity of air pollution. Over the past decade or two, we could only see barges ceaselessly carrying out reclamation work in the harbour. With the harbour growing narrower and narrower, both citizens and tourists can only sigh at the sight of the sea.

According to the Financial Secretary, as we have to create jobs, it is not advisable to get into the way of reclamation, including that for the Tamar project. This is a short-sighted approach, similar to getting the eggs by killing the hen. Short-term employment and short-lived bubbles can hardly contribute to the idea of building up Hong Kong as a long term tourist hub. It is very much hoped that the Government can have a long-term policy capable of making the harbour, relics and different items of software more attractive so as to draw to Hong Kong tourists from other countries.

Secondly, on medical tourism, the Chief Executive recently met with members of the profession and undertook to do more on the provision of medical tourism. However, never has the Government had a proactive policy helping Hong Kong to achieve some growth in the area of medical tourism. There are not even sites suitable for the establishment of medical tourism centres.

Thirdly, even though it is said that it is necessary to attract mainland tourists, the Immigration Department still impose many hurdles, making it impossible for many mainland patients to get permission to stay here long enough for medical treatment. This is sufficient to scare off many foreign visitors and patients.

It is hoped that the SAR Government can be practical and realistic so as to do something good to our job market and structure. I so submit. Thank you, Madam President.

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

MR LEUNG KWOK-HUNG (in Cantonese): What has often come up for us to discuss in this Chamber is invariably "hackneyed", namely, how to make Hong Kong rich. Many people also claim to be in a position to make Hong Kong rich. For instance, according to "Ah Chung", that is to be done by means of

slimming and reducing weight, or by way of paradigm shift. However, there is no more margin for further slimming. Starvation has reached such a point that there is nothing to eat. Why are we still talking about how to make Hong Kong rich? Having saved tens of thousand dollars, "Ah Chung" probably has grown rich.

So, we can see that the Government's administration is in fact very simple. All in all, it is just the dripping timer principle. As there is no bubble, then let there be some bubbles. When the bubbles burst, the bubble-makers just pass on to others the evils they have created. As a result, wage earners experience downsizing and pay cuts. It is worse still for those who are not wage earners. They become outcasts, and have to suffer cuts to the CSSA payments they have been receiving. Children can afford neither rubber shoes nor spectacles. Let it be so. The Liberal Party has set up for them a fund for spectacles. What administration is that!

It is often said that talents are very important. How much have we invested in education? Only the Chief Executive — the former one, of course — said that we should catch up with Singapore where 60% of post-secondary graduates also hold university degrees. So the phantom of associate degree was created. Such an approach has now been proven not feasible as well as deceptive. Now the old man has left, saying he had to seek medical treatment for his aching leg. There is, however, much aftermath to clear.

Now let us take a look at logistics. LI Ka-shing, a big shot in the logistics industry, monopolizes our container terminal business. Our terminal handling charge is the most expensive in the world. He has set up in Yantian a similar company. To deal with that company of his is just the same. We are now striving hard to claim that we should get ourselves included in other people's 11th Five-Year Plan. It is said that roads are to be made accessible to the Mainland so as to cut transport time. However, cost has always been under monopolistic control — it is because of LI Ka-shing's monopoly. That is to say, there is not even the so-called free competition, something advocated by capitalism. When we, the people of Hong Kong, build roads running to the Mainland, are we hoping that the other people will come down to the south to make use of our logistics facilities? This is basically crazy. Can anyone dare offend LI Ka-shing? I think nobody has the guts. I think not even the Financial Secretary does. LI Ka-shing's monopoly is known to all. So, it is just crazy to talk about development for the logistics industry. The

Administration has done nothing. No effort whatsoever has been made to get more business. It is sheer lie to talk about building roads running to the Mainland. The other people surely do not mind such talks — Is there a problem? Just go ahead and build roads to the Mainland.

Secondly, financial services. This bubble has been blown up to an excessive size. Macao is a casino. Hong Kong is another big casino. The Mainland's red chip stocks (I cannot think of others) have all come here to have their "cards swiped". Bank of China International, unable to get listed in the United States, came here for listing. Did our Security and Futures Commission (SFC) dare to make one move against it? It will renounce all responsibility when the bubble eventually bursts, probably saying that "You have had fair weather days," just like what LI Ka-shing's son once said: "There was once good price, but you did not sell." Should a government act like that? Is it still possible to keep Hong Kong "in luck" with the bubble economy? Someone quit after working as a government official for five years. Even if the bubble bursts later on, it has nothing to do with him. It is even likely for him to make fortunes in Shanghai. When Hong Kong was in the greatest trouble, many people switched to Shanghai to make money on the excuse that Hong Kong was in trouble. Shanghai now has the tallest building. In fact, those monopolistic consortia and fellows with power and influence in Hong Kong made the move to Shanghai on seeing Hong Kong "dying". Since Hong Kong failed in raising capital, failed in everything, they sent their men to the Mainland to pursue development.

The case of tourism is even more ridiculous. How can there be relics or scenery when the emphasis is on real estate? Can there be any planning *per se*? There are just skyscrapers behind Repulse Bay. Haven't I seen it myself? At that time it was just being taken as malt sugar. When there was much joy from speculation in the property market, faces were radiant with smiles, and socks could no longer fit. Just because developers and consortia "have every say", all scenic sites have been taken up to develop real estate projects. To talk about tourism now? Even if there were relics, they had been wiped out. Do not pretend to be benevolent. Do not applaud real estate. At present, the Tamar project is just like that. Isn't it? Isn't West Kowloon just like that? What else to say here?

Therefore, the four pillars mentioned by Mr TUNG have all collapsed. However, everybody is still speculating in the property market. At present,

there are still 10 tricks to keep the property market booming. "Real estate guys" are the most unscrupulous. Financial Secretary Henry TANG, the stock market is being monitored by the SFC. These people, however, buy their own units and have them changed hands several dozen times, claiming to have made many transactions. This is being done every day. They even get people to line up to buy their own units. These developers have long been doing these. Who dares touch these real estate developers? If stock speculators did these, they would have been arrested.

I have, therefore, always felt indignant for CHIM Pui-chung. Had someone done what he did (I know not whether he had indeed done that), that person would have long been arrested. It can therefore be concluded that, in this world rich people "have all the say". The poor have been so ravaged by the bubble economy, on top of further suffering from downsizing and pay cuts. Worse still are the helpless and women toiling in silence. They are all affected by poverty. Under such circumstances, I wonder how Hong Kong can be made rich.

Education does not work. Medical care does not work. Tourism does not work. Nothing works. President, what is wrong? It is because Mr TUNG's leg aches, Mr TSANG forgets, and the regime is devoid of integrity. Mr TSANG has not offered apologies for his new Christmas tale. So, in my opinion, in order to make Hong Kong rich, it is necessary to be honest, sincere, and thoughtful of the poor, and not to put profit-making before everything.

MR SIN CHUNG-KAI (in Cantonese): The motion moved by Dr Raymond HO is like a big Christmas tree dangling four or five amendments, some of which, including that from the Democratic Party, are more in keeping with the topic. Some just talk about infrastructure projects. Surely, long-term development probably does not just involve infrastructures. In fact, also involved are software or measures or policies with regard to finance. We are going to support all the amendments today, but I would like to speak mainly on the motion moved by Dr Raymond HO because of his background in the architecture and engineering sectors, and his keener concern about infrastructures.

I would like to draw the Financial Secretary's attention to the fact that Hong Kong actually faces some fundamental problems. With regard to the overall development of Hong Kong over the past 10 years, more time has been

spent on discussion. Instances of actual implementation of specific policies have been few. Here are some examples: West Kowloon, East Kowloon, and the Tamar project. There are even the Lantau Development Plan, cross-boundary railway, Regional Express Line, Hong Kong-Zhuhai-Macao Bridge, and cruise terminal, items probably mentioned by the Financial Secretary in his first or second Budget. I have cited seven or eight projects that have been discussed for some 10 years. However, there is still no specific timeframe for implementation. My wish is for the Government to expeditiously implement those projects as Raymond HO "urges the Government to increase its investment in the infrastructures in Hong Kong, particularly the cross-boundary transport networks."

In fact, I also agree that it is advisable to link up the transport networks of the two places, in particular, in order to reduce the time required to travel between the two places. It is my belief that the time so required will be shortened once the Hong Kong-Shenzhen Western Corridor is opened to vehicular traffic early next year. I, however, think that it is time to start building new cross-boundary facilities. I believe that once the projects of Hong Kong-Zhuhai-Macao Bridge and Regional Express Line are implemented, they can help to boost cross-boundary facilities. However, I wonder if it is time to consider cross-boundary facilities on the East side. Should we do something to the cross-boundary facilities at Sha Tau Kok in the East?

However, there is one most important issue that I wish to raise. In carrying out infrastructure projects, Hong Kong has to do a lot of essential work, such as environmental impact assessment (EIA) and consultation. Because of these, entire projects or individual items often have to take more time. Surely, we understand that a lot of work is mandatory under law. But we should not have the feeling that what is being required by law is superfluous. On the contrary, there should be more respect for statutory requirements. We have learned from history that serious consequences occurred probably because projects were carried out before any careful assessment was made. This being the case, I wonder if it is advisable for the SAR Government to have some offices specializing in researches — no matter local offices or ones straddling the boundary — to cast a further vision for those infrastructures, and carry out EIA and vital studies early enough in order that every infrastructure can be completed on time to satisfy the needs. Just as mentioned by quite a few Honourable colleagues earlier on, the Government often keeps postponing these facilities because of consultation or some other reasons.

Here is my second viewpoint, something about the Government's investment in infrastructures. At present, the Hong Kong Government is financially better off. Given the fact that investment in those so-called infrastructures is not recurrent, that is, being non-recurrent expenditure, the pressure requiring the Government to control operating expenditure is relatively smaller here. I hope the Government can plan for the future and lay proper groundwork.

The Democratic Party very much hopes that there can be more studies by the Government on a long-term basis in order that both our local transport and the transport between the two places can be improved. Take a look back to the 1990s. Because of the 1997 reunification and the democratic movement of 1989, the Government proposed a Rose Garden Project. Does Hong Kong need another Rose Garden? I hold that we have got to prioritize these seven or eight projects, the reason being that in addition to bringing employment to members of several related professions, it can enhance our competitiveness in the long run.

The Democratic Party supports all the amendments today. I so submit.

MR ALBERT CHAN (in Cantonese): President, whenever there is talk about our economy, government officials will often pride themselves on that, and often boast of the merits of Hong Kong. However, those standpoints and perspectives are often oblivious of the objective factors of historical development.

Take a look at Hong Kong's economic status 20 or 30 years back. As far as I can recall, in the 1980s, Hong Kong, then known as one of the four Little Dragons and propelling the economy of the entire Far East, was enjoying prominence. However, the sign of such a dragon appears to be disappearing. Even the emblem of the flying dragon designed by the Government looks like the flying chicken infected with avian influenza which once plunged Hong Kong into a mess. Gone is Hong Kong's image as a dragon. Conversely, it looks like a snake. This in fact is very distressing. In the past, when there was mention of Hong Kong, especially with regard to the link with China, many written works invariably described Hong Kong as the gateway to China. As China's development progresses, Shanghai, in particular, grows rapidly and the economic development taking place in Guangzhou as well as in other Special Economic Zones or provinces and cities also slowly matures. Our role as the

so-called gateway to China is becoming more and more blurred, gradually fading away. Boastful words said by government officials are seldom heard now. Much repeated these days are "Nine plus Two" or "leader of the Pearl River Delta (PRD) Region" — there is a little chance for this as we are located at the tip of the PRD.

This is in fact very saddening. We proceeded from being one of the four Little Dragons of Asia to being the gateway to China, and then slowly grew even smaller to become the leader of the PRD Region. Such a trend, one of shrinkage and an ever-diminishing role, really drives one into despair. Of course, the objective reality contributing to such a development is that the economic liberalization policy of our great Motherland has yielded favourable outcomes. Officials of different provinces, cities, towns and counties on the Mainland have shown bold commitment to reform. Consequently, many mainland development projects require no help or capital from Hong Kong. If we continue to live in a dream or blow our own trumpet by making exaggerations, then Hong Kong will inevitably end up in a blind alley and our economic role will shrink gradually.

To change from a dragon to a snake is very disheartening. It can be noted that snake has many special features, one of which is to have evil forces of all descriptions. As a matter of fact, departments of the Hong Kong Government and many of the so-called major consortia are evil forces of all descriptions. They often have "ugly fights" among themselves for self-interests, having neither a complete system nor a sound theoretical base, and paying scant attention to the interests of the entire Hong Kong community when dealing with problems. Their emphasis is on personal gains. Take Cyberport as an example. Emphasis was on gains for one's own consortium or family. There were also transfers of benefits by the Government. With all these evil forces flattering and supporting each other, and with differentiation made between those who are close and those not so close, given that they are all snakes, they will definitely become very intimate, like snakes and rats sharing the same den. Snakes tend to be very intimate. Just take a look at the snakes' den. There, thousands of snakes can be seen curling intimately close to each other. Making differentiation between those who are close and those not so close, the Chief Executive is precisely ruling as snakes behave. Snakes are dark and shady, seldom coming out for the sun even in winter and usually staying in dark and shady dens or wet marshes. Hong Kong has become a place where

evil forces of all descriptions prevail and snakes and rats cohabit. This is a very sad phenomenon.

Also, as for economic development, Hong Kong often takes an approach smacking of treacherousness. When taking a look at our economy, one can see that the biggest achievement is just a copy of Disneyland. At that time, there was talk about a centre for Chinese medicine or what not. Where is it? The Cyberport is defunct. The centre for Chinese medicine is nowhere to be seen. There are just "talks". All the talks in the past turned out to be "tall talks"—centre for Chinese medicine and Cyberport turned out to be "tall talks". To drive economic development with such a treacherous approach can only bring benefits to a handful of assorted evil forces. To members of the general public, there is definitely harm.

President, with Mr TANG serving as our Financial Secretary, we in fact do expect something of him. Coming from an industrialist family investing heavily and providing a lot of employment in Xinjiang, he started his career as a businessman. He is the descendant of an industrialist. He himself is a visionary investor. Given the fact that he invests so heavily on the Mainland, and is providing employment opportunities there, I wonder why he, as a Financial Secretary vested with enormous powers, has not established an industrial foundation for our workers and industries home in Hong Kong.

Although he has been the Financial Secretary for some years, we cannot see much effort on his part in promoting our industrial development to bring some new vitality to our economy and industries. Mr TANG has yet to prepare next year's Budget. My wish is for him to be responsible. Last time he walked out. I wonder whether it was because the criticism I levelled at him then was too harsh. He is now in his seat. However, I am not sure whether he is listening to us. On the last occasion, I said that probably because our Chief Executive himself was pursuing strong governance, the Financial Secretary was not given room to assert himself. If Mr TANG still cannot assert himself in next year's Budget, then he, in my opinion, had better take the blame himself and submit his resignation in advance. Otherwise, my wish is for him to bring our industries some new development and hopes in the next Budget. If he, one who has been the Financial Secretary for some years, is equal to one who has never been a Financial Secretary, then he ought to take it as a disgrace. Thank you, President.

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

MR ALAN LEONG (in Cantonese): Madam President, late last year, the Mainland passed the 11th Five-Year Plan for National Economic and Social Development (hereinafter called "11th FYP"), paragraph 43 of which specifically mentions the Hong Kong Special Administrative Region (SAR). According to the relevant plan, the Mainland, continuing on the basis of implementing CEPA, is going to step up co-operation with Hong Kong and Macao in areas covering infrastructures, industries, use of resources, and environmental protection. There is specific reference to the offer of support for Hong Kong to develop financial, shipping, tourism and information services so as to maintain our position as an international financial, trade and shipping centre.

Regarding 11th FYP, in March this year the Chief Secretary for Administration once responded that it is likely for Hong Kong to face the problem of marginalization. Primarily, it means that there is the possibility for the traditional edge of Hong Kong in the relevant areas to be affected as the 11th FYP talks about stepping up efforts to develop on the Mainland the service industry as well as transport infrastructures.

The contents of 11th FYP precisely show that the Mainland is going to make every effort to upgrade their service industry and transport infrastructures in terms of both quantity and quality, and that there is even the possibility of constituting a challenge to Hong Kong. The difference between the two sides is dwindling rapidly. Shenzhen's *per capita* GDP rapidly grew from RMB 5,300 yuan in 1997 to RMB 59,000 yuan in the year before last. As for Hong Kong, the economy during the said period was basically at a standstill. On the Mainland, the power of production, consumption and investment just keep growing. The trend of growth will probably continue.

Madam President, in face of the challenges in the areas of economy and trading from various provinces in the Pearl River Delta (PRD), it is not possible for us to tackle our competitors in terms of production cost and hardware development. Going on unremittingly on the Mainland is urbanization, as a result of which every province or city is supplied with cheap labour in excess of

demand. Hong Kong is just too far behind to catch up. What Hong Kong ought to do is to immediately fortify our structural strength in software. Also, attempts should be made to fully utilize the fruits coming out of development on the Mainland and turn them into big business opportunities for our enterprises in areas like finance, services, tourism and logistics.

Madam President, in comparison with Hong Kong, the PRD Region is in a more advantageous position in terms of the overall levels of pay and costs. However, while there is an exodus of workers from the rural areas to major cities, the various provincial or municipal governments have yet to get supporting facilities like legal system and corporate regulation to slot in. It is possible for them to bring in factors upsetting social stability and even, paradoxically, impeding economic growth. In Hong Kong, the rule of law and corporate governance are relatively more healthy and sound, and the implications of policies on the economy are more predictable. So, there are comparatively fewer destabilizing factors in our economic development.

If the rule of law is fortified and real efforts are made to bring about fair and highly transparent market conditions, then it is going to be easier for the four pillar industries to grow healthily. What is more, a balance of interests can be maintained among all sectors of the community in an orderly manner, thus making it possible for all community groups to strive for economic development with one heart and one mind. As for the existing laws and corporate governance regime, the Government must remain determined to protect and reinforce them, and also regularly conduct reviews and plug loopholes in the systems. For instance, in order that the market can grow in an orderly manner, there should be efforts working towards fair competition among enterprises.

Madam President, to make Hong Kong a nice tourist hub where the East meets the West, the Government should cogitate more upon land planning in the future and forge a partnership with the civil society. Hong Kong has long been a place where Chinese matters blend with things from the West, and is, thus, the springboard for overseas tourists to visit and know China. Similarly, many mainland visitors want to see the world through Hong Kong. In this respect, a major role can be played by, for instance, the West Kowloon Cultural District or the development of certain major tourist attractions. For this will make it possible for visitors to get a glimpse of Chinese culture and enjoy the art achievements of the West.

Madam President, Hong Kong's success over the past few decades is not the outcome of a single economic development model. Our economic development, whether at the time of an industrial city or at the time of a tertiary industry centre, has always relied on our thriving SMEs. Such a flexible economic model which can effect changes in response to market requirements is exactly what a knowledge-based economy, one emphasizing creativity, must have. In order to maintain our traditional economic edge, the Government must see to it that its laws and policies do bring about an environment favourable to SMEs so as to bring back to Hong Kong the enterprising spirit of the 1970s and 1980s and re-invigorate our market.

Madam President, in sum, to seek opportunities amid the soaring development in China, we must fortify our established institutional strengths, and make every effort to turn the fruits of development on the Mainland into our business opportunities. The latter, of course, requires the support of mainland policies, such as CEPA and the Individual Visit Scheme. As for the former, primarily there has got to be positive initiatives by the SAR. The SAR must take the initiative to grasp the future of its own development. It is not advisable to rely on getting from mainland authorities of different levels policies offering "sweet-heart deals".

Madam President, I so submit.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): If not, I now call upon Dr Raymond HO to speak on the various amendments. You have up to five minutes to speak.

DR RAYMOND HO (in Cantonese): First of all, I would like to take this opportunity to offer my thanks to more than 10 Members for their earnest speeches and valuable views on the motion moved by me. According to my observation, we, more or less, share the same views, all agreeing that Hong Kong should make every effort to maintain its role as the leader of economic development in the region, and that, as we stand to gain from strong economic

growth on the Mainland, we should take such an opportunity to bring into play factors that are of mutual benefit to the two sides. There is a new economic order arising from the globalization of the world economy. Also cropping up is a new challenge from the rapid development on the Mainland. It is necessary for Hong Kong to work much harder. It is hoped that the Government will refer to the valuable ideas voiced out today.

In fact, economic success on the Mainland does not mean that Hong Kong's position will be replaced. Past experience tells us that in the course of development on the Mainland, Hong Kong will be continuously given new development opportunities. We, therefore, should keep on enhancing our strengths, seize the opportunities and improve our economic conditions.

During today's motion debate, Members put forward many most constructive suggestions. My wish is for the Government to make thorough reference to them and, as soon as possible, appoint experts to study them in detail. However, the motion moved by me today mainly points out that in the past the Government did not commit a lot of resources to long-term economic strategy. It is, therefore, hoped that there can be further thorough discussions upon the presentation of data and a strategy by the Government. As for the viewpoints advanced by me on infrastructures, especially those on developing local and cross-boundary transport networks, they are all complementary arrangements. Please take note of the sequence of the words used by me. Please support my motion. Do not distract the Government from its primary role. Let a long-term strategy for economic development be mapped out and the direction set first. Our debate is to come after that. It is not advisable to set too many frames or conditions for the Government. Please support my motion and vote against the other amendments. Thank you, President.

FINANCIAL SECRETARY (in Cantonese): Madam President, first of all, I would like to thank Dr Raymond HO for proposing today's motion debate, thus giving us an opportunity to listen to the viewpoints of Honourable Members on the original motion as well as the amendments proposed by several other Members in relation to the subject of how Hong Kong can maintain its role as the leader of economic development in the region.

Recently, there have been many discussions on whether Hong Kong can maintain its competitiveness as well as how it should determine its future

direction of economic development. In particular, with the opening-up and the launching of reforms in China, many provinces and municipalities have made great achievement in their economic development. Under such circumstances, will Hong Kong's relative advantages be undermined and will it be marginalized? First of all, I adopt a rather positive attitude to this type of discussions which reflect a sense of crisis in the community. I think we should take a positive attitude to embrace competition and face challenges because an appropriate sense of crisis will make us stay alert, keep upgrading ourselves and strive for further excellence.

The rapid growth and development of our country provide an extremely good opportunity for Hong Kong. On the issue of whether Hong Kong can maintain its economic prosperity, it depends largely on whether we can give full play to our advantages in "leveraging on the Mainland and engaging ourselves globally" in the process of our country's reforms and opening and implementation of full-scale economic development. It also depends on whether we can monitor closely the direction and trend of China's economic development, so as to be able to identify the opportunities early and grasp them when they arise. In doing so, we can inject an impetus into Hong Kong in the new phase of economic development and make positive contribution to the economic development of our Motherland.

In order to maintain our competitiveness and advantages, our priority task is to ensure that the economies of both the SAR and the Mainland can be further integrated, so that we can have very smooth flows of people, goods, services and capitals between Hong Kong and the Mainland, thereby promoting Hong Kong into an international cosmopolitan city in the region.

With regard to the flow of people, we have successfully lobbied the Central Government to implement the Individual Visit Scheme, which makes it easier and more convenient for 220 million people in 44 mainland cities to visit Hong Kong. Last year, mainland travellers visiting Hong Kong hit a historic record of 12 million passenger trips. In the meantime, we are actively establishing more convenient and a greater number of transport links and tourist matching facilities, so as to attract more visitors to Hong Kong. Last year, the number of overseas visitors coming to Hong Kong increased by 13%, and the first four months of this year witnessed another 4% increase. In terms of tourist facilities, apart from large-scale projects such as the Hong Kong Disney Theme Park, the Wetland Park, the Ocean Park and the Ngong Ping 360 Skyrail, we

have kept beautifying and upgrading the various scenic spots and cultural facilities, such as the Waterfront Promenade at Tsim Sha Tsui, Stanley, the Peak, and all the historic relics, and so on. Besides, we are now conducting a public consultation on the planning of the development of a cruise terminal at the Kai Tak area. The feasibility of constructing the cruise terminal in other areas is also being studied.

In the aspect of cargo flow, Hong Kong has always been an international logistics centre, which helps deliver mainland manufactured goods to international markets. On the other hand, Hong Kong also assists foreign businessmen to launch their operations on the extensive market in the Mainland. There has been an increase in the volume of interactive business activities between Hong Kong and the Mainland, and our enterprises keep identifying their new positioning in the entire supply chain, so as to add value to their business. The Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) came into operation in 2004. Today, all the goods made in Hong Kong can basically enjoy zero-tariff treatment when entering the mainland market. Besides, through the communication and co-operation between Hong Kong and Guangdong Province, we have implemented all kinds of measures to improve efficiency and reduce costs in cross-boundary transport and customs clearance arrangements.

In the aspect of service flow, Hong Kong has an excellent legal system, very good infrastructure facilities, free flow of capitals and information as well as many strong professional teams with international connections, and we are the major hub of service industries in the region. Now, the service industries account for 90% of the GDP of Hong Kong. With its service quality in full compliance with international standards, Hong Kong is the ideal two-way platform for providing services at both "drawing in" and "reaching out" modes. The National 11th Five-Year Plan (FYP) says that it is necessary to speed up the development of the service industries, and insofar as Hong Kong is concerned, this is a very significant business opportunity. CEPA provides Hong Kong's service industries with some very special concessions, which are even better than those pledged by China in gaining accession to the World Trade Organization and it also enables Hong Kong to enter the mainland market expeditiously, thus assisting mainland enterprises to boost their competitiveness. On the other hand, more and more mainland enterprises are coming to Hong Kong to establish their operations here and such enterprises will have growing demands for Hong Kong's professional services.

In the aspect of capital flow, we keep consolidating and strengthening Hong Kong's status as an international financial centre. Many commercial or investment banks, fund managers, insurance companies, venture investment funds and many different types of financial institutions from all parts of the world have established offices in Hong Kong to look for investment opportunities and manage risks for overseas funds in both the Mainland and the region. Meanwhile, they can also direct capitals in the region to different markets all over the world. Our financial system is both flexible and sound. We have many diversified professionals with international visions and rich experience in providing services in the mainland market. This will serve to cater to the demands for financial services fostered by the rapid development of the national economy.

Starting from early 2004, Hong Kong banks are allowed to provide four kinds of Renminbi (RMB) services, namely, money exchange, saving, remittance and credit card, which will provide convenience for people of both Hong Kong and the Mainland in their cross-boundary consumption, and it will also provide a channel for RMB to be channelled back to the Mainland. We are actively negotiating with the Central Government for provision of other RMB services in Hong Kong, so as to further consolidate Hong Kong's status as an international financial centre. Besides, the People's Bank of China has recently relaxed certain foreign exchange controls on mainland residents and enterprises in making overseas investments through banks, fund management companies and insurance companies. The intermediaries in Hong Kong will continue adopting a more proactive approach in attracting mainland capitals into making use of such new channels of investment in Hong Kong. These reforms will have very significant implications because they can bring new business opportunities for Hong Kong's financial institutions. And we have also adopted various measures, such as abolishing the estate duty, so as to promote Hong Kong into an asset management centre. Our stock market has raised a total of more than HK\$300 billion last year, and we have surpassed Japan and ranked first in Asia. Starting from 1993 when the first mainland enterprise had secured a listing in Hong Kong, over 340 mainland enterprises have been listed in Hong Kong and have raised a total of over HK\$1,200 billion. At present, in terms of quantity, mainland enterprises account for 30% of all listed enterprises in Hong Kong; and they account for 40% of the capitalization of the local stock market.

We shall give full play to our advantage of "leveraging on the Mainland and engaging ourselves globally", and by adhering to the principle of achieving

complementary development and a win-win environment, we shall continue to expand our co-operation with the Mainland and extend the scope in this regard.

Some may think that the Government's free market policy has already become outdated, and they hold that the Government should actively formulate long-term plans for our economy and vigorously promote certain industries. I have reservations about such a viewpoint. When our country is continuously launching reforms and implementing the opening policy, Hong Kong should take a further step in giving full play to the forces of market economy, keeping on making innovative efforts and adding value to our strength. Hong Kong people's flexibility, vigour, diligence and ability to grasp and ride on the latest trends cannot be underestimated. As a matter of fact, instead of being directed or planned by the Government, each and every economic restructuring in the history of Hong Kong has been completed on the voluntary initiatives of the various enterprises, big or small. Markets all over the world undergo drastic and fast changes every day. The unfaltering adaptability of Hong Kong entrepreneurs is really the driving force that pushes Hong Kong economy to move forward. I have great confidence in market economy.

Of course, the Government's role in certain issue is irreplaceable. In order to maintain Hong Kong's competitiveness and its role in economic development, we must continuously do a better job of what the Government should do and must do under the principle of "market leads and government facilitates". One of the important tasks is to facilitate the operation of the market, ensuring that we have a fair and open market that encourages competition; and in addition, we should strive to improve the business environment, remove all kinds of restrictions, simplify the procedures and reduce the compliance costs. Members have presented valuable opinions on whether we should introduce any fair competition law. The Government shares the views of Members in supporting fair competition. In June last year, the Government established the Competition Policy Review Committee which will soon submit its recommendations to the Government. The Government will brief the Legislative Council and the people after the Review Committee has completed its work.

Madam President, increasing investments in infrastructure will not only promote economic development and bring more job opportunities, but also make

our living environment more pleasant and enhance our competitiveness. Since assuming the office of the Financial Secretary, I have explained in detail the infrastructure projects undertaken by the Government in each Budget. I hope that the large infrastructure projects under planning can start more quickly. In line with our principle of investing where required, I support pushing ahead with infrastructure development, and I am prepared, if necessary, to increase the expenditure on this. Therefore, with the spirit of striving ahead together and building up Hong Kong, I hope we can reach consensuses on these projects as soon as possible.

However, the Government alone cannot achieve the target of maintaining competitiveness. The people from different sectors of society and Honourable Members must strive together to attain this common goal and the support of everyone is essential. Hong Kong's role as the leader of economic development in the region has been achieved through the long-term effort and struggle of Hong Kong people, and it has been accomplished through many years of industry. In the face of new opportunities provided by our country, we should not feel complacent with our own achievements. In the Question and Answer Session held in May in this Council, the Chief Executive already proposed to hold an economic summit on the FYP, so as to pool together the wisdom of many people to deliberate on how Hong Kong should respond to the FYP and what we should do in our next step. All along, the Government has done its best to consolidate our strengths, develop new markets and new economic engines. However, Hong Kong's success relies more on the common determination of everyone in society who will continue to work hard and excel in each of their own position for achieving the purpose of boosting Hong Kong's competitiveness as well as our strengths.

Madam President, I so submit. Thank you.

PRESIDENT (in Cantonese): I now call upon Mr Jeffrey LAM to move his amendment to the motion.

MR JEFFREY LAM (in Cantonese): Madam President, I move that Dr Raymond HO's motion be amended.

Mr Jeffrey LAM moved the following amendment: (Translation)

"To add "with the rapid development of the Mainland's economy and" after "That,"; to delete "with a view to" after "Hong Kong's future economic development," and substitute with "grasp the opportunities and explore how Hong Kong can complement the country's implementation of the outline of the Eleventh Five-Year Plan, which will commence this year, including"; to delete "; furthermore, this Council also urges the Government" after "formulating the relevant policies"; to delete "its" after "to increase" and substitute with "Hong Kong's"; to add "domestic and cross-boundary" after "investment in the"; and to delete "in Hong Kong, particularly the cross-boundary transport networks" after "infrastructures" and substitute with ", enhance the co-operation between the Mainland and Hong Kong in the areas of industry development, resource utilization and environmental protection, etc, and strive to maintain Hong Kong's position as an international centre for finance, trading, logistics, tourism and information"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Jeffrey LAM to Dr Raymond HO's motion, be passed.

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Mr Andrew CHENG, as the amendment by Mr Jeffrey LAM has been passed, I have given leave for you to revise the terms of your amendment, as set out in the paper which has been circularized to Members. When you move your revised amendment, you have up to three minutes to explain the revised terms in your amendment, but you may not repeat what you have already covered in your earlier speech. You may now move your revised amendment.

MR ANDREW CHENG (in Cantonese): Madam President, I move that Dr Raymond HO's motion as amended by Mr Jeffrey LAM, be further amended by my revised amendment. Madam President, I believe only the part concerning the northern section of Route 10 in my amendment is not supported by Honourable colleagues. I would like to spend the next several minutes convincing colleagues to decide on their voting preference with respect to the construction of the northern section of Route 10.

I understand that it has often been argued in this Council's past discussions on the northern section of Route 10 that Route 3 has already existed. Unfortunately, there has been a general impression that using Route 3 is costly and requires more fuel. If Route 10 is not constructed, Northwest New Territories, Tuen Mun Highway in particular, will experience serious transport congestions in future. I understand the Government's position is that, as has already been made clear, no discussion with the operator of Route 3 on acquisition will be held. But unfortunately, some people, such as the Liberal Party, often hope to resolve this problem by way of acquisition or negotiation for an extension of franchise. If the Government decides not to take any action in response to the abovementioned proposals, we can only argue in our amendment with reluctance that the construction of the northern section of Route 10 must be addressed through enactment of legislation.

Therefore, I particular hope colleagues of the DAB can give their consent — I paid great attention to the speech delivered earlier by Mr CHAN Kam-lam, who thought that this task is not a major one because of the existence of Route 3. However, I would like to quote the words of District Council member, Mr Chan Wan-sang, of the DAB. He said, to this effect, "Some senior members of the DAB, that is those who are also Members of the Legislative Council, have sought to make a diagnosis before pulse-checking without regard to the views of District Councils and District Council members." Madam President, I hope I

can convince colleagues of the DAB here. Actually, a consensus has already been reached among District Councils, including District Council members of the DAB. Therefore, the northern section of Route 10 is a complementary facility after public interest and the requirements of infrastructure have been balanced. I hope Honourable colleagues can support my amendment.

Madam President, I so submit.

Mr Andrew CHENG moved the following further amendment to the motion as amended by Mr Jeffrey LAM: (Translation)

"To add "; the Government should also complete and commission the South Hong Kong Island Line before 2012, and expeditiously construct the northern section of Route 10 and the Shatin to Central Link, so as to strengthen Hong Kong's economic and infrastructural base, facilitate the development of tourism and improve the Hong Kong-Mainland transport networking, as well as to make comprehensive planning for the cross-boundary transport networks, including the expeditious construction of the Regional Express Line, so as to facilitate integration with the Pearl River Delta region" after "tourism and information"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr Andrew CHENG's amendment to Dr Raymond HO's motion, as amended by Mr Jeffrey LAM, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr CHAN Kam-lam rose to claim a division.

PRESIDENT (in Cantonese): Mr CHAN Kam-lam has claimed a division. The division bell will ring for three minutes, after which the division will begin.

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

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

Functional Constituencies:

Ms Margaret NG, Mr CHEUNG Man-kwong, Mr SIN Chung-kai, Mr WONG Yung-kan, Mr WONG Kwok-hing, Dr Joseph LEE, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr CHIM Pui-chung and Miss TAM Heung-man voted for the amendment.

Mr Bernard CHAN, Dr Philip WONG, Mr Abraham SHEK and Mr Patrick LAU voted against the amendment.

Dr Raymond HO, Mrs Sophie LEUNG, Mr Howard YOUNG, Ms Miriam LAU, Ms LI Fung-ying, Mr Tommy CHEUNG, Mr Vincent FANG, Mr Daniel LAM, Mr Jeffrey LAM and Mr Andrew LEUNG abstained.

Geographical Constituencies:

Mr Albert HO, Mr Martin LEE, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Kong-wah, Miss CHOY So-yuk, Mr Andrew CHENG, Mr TAM Yiu-chung, Mr Albert CHAN, Mr Frederick FUNG, Mr LEE Wing-tat, Mr LI Kwok-ying, Mr Alan LEONG, Mr CHEUNG Hok-ming, Mr Ronny TONG and Mr Albert CHENG voted for the amendment.

Mrs Selina CHOW and Mr LEUNG Kwok-hung abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 24 were present, 10 were in favour of the amendment, four against it and 10 abstained; while among the Members returned by geographical constituencies through direct elections, 22 were present, 19 were in favour of the amendment and two abstained. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negated.

PRESIDENT (in Cantonese): Mr CHAN Kam-lam, as the amendment by Mr Jeffrey LAM has been passed, I have given leave for you to revise the terms of your amendment, as set out in the paper which has been circularized to Members. When you move your revised amendment, you have up to three minutes to explain the revised terms in your amendment, but you may not repeat what you have already covered in your earlier speech. You may now move your revised amendment.

MR CHAN KAM-LAM (in Cantonese): President, I move that Dr Raymond HO's motion as amended by Mr Jeffrey LAM, be further amended by my revised amendment.

President, I have given a very detailed account of the reasons for the DAB to propose the amendment, so I will not repeat them here. Thank you, President.

Mr CHAN Kam-lam moved the following further amendment to the motion as amended by Mr Jeffrey LAM: (Translation)

"To add "; in addition, this Council also urges the Government to expeditiously consider the development of commodity futures and bond markets in Hong Kong, further promote the participation of Hong Kong's banks in a wider scope of Renminbi business, strengthen co-ordination among government departments to cut red tape affecting the business sector and improve the business environment, develop innovative and high value-added new industries so as to create new growth areas for Hong Kong's economy, and review the current policy on supporting small and medium enterprises and encourage Hong Kong people to start up their business" after "tourism and information"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr CHAN Kam-lam's amendment to Dr Raymond HO's motion as amended by Mr Jeffrey LAM, be passed.

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Mr Ronny TONG, as Mr Jeffrey LAM's amendment and Mr CHAN Kam-lam's amendment have been passed, I have given leave for you to revise the terms of your amendment, as set out in the paper which has been circularized to Members. When you move your revised amendment, you have up to three minutes to explain the revised terms in your amendment, but you may not repeat what you have already covered in your earlier speech. You may now move your revised amendment.

MR RONNY TONG (in Cantonese): President, I move that Dr Raymond HO's motion as amended by Mr Jeffrey LAM and Mr CHAN Kam-lam, be further amended by my revised amendment.

President, as I said earlier, my amendment seeks mainly to focus the Government's attention on the several issues raised by me earlier. I hope Honourable colleagues will render their support. Thank you.

Mr Ronny TONG moved the following further amendment to the motion as amended by Mr Jeffrey LAM and Mr CHAN Kam-lam: (Translation)

"To add ", enhance the independence and transparency of the regulatory regime of the financial market to bring it into convergence with the international standards, prevent the loss of talent, nurture professionals, and raise the language proficiency of Hong Kong people, expeditiously implement the various initiatives that are conducive to attracting tourists, including ameliorating the air pollution problem and building a new cruise terminal, and create a fair business environment and reduce the operating costs of the logistics industry" after "encourage Hong Kong people to start up their business". "

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr Ronny TONG's amendment to Dr Raymond HO's motion, as amended by Mr Jeffrey LAM and Mr CHAN Kam-lam, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr CHAN Kam-lam rose to claim a division.

PRESIDENT (in Cantonese): Mr CHAN Kam-lam has claimed a division. The division bell will ring for three minutes, after which the division will begin.

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

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

Functional Constituencies:

Ms Margaret NG, Mr CHEUNG Man-kwong, Mr SIN Chung-kai, Ms LI Fung-ying, Mr WONG Kwok-hing, Dr Joseph LEE, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr CHIM Pui-chung and Miss TAM Heung-man voted for the amendment.

Mr Bernard CHAN, Mrs Sophie LEUNG, Mr Howard YOUNG, Ms Miriam LAU, Mr Abraham SHEK, Mr Tommy CHEUNG, Mr Vincent FANG, Mr Daniel LAM, Mr Jeffrey LAM, Mr Andrew LEUNG and Mr Patrick LAU voted against the amendment.

Dr Raymond HO, Dr Philip WONG and Mr WONG Yung-kan abstained.

Geographical Constituencies:

Mr Albert HO, Mr Martin LEE, Mr James TO, Miss CHAN Yuen-han, Dr YEUNG Sum, Mr Andrew CHENG, Mr Albert CHAN, Mr Frederick FUNG, Mr LEE Wing-tat, Mr Alan LEONG, Mr Ronny TONG and Mr Albert CHENG voted for the amendment.

Mrs Selina CHOW voted against the amendment.

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

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 24 were present, 10 were in favour of the amendment, 11 against it and three abstained; while among the Members returned by geographical

constituencies through direct elections, 22 were present, 12 were in favour of the amendment, one against it and eight abstained. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negated.

PRESIDENT (in Cantonese): Dr Raymond HO, you may now reply and you have one minute 51 seconds.

DR RAYMOND HO (in Cantonese): President, I note that this Council has recently dwelt more on people's livelihood and political issues than economic issues. I have therefore proposed this motion today, particularly as I see that the Government has not been entirely proactive in studying developments in the Mainland and the Southeast Asian region. Without adequate, reliable studies and analysed data, it is difficult to formulate correct and long-term economic strategies and directions. Neither is it possible for manpower training and proper human resources programmes to be drawn up.

Through today's motion debate, I hope the Government can get the right message. I also hope this Council can discuss more economic issues, rather than discussing or disputing political issues here in this Chamber. Thank you, President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Dr Raymond HO, as amended by Mr Jeffrey LAM and Mr CHAN Kam-lam, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by

functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the motion as amended passed.

PRESIDENT (in Cantonese): Second motion: Regulating the transactions of new private residential properties.

REGULATING THE TRANSACTIONS OF NEW PRIVATE RESIDENTIAL PROPERTIES

MR MARTIN LEE (in Cantonese): Madam President, I move that the motion on regulating new private residential properties as printed on the Agenda be passed.

As an international financial centre, Hong Kong has placed emphasis on the high degree of transparency to protect the interests of investors and consumers. Among other things, the Securities and Futures Ordinance specifically aims to regulate misconduct in the securities market including insider dealing, false trading, price rigging and disclosing false or misleading information. And the establishment of the Securities and Futures Commission as an investigative and regulatory body to discipline offenders of the legislation has maintained a level playing field for investors.

It is difficult to understand that there is surprisingly a lack of similar regulation on the primary residential property market with transactions amounting to tens of billions Hong Kong dollars a year. At present, the Government has adopted a "three no's" approach towards real estate developers: first, no specific regulatory legislation; second, no investigative and regulatory body and; third, no penalties. Even an estate agent can be punished for releasing false information by the suspension of licence, why is there no specific legislation or body to regulate the alleged release of false information by real estate developers to mislead consumers into investment?

At present, unscrupulous real estate developers hinder the fair operation of the market through three different means including the provision of inaccurate information on residential units; the practice of market misconduct and the deliberate creation of hectic scenes at sales and promotion activities. Regarding

the provision of information on residential units, the Government has currently required developers through the Consent Scheme to provide sales brochures when they sell uncompleted residential properties. However, it is only a set of general administrative guidelines that lacks genuine legally binding effect. In addition, no detailed requirements are prescribed for the descriptions in sales brochures. And the regulations governing the private sale arrangements of uncompleted residential properties are slack, for example, the provision of the price list of units put up for sale to prospective buyers is not stipulated.

As many of the local first-hand private residential properties are put up for sale before they are completed, the maximum period of sale can be as long as 20 months. Therefore, prospective buyers simply do not have a chance to view the actual units. And they can rely solely on the sales brochures provided by developers to get a picture of the units. Developers often use this opportunity to "tamper as far as possible with" the floor areas, the prices and the facilities nearby. Therefore, the greatest damage to flat owners is the inconsistency of the unit with the specifications. For instance, in recent years, a number of developers have employed three major tricks including the addition of balcony, the extension of platform garden and the installation of air-conditioning plant room to "keep blowing up" the gross floor area of units in order to suppress the price per sq ft. But the efficiency ratio is also suppressed at the same time. Therefore, the areas of bay windows and air-conditioning plant rooms are factored into the usable area listed in the sales brochures provided by developers in order to cover up the extremely low efficiency ratio. Even with such a practice, the efficiency ratio of new residential properties fails to measure up to that of "old brand" major residential estates. After deducting the areas of bay windows, the real efficiency ratio of some new residential properties is even lower than 80%.

As early as in 1994, the Housing Bureau intended to clearly define the "gross floor area". And the Bureau announced in April 2000 the Sales Description of Uncompleted Residential Properties Bill, proposing to require developers to set out the "saleable area" and the "gross floor area". However, the Bill was surprisingly shelved in the end. At present, regulation is enforced in accordance with the guidelines issued by the Real Estate Developers' Association of Hong Kong (REDA) regarding the preparation of sales brochures for uncompleted residential properties. However, the guidelines lack legally binding effect and penalties against non-compliance. It is apparent that the protection for consumers is inadequate.

Moreover, the restrictions on the private sale arrangements for units put up for sale have been lifted since 2002. Some developers have taken this opportunity to considerably deprive prospective buyers of their right to know. For instance, in the incident of The Arch last year, the Government found that the developer had failed to provide consumers with the price list of all the units on offer during the private sale of the uncompleted units. Even upon the request of prospective buyers, the developer insisted on refusing to disclose the complete price list. The lack of complete information has seriously damaged the rights and interests of consumers.

The above incident has shown that there are serious loopholes in the sales descriptions of uncompleted residential properties. The Democratic Party strongly urges the Government to introduce the Sales Descriptions of Uncompleted Residential Properties Bill into the Legislative Council, requiring developers to provide detailed, standardized and accurate information in sales brochures for public reference. Apart from floor areas, price lists and number of units put up for sale, information such as location plan, floor plans, fittings and finishes, car parking spaces, salient conditions of the Government lease, salient provisions in the Deed of Mutual Covenant, defect liability period, completion date, slope maintenance, mortgage loans and payment scheme and other fees and charges payable should also be provided, so as to safeguard the rights and interests of consumers. In addition, categorical penalty clauses should also be provided in the Bill. Not only can this have a greater deterrent effect on irresponsible developers, the public can also claim damages through legal channels. In future, it is possible to consider in the light of the enforcement of the legislation the extension of the scope of regulation to the primary market of completed residential properties.

Moreover, the misconduct in the primary residential property market is getting increasingly serious. In the incident of The Arch last year, apart from purchasing a penthouse unit priced at over \$30,000 per sq ft, a buyer also purchased three other units at lower-than-market prices at the same time from the developer in a package deal. However, the developer selectively announced the sales situation of \$30,000 per sq ft in the whole transaction, leading to the suspicion that the developer deliberately misled the market. On the following Sunday after the announcement, the developer succeeded in selling 500 units, leading to the suspicion that the market had been influenced by the misleading information. It is possible this incident involves two counts of market misconduct of insider dealing and disclosing misleading information.

Another incident that involved 1 Plantation Road was exposed this year. A buyer purchased two of the units in the development on the basis of the reported information and the sales situation disclosed by the responsible person of the developer that eight units in the development had been sold. However, it was not until the deposit had been paid and the record of the Land Registry had reached the solicitor that the buyer found out there were actually no such reported transactions. It is possible this incident involves the misconduct of false trading and disclosing false information.

We should bear in mind that a residential property is not only a commodity, but also a tool for investment and value guarantee. The main concern of the buyers is whether the price of properties is supported by the market. Therefore, market response is often the key to market entry, which gives developers great incentive to engage in market misconduct. Apart from the above circumstances, when property development is offered on private sale, the units will be put up for sale in batches. A handful of units will be offered first to create a false impression of active turnover, and then followed by the sale of a large number of units. In another case, estate agents, as well as companies and people related to developers will be employed to purchase units at special prices and on favourable terms in order to push up the prices and create a false impression of enthusiastic response, so as to lure general buyers to enter the market. Then the people mentioned above will "forfeit the deposit paid". Some developers even reward these people with commission rebates or other favours for their losses in "forfeiting the deposit paid".

Madam President, as there is currently no regulatory and investigative body in place, it is difficult for us to have full knowledge of the specific number and details of cases of market misconduct. However, such market misconduct will seriously hinder the normal operation of the market, bringing small investors unnecessary risks and damages. This constitutes a big regulatory loophole. Therefore, the Democratic Party urges the Government to formulate legislation to specifically regulate the primary market of private residential property to prohibit market misconduct including insider dealing, false trading, price rigging and disclosing false or misleading information, so as to ensure the healthy development of the property market.

I believe the enactment of legislation to regulate the primary market of private residential property will certainly keep the residential property market in a much better order. However, this is still not enough. It is because some

unscrupulous real estate developers deliberately appointed a large number of estate agents or employees to queue at property sales and promotion activities. And transactions were conducted in a confined environment to create crowded and hectic scenes. The sale of some property developments was even arranged to start in the small hours to create an atmosphere that rendered buyers vulnerable to being misled and deceived, that is, persuading them to believe even if they do not purchase, there are a lot of people willing to purchase. The Democratic Party suggests that the Government should draw up guidelines on sales and promotion activities in conjunction with the real estate sector, and study the provision of a cooling-off period in the contracts of new private residential properties to allow buyers time to think very carefully to decide whether or not ultimately to accept the contract concerned. We suggest a cooling-off period of three to five days, during which the buyer can choose not to complete the transaction and get back all the deposit paid without any liability for compensation, so as to ensure that the transaction is not influenced by any unreasonable external factor.

Madam President, perhaps the Government is concerned that the option of regulating by means of legislation will impede the flexibility and free operation of the market. However, as in the case of the successful securities market of Hong Kong, the flexibility and free operation of the market should be built upon the foundation of proper regulation. And not every real estate developer will necessarily oppose the introduction of proper regulation to the primary market of private residential property. Of course, the issue of how to specifically strike a balance between maintaining a free market and protecting consumers' rights and interests can be discussed in the course of the formulation of the legislation. However, the Democratic Party very much hopes that the Government, the industry and Members of this Council will establish the major direction of introducing regulation to the primary market of private residential property by means of legislation.

Madam President, although there are no amendments proposed to my motion, it does not mean my motion will definitely be passed. With these remarks, Madam President, I beg to move.

Mr Martin LEE moved the following motion: (Translation)

"That, although currently the Government has strict legislation to regulate the securities and futures market for the protection of investors' interests,

there is no regulatory legislation targeted at the transactions in the property market, this Council urges the Government to:

- (a) introduce the Sales Descriptions of Uncompleted Residential Properties Bill into the Legislative Council, requiring developers to provide sales brochures regarding any public sale of uncompleted residential properties and include in the brochures such information as the location plan, floor plan, floor area, fittings and finishes, car parking spaces, salient conditions of the Government lease, salient provisions in the Deed of Mutual Covenant, defect liability period, completion date, slope maintenance, price list, number of units put up for sale, mortgage loans and payment scheme, and other fees and charges payable, so as to safeguard the rights and interests of consumers;
- (b) formulate legislation for regulating the sale of new residential properties and to prohibit market misconduct including insider dealing, false trading, price rigging and disclosing false or misleading information, so as to enhance the transparency of the property market and ensure its healthy development; and
- (c) in view of the increasingly hectic scenes at property sales and promotion activities, which can easily create an atmosphere that renders prospective buyers vulnerable to being misled and deceived, draw up guidelines on property sales and promotion activities in conjunction with the real estate sector, and study the provision of a cooling-off period in the contracts of new private residential properties, in order to allow time for buyers to decide whether or not ultimately to buy the residential properties concerned."

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

MR TOMMY CHEUNG (in Cantonese): Madam President, before discussing today's motion, I would like to first read out the guidelines issued by the Real Estate Developers' Association of Hong Kong (REDA) for the real estate sector, in which necessary information to be included in sales brochures is set out. The

guidelines are quite long, which include the location plan, floor plan, floor area, fittings and finishes, car parking spaces, salient conditions of the Government lease, salient provisions in the Deed of Mutual Covenant, completion date, slope maintenance, price list, number of units put up for sale, mortgage loans and payment scheme, and other fees and charges payable.

Do these sound familiar to Members? The dozen or so items mentioned are, in fact, information specially proposed in today's motion to be included in sales brochures by way of legislation. As the sector has already regulated itself to put this into practice, why does Mr Martin LEE have to go to all this trouble to specially request the enactment of legislation? I am really baffled. Although the guidelines do not have a legally binding effect, should any irregularities be identified when the REDA goes over the sales brochures prepared by developers and requests modifications, developers mostly will agree to do so in order to protect their business reputation. The Government proposed a White Bill five years ago with the aim of regulating sales brochures for uncompleted residential properties. In the end, a consensus was reached between the Government and the sector to set up a self-discipline regime by means of guidelines. After years of operation, it is to the satisfaction of the Government and the public.

In fact, from then onwards, there have been few complaints from the public against the sale of uncompleted residential properties. Information from the hotline and webpage of the Housing, Planning and Lands Bureau reveals that only 36 complaints and three comments were received from August 2001 to the end of 2005, the majority of which being either on seeking clarification of the sales brochures or on asking developers to "rectify defects" after taking possession of the property. All those cases were handled by the REDA and follow-up actions were not necessary. Moreover, apart from the self-discipline of the sector, the Consent Scheme for the sale of uncompleted residential properties of the Lands Department has prescribed relevant regulatory provisions. Moreover, the Consumer Council and the Estate Agents Authority have also played a monitoring role in residential property transactions. Why is it necessary to propose legislation when protection is currently being provided by various authorities mentioned above?

The only omission in this set of guidelines is probably the "defect liability period". In fact, the REDA has indicated its willingness to include the defect liability period in the guidelines. Moreover, it is currently required by law to set out the defect liability period in the formal agreement. Therefore, it is the

legal liability of developers to "rectify defects" for buyers. This has definitely given buyers greater protection.

In addition, to legislate is not only "kicking up a fuss", it will also impair the flexibility exercised by the market now. Take the price list as an example. According to the guidelines of the REDA, it is only necessary to provide the price list as an insert in sales brochures for buyers within a specific period of time before the public sale. What is the merit of such a practice? It allows the property price to closely follow the market situation. If the price list is required by law to be printed in advance in the text of sales brochures, does it mean buyers have to pay the original set price even when the price of property has fallen?

It is proposed in today's motion that legislation should be enacted to prohibit "insider dealing, false trading, price rigging", and so on. Is it the intention of Mr Martin LEE to copy the whole set of regulatory legislations for the securities market and impose it on the property market? These provisions aim to specifically govern the conduct of the securities market, having nothing at all to do with transactions in the property market. Moreover, common offences found in property transactions are actually fraudulent acts, mortgage fraud, use of forged documents and signing of an agreement induced by misrepresentation. As there are laws in force to regulate such acts, protection for investors should not be a cause for concern.

Madam President, the motion also proposes the provision of a cooling-off period for first-hand property transactions. We can understand this concern because the purchase of a property is often the most important investment and decision in the whole life of the people of Hong Kong. And it warrants careful thinking. However, at present, after the payment of the "small deposit", both parties to a property transaction are required to sign the formal agreement for sale and purchase only after seven to 14 days of the transaction period. This is actually similar to a cooling-off period. If either party decides not to complete the transaction within the period, 5% of the deposit has to be paid to the other party. We have no idea whether Mr Martin LEE thinks that this cooling-off period is not long enough and therefore proposes a longer cooling-off period or he wishes to provide buyers with a cooling-off period free of financial commitment. Even if we do not question whether such a proposal is fair to developers, it will certainly have negative impact on the overall development of the property market. It is most apparent that with the incentive of no financial

loss in the breaking of an agreement, it is very likely to attract speculators to enter the market. Once the market experiences a reversal, speculators will "forfeit the deposit paid" all at once, causing total chaos in the market. Should the property price once again experiences substantial adjustment as in the financial crisis, is it a scenario people having made savings at great pains to purchase a property would like to see?

As the present sales situation of the property market is basically very healthy, we do not understand why more guidelines should be drawn up for property sales and promotion activities. Although there was indeed a recent dispute in relation to a first-hand property transaction, it was an individual case after all. And the REDA has agreed that the future announcement of property sales figures should be based on the signing of a preliminary agreement for sale and purchase. This shows that the sector has regulated itself well and the operation has been extremely smooth. Therefore, it is not necessary to impose any additional restrictions on the sector.

In a nutshell, I think the proposals raised in today's motion are not only superfluous, but also fail to enhance the protection for property buyers. On the contrary, the proposals will greatly undermine the flexibility of a free market, and even affect the property market adversely.

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

MR ABRAHAM SHEK (in Cantonese): President, I speak to oppose Mr Martin LEE's motion. I would like to thank Mr Tommy CHEUNG for expressing my views for me. As the English saying goes, "Great minds think alike." I have the greatest respect for the Liberal Party. Thank you, Mr CHEUNG.

I think Mr Martin LEE has overreacted to the market situation. First, he has drawn a comparison between the financial market and the property market, which reflects Mr Martin LEE is really no expert in the property market. "Uncle, you have not been around for quite some time." Perhaps you have taken part in a lot of lawsuits involving the financial market. But you have never taken part in any involving the property market.

Second, the financial market is an international market. All financial markets are governed by laws. The property market is, instead, a domestic

market. It is not governed by laws in a lot of places — particularly in the United States which you worship most. You are the "uncle" in democracy. You have enjoyed a great reputation in the United States. Democracy and free market go hand in hand. Free market is part of democracy. However, you are now proposing to restrict how people talk; how people sell properties; how people construct buildings. This is even more "tragic" than the situation in the communist countries. At present, even China does not have such practices. I have no idea from where you have acquired this set of standards. You said it was for the protection of consumers' interests. However, I wonder whether it is for the protection of consumers' interests or your own interests. You have called for the enactment of legislation on this. Does it serve to give you more opportunities to take part in lawsuits in this area or for other purposes? We really have to give this matter some thoughts.

I will now respond to the motion. Regarding the proposal of Mr Martin LEE to enact legislation on the sale of uncompleted residential properties, Mr CHEUNG has responded to it earlier. Mr Martin LEE requested the setting out of 10 conditions in sales brochures. As Mr CHEUNG has responded to it earlier, I will not spend time on elucidation again. President, the items requested by Mr Martin LEE have, in fact, been listed in sales brochures. He now has three major issues that are not yet resolved; not yet resolved; not yet resolved. Mr CHEUNG has stated earlier that there is no need to legislate as the items you ask for have already been set out in sales brochures. First, it is impossible to have the price list set out in sales brochures because sales brochures are prepared and printed long before the price list is confirmed only 24 hours in advance according to the "ups and downs" of the market trend. I believe Mr Martin LEE himself has bought and sold properties a number of times and should understand this point. Second, the price list is no secret. It is submitted to the Government 24 hours in advance, though only the prices of the first batch of units put up for sale are listed. As to the prices of the second batch of units, they have to match with the market trend, under which prices will either rise or fall, depending on the circumstances. Regarding the defect liability period, you can take a look at your own property. The defect liability period involves matters of a very complex and different nature. Therefore, it may not be feasible to set it out in sales brochures. However, this is not a problem. If you deem it necessary, and if the market also deems it necessary, real estate developers will be most willing to put it into practice.

Lastly, you asked: As there are regulations governing the securities market, and there are regulations governing the futures market, why are there no

regulations governing the property market? You are also wrong in this aspect. How could there be no regulations? You have just mentioned the Consent Scheme. The majority of newly-built properties are regulated under the Scheme. Before the sale of properties, real estate developers have to forward an application in explicit terms to the Lands Department; to satisfy the terms and requests of the Department; and to submit the sales brochure to state explicitly how the properties will be sold. Therefore, there are clear provisions prescribed under the Scheme. And this is the line of protection provided by the Government for the general public in purchasing properties. Moreover, the property market does not lack regulation. A self-discipline regime has been set up within the sector. You have also mentioned the REDA earlier, that is, the Real Estate Developers' Association of Hong Kong. Perhaps you have no idea how the REDA works. If you are interested, I will tell you later. Our members have seldom breached the regulations.

You have earlier quoted The Arch as an example, which is the biggest mistake. The developer of The Arch is the most well-known and the best developer with the strongest conscience in Hong Kong. Why is a unit of The Arch worth \$30,000 per sq ft? Have you been to the unit to enjoy the view? The unit offers a 270 degree panoramic view of the Victoria Harbour. Why is it not worth \$30,000 per sq ft? This is the market price. How could you say the market is wrong? If your own unit offered such a panoramic view, how much would it be worth? Even your unit is now valued at around \$15,000 to \$16,000 per sq ft, let alone the unit of The Arch with such a breathtaking view. He has proposed that restrictions be imposed on the sale of properties by developers, making it impossible to sell one extra more unit. Can we still say we have freedom and democracy? If these were freedom and democracy, I would rather not have any of them. If you were to become the ruling party, there would be a lot of trouble. You want to regulate everything. But this is not the way of life in Hong Kong.

After listening to your speech earlier, it seems all the developers in Hong Kong are "big crocodiles" and frauds who not only engage in market manipulation but also price rigging. Hong Kong is an international market, monitored by people like you and many others. Every issue here has an extremely high degree of transparency. I have just pointed out that the Government has played a regulatory role. You think people purchasing properties have pressure. But this is not the case. President, those of us building and selling properties feel an even greater pressure. I have to let you

fully understand here that it is impossible to put what you asked for earlier into practice.

Regarding the cooling-off period, Mr CHEUNG has mentioned earlier that there is a cooling-off period instead of an absence of it. Therefore, you have to understand that what you want is not a cooling-off period but "only taking the winnings but sacking any losses". It is not our social norm to buy when it is to your liking and not to buy when it is not to your liking. It will not do to buy when the price is going down and buy some more units when the price is going up. Moreover, have you considered the impact of your proposal on the financial market? Should your proposal be implemented to allow people unwilling to complete the transaction to return the property, the financial market will suffer. A large number of real estate developers are listed companies and a large number of banks provide home mortgages. Have you considered your proposal put forward now?

PRESIDENT (in Cantonese): Point of order?

MR MARTIN LEE (in Cantonese): President, he said "you", "you", "you" from the beginning to the end. He was facing me instead of the President when he spoke.

PRESIDENT (in Cantonese): Members should face the President when they speak.

MR ABRAHAM SHEK (in Cantonese): President, I was facing you but was talking about him. *(Laughter)* When I said "you", I meant Mr Martin LEE — "Uncle Martin". *(Laughter)* Most of the "uncles" are usually "empty kettles that make the most noise". President, what I want to explain here is that the proposals of Mr Martin LEE are not feasible. Thank you, President.

MR WONG KWOK-HING (in Cantonese): After listening to the quarrel among the "uncles" a moment ago, I think it is extremely foolish. The "Bus

Uncle" incident was staged at the Legislative Council: One "uncle" hurled at to the other "uncle", and the latter answered back. I think the motion proposed by Mr Martin LEE is serious and realistic in nature. Therefore, I speak to support the motion.

I do not have a script for my speech. I wish to talk about the suffering of the general public and flat owners of Hong Kong by quoting the complaints I have actually received and their painful experiences in reality. I hope developers with a conscience will listen to me. Neither do I want to name names nor say who he is. I just want to say he is the most well-known developer in Hong Kong. He is second to none. However, have the properties developed under his name really attended to protecting the rights and interests of consumers and flat owners? Are there any inequitable provisions in sales brochures and the Deed of Mutual Covenant (DMC), which are the means employed by the Government to regulate developers, that only provide safeguards for developers at the expense of the rights and interests of flat owners? I hope the Government will seriously pay attention to this problem. If the Government does not pay attention to this problem and have it resolved, and instead only stresses the need for social harmony, it is no different from burying a large number of bombs and waiting for them to explode. A Member criticized earlier that Mr Martin LEE had gone to all this bother to propose a superfluous motion. However, I think this motion is absolutely essential and actually belated. He has really moved a fitting motion today.

The following are some examples I wish to quote. During the sale of one of the major property developments, the developer told the flat owners that there would be several levels of car park to provide a total of several hundred car parking spaces in the development and assured them there was no need for concern. Why exactly did the flat owners choose to purchase units in that particular property development? Many of them actually wished to possess a car parking space. However, after purchasing the units, to their surprise, the developer converted two parking spaces into three as if by magic. Car parking spaces were provided in some peripheral areas in contravention of the requirements of the Buildings Department and the Transport Department. As a result, there was a provision of 50% additional car parking spaces in the car park. It is ridiculous that this has actually happened! Afterwards, the flat owners queued up to rent car parking spaces. When they failed to do so, the developer then increased the rent. The flat owners subsequently protested to

demand a rent reduction. The developer thought it was too much trouble and, reluctantly, sold all the car parking spaces to another company without a word. How ridiculous that this has actually happened! This car park was originally designed for the use of the owners who purchased units of this major property development. And it was the reason why they decided to purchase the units. However, it was ridiculous for the developer to sell all the car parking spaces to another company and extort from the flat owners. Should a developer with a conscience act like this? I believe Mr Abraham SHEK does have a conscience. After listening to the facts of this incident, I believe he would also think it should not be allowed to happen. However, it has actually happened in real life. And I can bear testimony to this incident.

Moreover, it is even more ridiculous that the so-called public places and passages in a property development are not clearly defined in either the sales brochure or the DMC. Would Members give it a thought what it will lead to? When the flat owners got into an argument with the developer, the developer claimed that such public places were in its possession rather than the flat owners'. Therefore, either the flat owners submitted to the developer or they were not allowed to pass through the public places. Have Members heard of this story? I can tell you now that it is 100% true. It is true that the flat owners' cars, as well as themselves were not allowed to pass through the public places. It comes as a surprise that such high-handedness can be found in Hong Kong where the rule of law prevails. In addition, the decisions about whether it should be single-lane or double-lane, as well as driving on the left-hand side or right-hand side of the road at the entrance and exit of the car park were all made by the developer. And the flat owners had no say.

I wish to condemn here in this Chamber these unscrupulous developers who oppress flat owners. Moreover, I would like to tell Members another story. A developer took the control of the rooftop of a building by just a few shares of the title. Then he casually rented it to a mobile phone network operator for the installation of repeaters without seeking the consent of the flat owners. I asked a supplementary question on this issue this morning. Even though the flat owners were 100% against this decision, as the developer had the control of the title of the rooftop, he was allowed to do so, which led to a serious leaking problem suffered by the upper-floor residents. Mr SHEK, have you learned of this incident? It was no use for the flat owners to organize protests or petitions. Even a complaint was lodged, but it was ignored by the Government.

I am now bringing these miseries in the community to light before the Secretary. This sort of incident is still there. Is this sort of incident not tragic? It is extremely tragic. Flat owners can only cry without tears when they happen to purchase this sort of units.

This series of incidents reflects the other side of the prosperity of Hong Kong. Therefore, it is a fair and sensible motion proposed by Mr LEE today. I think we should not pin labels. And we should not consider proposals put forward by those having a different political stance all wrong just because they have a different political stance. I think we should justify what is right is right and what is wrong is wrong. If it is right, we should give it support. These are the people's rights and interests. This is also social justice. We should not ignore our conscience. I do not have a script for my speech today. I just get the facts out to support Mr Martin LEE's motion. Thank you, President.

MR ALAN LEONG (in Cantonese): Madam President, in response to the public censure on the incident of The Arch last year, the Real Estate Developers' Association of Hong Kong (REDA) issued supplementary guidelines regarding private sale arrangements. The new set of guidelines has been enforced for one year. But disputes between property buyers and real estate developers have still been heard from time to time. The Consumer Council has received 101 complaints in relation to property transactions in the first quarter this year. And the Estate Agents Authority has also received 11 complaints on breaches of regulation by estate agents.

It was the transaction of two units on Plantation Road at the Peak that recently became the focus of public attention. The buyer criticized the real estate developer for deliberately exaggerating the number of property transactions in August last year to attract him to enter the market. However, after a search with the Land Registry, it was found out that there were only records of the transaction of the two units he purchased, and there were no records whatsoever of the other so-called "transactions".

In response to this incident, the Government pointed out that as laws governing conduct of misrepresentation by both parties to a property transaction have now been in force, including the Theft Ordinance, the Misrepresentation Ordinance and common law, the introduction of other legislations is, therefore,

unnecessary. However, we have noticed that the victim in the incident of Plantation Road is an experienced property investor. If it is possible that an "old hand" at property investment was "taken in by a manoeuvre", how can we believe the existing laws are sufficient to protect the interests of the vast majority of first-time home buyers?

The Law Reform Commission recommended as early as in 1995 that legislation should be enacted to require developers to produce sales brochures before the sale of any uncompleted properties. And the Sales Descriptions of Uncompleted Residential Properties White Bill was formulated in 2000. The Legislative Council then even formed a subcommittee to scrutinize the provisions of the Bill. Subsequently, as the REDA set up a self-regulatory regime under which its members were required to provide sales brochures that contained specified information, the Government eventually did not introduce the Bill into the Legislative Council.

Madam President, what exactly is the difference between legislation specifically enacted to regulate sales brochures and the existing legislation against fraud and misrepresentation? While the spirit of the existing legislation aims to punish in a passive manner any fraudulent acts involved before or in the process of the signing of an agreement, legislation specifically enacted to regulate sales brochures aims to require in an active manner developers to provide buyers with specified information on the buildings and units before the signing of an agreement. In other words, while the existing legislation only prevents real estate developers from "telling lies", the new legislation requires real estate developers to take the initiative to provide certain information strictly according to the facts.

Madam President, there is a growing understanding in modern society that it is impracticable to presume without basis both parties to an agreement will exchange information on equal terms. In many a case, the deliberate silence of the selling party on key issues is enough to damage the interests of the buying party. For instance, the deliberate withholding of the expiry date of food products by food traders as long as a wrong date is not given, to a certain extent, does not constitute "a lie". However, it is not acceptable these days for traders to keep their silence on this issue. Instead, the provision of such information is required by law. It is particularly important to ensure the provision of essential information by real estate developers in a property transaction where enormous interests are at stake.

Madam President, perhaps people will ask: Sales brochures certainly matter. But is it not enough when a basic self-regulatory regime has already been set up in the real estate sector now? We only have to look at the long-standing large number of complaints about property transactions to gain a pretty good understanding of the effectiveness of the self-regulatory regime. Moreover, the crux of the matter is that the huge interests involved behind property transactions provide an obvious incentive for non-compliance. As the same reasoning applies to the securities and futures market, comprehensive and thorough laws are in place to govern the stock market to eradicate misconduct such as insider dealing, price rigging and misrepresentation.

In fact, members of the REDA are real estate developers themselves, with deep-rooted and intertwined ties among one another. No matter how fair and impartial members of the REDA are, it is quite a job for the REDA to be given the heavy responsibility to be a regulatory body when fat profits are at stake. This is the same as we will not expect listed companies to regulate each other to prevent "market manipulation". In the case of Hong Kong, the profit incentive in the manipulation of the property market definitely goes even farther than that in the manipulation of the stock market. Why has the Government adopted such a *laissez-faire* approach towards the property market?

The internal guidelines of the REDA should be restricted to govern the actual operations in property transactions such as the time of sales and promotion activities and the manner in which information is released. Regarding the provision of essential information by real estate developers and the safeguards for its authenticity, legislation should be enacted to introduce well-defined regulation and explicit penalties to act as a deterrent to the black sheep of the real estate sector, so as to better protect the interests of property buyers.

With these remarks, Madam President, I support the motion on behalf of the Civic Party.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I actually did not intend to speak originally. However, after listening to some Members' speeches today on how they look at the predicament of flat owners in Hong Kong from a very narrow point of view, I think I should let you all know the reason why I was late this morning.

Why was I late? It was because I went to the Housing Department (HD) under "Uncle SUEN" with some Home Ownership Scheme (HOS) estate residents. "N" rounds of negotiations were conducted in the HD. What exactly were these negotiations about? It was about what Mr WONG Kwok-hing mentioned earlier in his speech: When the whole block of an HOS building was sold to the residents, it was stated that the profits from the car park would go to the HD. However, the HD only had to pay "one" share of the overall expenses, that is, \$27. And the HOS flat owners, in reality, had to pay an amount more than the stated figure. However, such an arrangement was prescribed in the lease beforehand. And these HOS estate residents were just the grassroots. They were not allowed to read all the provisions when they purchased the flats. Instead, they just listened to a recorded speech from a tape. Therefore, the Deputy Director of Housing enforced these provisions to deal with every issue on behalf of the HD this morning like a developer. However, it is apparent that these provisions aim to "dupe", that is, to "make" these flat owners "dupes".

I said this morning that it was the responsibility of the Government to rectify some obvious mistakes. The present situation is actually a joke. All the income from the car park goes to the HD which acts exactly like a major real estate developer. However, the amount of expenses paid by the HD is only \$27 — it is only \$27. Mr SHEK, I hope you will understand the predicament of the flat owners. This is only an issue concerning expenses.

There is another more tragic issue. There is a slope above an HOS estate, which is actually very far away from the estate. However, the responsibility for slope maintenance falls on the HOS flat owners, of which they had absolutely no knowledge when they purchased the flats. In addition, there is a service reservoir on the slope. Water is drained each year from the slope. Over the past five years, we have approached various authorities including the Water Supplies Department, Planning Department and Housing, Planning and Lands Bureau to seek help. Over the past five years, we have hustled around for the flat owners of this HOS estate because unequal transactions have been involved, which have brought them great hardships. I very much hope that colleagues from the real estate sector and people concerned will have a broader vision.

In fact, we feel like asking: Why do so many things go wrong in a transaction for some flat owners? Major real estate developers have a whole team of lawyers working for them. Strictly speaking, they wait for these

"fools" to come in and prepare to squeeze them slowly dry afterwards. Under these circumstances, it is real estate developers who should be censured. However, many of the flat owners I mentioned today are grassroots who have purchased the HOS flats. And they have been treated by the Government in similar ways.

Madam President, I am no expert in these issues. However, from my work in the districts for over 10 years, I have witnessed the sale of public rental housing flats by the Government and received numerous complaints from HOS estate residents on this sort of unequal provisions. I think it is fair of Mr Martin LEE to call for today the introduction of the Sales Descriptions of Uncompleted Residential Properties Bill to require developers to provide information such as floor plan, floor area, fittings and finishes, and so on. According to what Mr SHEK, the representative of real estate developers and colleagues from the business sector said earlier, there is indeed no need for them to be afraid of such a proposal. As we agree that this is an open and honest practice, we should go ahead with it. To conduct a fair transaction is much better than to cause the current situation in the community. At present, flat owners at the grass-roots level still need to bustle around for the flats they purchased and face a lot of injustices. They have been in a terrible predicament.

I said in the HD this morning that at present, the age of the HOS buildings was only 20 years or so — in fact, the HOS policy has been implemented for only 20 years or so. Along with the ageing of the buildings, these problems will become increasingly serious. Frankly, if the Government is willing to take up the responsibility to protect the interests of flat owners, it has to address both the old and new problems. If someone says that property buyers these days are provided with so-called comprehensive sales brochures, I think it is deceitful nonsense. It is common knowledge that when a buyer purchases one unit in a building and acquire the Deed of Mutual Covenant (DMC), residents of the whole estate, no matter whether there are 10 000 or 100 000 residents, have to accept that DMC and cannot alter the provisions therein. Over the past 10 years or so, I have dealt with various cases myself. On every occasion, I urged residents not to take the bait. Instead they should go through the DMC carefully. Mr KWONG Chi-kin has yet to be on the Legislative Council at the time. Every time when public rental housing flats were on sale, Mr KWONG Chi-kin and I went as a team to the public rental housing estates one by one to make an appeal: We told residents the fact that on some occasions, nothing could be done. As long as one buyer purchased a flat, all buyers would go through

the same unequal transaction. Who should be held responsible for this issue concerning the DMC? It is the Government. It is the Government that sells the flats to the public rental housing residents.

In theory, the Government is fair. However, in reality, it is most unfair. Please allow me to cite an example — Chuk Yuen North Estate. This is not a case concerning slope maintenance where flat owners have to bear the responsibility for slope maintenance, but one concerning an unrelated overpass where flat owners have to bear the responsibility for its maintenance. In addition, HOS flat owners have to be responsible for the maintenance of the passages of car parks. However, the income from car parks goes to the Government. These show how many unfair cases we have. I really wish to talk to a number of colleagues about our experiences in the hope that they will see a wider picture and will not look at all the issues only from the perspective of the real estate sector.

I think today's motion is good in that it has given flat owners in general and people from different walks of life an opportunity to pour out their bitterness. "In a society of conscience, justice and reason, is it not essential to allow the public to have a more thorough understanding of these transactions?" I must ask. The public should not be led to fall into a trap. Then, when they want to find a way out, they cannot do so.

Madam President, I have changed my mind from not preparing to speak to talking about the incident this morning because I really hope the Government will properly handle all the unequal transactions of the HOS flats. I hope these problems will definitely be dealt with. The later the Government addresses these problems, the worse the situation will get. When the buildings turn old, how can these people cope with the problems? Therefore, I very much hope that the Government will deal with "the aftermath". Similarly, the Secretary for Housing, Planning and Lands should consider whether it is necessary to conduct further studies on the provisions regarding uncompleted residential properties, so as to facilitate fair dealings in a transaction.

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

MR ALBERT HO (in Cantonese): Madam President, if someone had listened to the speech of Mr Abraham SHEK at the motion debate on the Urban Renewal

Authority over two months ago, and then to his speech earlier in this meeting, one may think he seems no longer his old self. Last time, Mr Abraham SHEK spoke with concern and passion, giving me the impression that he understood the predicament of the grass-roots residents in old areas facing forced eviction for urban renewal, and the pain of the flat owners affected by the compulsory purchase action. He showed great care and concern at the time. However, the speech of Mr SHEK today gave us the impression that he was somewhat cold-blooded, domineering and even brutal. I would rather believe that the Mr Abraham SHEK before is his true self and he speaks honestly from his heart. And perhaps he has spoken today under immense pressure. Maybe even a time bomb is hidden beneath his clothes and the control button is in the hands of the real estate developers. Therefore, he has been forced to deliver such a speech because he is a Member returned by functional constituencies.

In my view, personal attacks cannot help resolve problems. Although the views of Mr SHEK and Mr Tommy CHEUNG are more or less the same, the speech of Mr Tommy CHEUNG is, after all, planned ideas. It is easy to respond to it point by point. But I do not know how to respond to Mr SHEK's speech. However, I can still pick one or two points to give my response. For instance, he attacked Mr Martin LEE for worshipping the free market mechanism of the United States. He deliberately talked about the worship of foreign countries and diverted the issue to foreign relationships. At the mention of foreign countries, I would like to ask: Is it not always the wish of Hong Kong to be on a par with the international community? Is it not always our wish to ensure our standards are on a par with the most advanced countries in the world, no matter whether they are financial centres or free markets, or with the markets, in our view, which provide considerable protection for consumers? If we want to draw a parallel between Hong Kong and other internationally renowned cities in terms of such a vision and mind, we really have to look into how a number of laws work to provide protection for consumers in Canada and the United States.

We do not make up the cooling-off period out of thin air. It does exist in a lot of places. Moreover, it is not only in place for property transactions but also for general commercial transactions. Of course, how far it should be implemented is another subject for discussion. But it does exist. Consumers are provided with a lot of other safeguards in a property transaction in Canada. For example, if the application for an 80% or 90% mortgage loan is unsuccessful, the transaction can be called off. However, a lot of flat owners in Hong Kong purchase properties on the spur of the moment, or are misled by

wrong information about their eligibility for a 70% or 80% mortgage loan into signing an agreement in haste. Afterwards, their failure to "take out a mortgage loan" leads to "a forfeit of deposit" or even a demand for the price difference. Therefore, a cooling-off period is absolutely not something new. In fact, it is in place in a lot of civilized countries where the rule of law prevails, which offer even more safeguards in comparison to Hong Kong.

Second, the free market mechanism seems to be regarded as sacrosanct. As a result, any reasonable regulation is treated as a violation of the sacred doctrine. I think it is a matter of common sense. And such a view reflects a lack of common sense. In fact, in a free market, some assumptions remain to be made — Mr Alan LEONG also mentioned this issue earlier. First, there must be good circulation of information. In particular, the vulnerable party to a transaction must be provided with sufficient information to enable him to make a choice with the full knowledge, that is, the so-called informed decision. This explains why a lot of laws require disclosure and why the criteria for disclosure set by the Securities and Futures Commission are so meticulous and thorough. In fact, there should be a set of uniform criteria for property transactions in Hong Kong. However, many people hold the view that there is nothing wrong with the absence of uniform criteria because a self-discipline regime is in place. However, is self-discipline the answer? Why should we trust real estate developers but not other listed companies to regulate themselves? This is the crux of the matter. Why can we not have uniform or similar regulatory criteria in place?

In fact, these proposals of ours are not made up or snatched out of thin air by the Democratic Party. They were, in fact, put forward in 1996 by the Government after a lot of studies and careful deliberations in the form of a White Bill. We should bear in mind that these buildings are offered for sale before their construction is completed. How far they have been completed is an unknown. And this is the most important issue. On many occasions, buyers even do not have any knowledge of the layout, or the special provisions in the lease, or anything about the Deed of Mutual Covenant before they purchase a property with the savings in their whole life or with part of their income for mortgage repayment for the next two to three decades. Is it fair to persuade people to purchase properties without giving them any information? In fact, we only call for the sufficient disclosure of information and the prohibition of real estate developers to use various promotion or even misleading means to induce people to enter the property market. In this connection, both Miss CHAN

Yuen-han and Mr WONG Kwok-hing have spoken very well. I think our demands today are fair.

MISS TAM HEUNG-MAN (in Cantonese): Madam President, first of all, I would like to thank Mr Martin LEE for proposing today's motion which precisely aims to safeguard the rights and interests of flat owners. I am very much disappointed to hear some Members speak to defend developers who are too rich or too fat even to pull up their socks in order to safeguard the rights and interests of their own sectors. They are actually cold-blooded enough to safeguard the rights and interests of developers.

Madam President, a large number of people of Hong Kong "save at great pains" every day simply to buy a property and have a cosy nest. Home ownership is always the dream of the people of Hong Kong. It is a pity that the present regulation on first-hand property transactions imposed by the authorities is inadequate. Although the "home ownership dream" of the flat owners is able to come true, they are not provided with reasonable protection.

Under the present system, real estate developers are allowed to sell units to flat owners by means of "the sale of uncompleted residential properties" before the construction of the building is completed. However, to flat owners, the purchase of uncompleted residential properties under the present system is tantamount to "buying an ox from afar" that involves considerable risk. Although it is seldom or even rare in Hong Kong for flat owners to be denied possession of units due to project failure, that is, the so-called "fallen through development", after the purchase of uncompleted residential properties, flat owners are denied access to some important information when they purchase uncompleted residential properties, resulting in their being forced to accept some "unequal provisions" in the end.

Similar to other private properties, the management of private residential properties not only has to comply with legal provisions, most of the details are also prescribed in the Deed of Mutual Covenant (DMC), in which the rights and obligations of flat owners are clearly set out. That means whether flat owners are provided with reasonable protection largely depends on the DMC. Theoretically, before paying millions of dollars to complete the possible largest investment decision in their lifetime, flat owners should have a sound

understanding of all the information that affects their legitimate rights and interests. However, the affairs of the world are always ridiculous. Flat owners happen to be denied access to such information.

A number of flat owners who have bought uncompleted residential units told me that the provisions in the DMC had actually not been laid down when they purchased the uncompleted units. Neither the real estate developer nor the lawyer responsible for the property transaction explained to them clearly the salient provisions in the future DMC. It was always only after flat owners had taken possession of the property and made a search on the DMC that they learnt of some of the unreasonable and puzzling responsibilities. This is tantamount to demanding flat owners to sign a blank cheque when they purchase uncompleted residential properties. Afterwards, flat owners are subject to the wilful exploitation of real estate developers.

For instance, I have handled a case in which the complainant said the DMC of his residential estate stipulated that the flat owners had to be responsible for part of the maintenance expenses of the public facilities in the neighbouring estate. However, the main users of those facilities were residents of the neighbouring estate and the public. It was unreasonable to require the flat owners to be responsible for the maintenance expenses of those public facilities. However, as the flat owners were bound by the DMC, they had no alternative but to accept this responsibility like "a dumb eating coptis roots". However, he was totally kept in the dark about these unequal provisions when he purchased the property. He thought that the money of the flat owners should be used on the flat owners themselves. Why did the flat owners have to pay for the other's meals?

Madam President, the above example has clearly reflected the possible risks faced by flat owners, as well as the unfairness of the existing system. On the one hand, real estate developers are allowed to sell properties before the construction of the building is completed, and on the other, flat owners who purchase uncompleted residential properties are not provided with adequate protection. Does this practice of the Government aim to convey a message to the public that government policies are biased in favour of real estate developers? If this is not what the authorities mean, they should consider strengthening the protection for flat owners, so as to spare them of the bullying by real estate developers and binding by those "unequal provisions".

As the protection in the purchase of uncompleted residential properties is inadequate, flat owners can always choose to buy completed residential properties. And they will be provided with better protection in this way, will they not? However, I can tell Members that even in the purchase of completed residential properties, flat owners are equally haunted by anxieties. Although the provisions in the DMC are laid down by the time the property is offered for sale, the sales brochure provided by developers only give a vague and very brief account of the salient provisions of the DMC. Moreover, they are in small print and put in an inconspicuous corner of the sales brochure. The majority of the prospective buyers usually do not take any notice of them. It is necessary for the authorities to impose mandatory requirements on developers to provide flat owners with such important information in explicit and comprehensive terms, as well as to provide them with full legal consultation service. Developers are absolutely not allowed to muddle through and treat flat owners like "dupes".

In fact, apart from the mandatory requirement on real estate developers to provide sufficient information, the authorities should also inform potential home buyers of the importance of such information and their entitled rights and interests through different public education channels. Otherwise, even the information is made available, if flat owners do not pay any attention, it is a futile effort in the end. To better educate the public is the best support measure in strengthening the regulation on first-hand property transactions.

Madam President, the abovementioned issue is only one of the many topics regarding the regulation of first-hand property transactions, and a lot of other problems remain to be resolved. Therefore, I strongly support today's motion and hope that the "home ownership dream" of every flat owner in future will not turn into a series of nightmares after the purchase of properties. I so submit. Thank you, Madam President.

MR CHAN KAM-LAM (in Cantonese): President, the property market has always been an important pillar of the Hong Kong economy as a whole. According to rough estimates, the property and construction sectors have accounted for over 10% of the GDP on average. Home buyers put all their savings in their lifetime on the major plan of purchasing a property of their own. Therefore, the regulation of property transactions is very important no matter

whether to the overall economic development of Hong Kong or the protection of the interests of the general public. However, the property market has all along only exercised limited self-regulation in accordance with the guidelines issued by the Real Estate Developers' Association of Hong Kong (REDA). Is this enough? Although there were only seven complaints in connection with first-hand property transactions in the past year, in our view, even one complaint is too many; even one complaint is unacceptable. Therefore, the DAB thinks that legislation should be introduced to regulate the contents of sales brochures. In fact, this will give rise to positive impacts on the development of the property market; a positive image of businessmen for real estate developers; and protection of the rights of the general public. This actually is a "triple-win" option.

Information shows that since the guidelines were introduced in June last year, the REDA has received a total of seven complaints including the failure to provide the price list, the provision of misleading information in the sales brochure, the use of materials in the unit different from those described in the sales brochure, and alleged market rigging. As I mentioned before, the existing regulation mainly relies on the self-disciplined enforcement of the internal guidelines, with an effect definitely not as direct and straightforward as that by means of legislation. As the majority of the developers observe this set of guidelines, the introduction of statutory regulation will practically have no impact on these law-abiding developers. Those remain are most likely the black sheep in the sector. If legislation is to be introduced to achieve a deterrent effect, I believe it is unlikely that the market will be greatly affected. However, we wish to raise one more point. If legislation is to be introduced in future, another recurrent problem, that is, the quality of estate agents, also calls for our attention.

I would like to cite a real case that happened three days ago. A friend of mine went to the promotion activity of a property development last week. He asked whether one of the units offered a sea view. A property manager who was a representative of the developer told my friend very directly that the unit was without a sea view. However, an estate agent nearby "sweet-talked" a prospective buyer into believing the unit offered a sea view. My friend was very puzzled about why the property manager and the estate agent gave two different answers to the same question. This shows that in order to successfully promote a property development, estate agents would resort to giving irresponsible explanations.

It is a great pity that not every prospective buyer has such a good hearing to enable them to listen to the various versions of superb presentations. And the professional conduct of estate agents is an issue that cannot be ignored in the course of strengthening regulation. Although the Government has always stressed that at present, if fraudulent acts are employed to deceive buyers in the process of a property transaction, prosecution action against breaches of the law may be taken in accordance with the Theft Ordinance, and claims for damages may be dealt with through civil proceedings by invoking the Misrepresentation Ordinance, disciplinary sanctions cannot always be used as the starting point to resolve every problem. I mentioned earlier that several thousand private residential buildings were put up for sale in each of the past few years. But why were there only seven complaints? This raises our concern about whether certain complaints were successfully or fairly lodged. And we think home buyers should continue to enhance the understanding of their own rights and interests.

As I mentioned earlier the importance of the property market to Hong Kong, it is essential to enhance the transparency of the market to safeguard the rights and interests of home buyers and investors. And this is our major concern.

Moreover, regarding the proposal of Mr Martin LEE to introduce a "cooling-off period" of three days for first-hand private property transactions, I think this proposal is well-intended. However, I am also concerned that the "cooling-off period" of three days may not necessarily help buyers cool off and make a really rational decision. Instead, a negative effect may be resulted. First, both parties to a transaction must be equal in any deals. It is unfair if only the buying party is entitled to a "cooling-off period" but not the selling party. In addition, I am certainly also concerned that the "cooling-off period" will be used for the blatant creation of a false impression of thriving sale. A large number of units are claimed to be sold at the beginning of the sale of a property development in order to have the sales figures blown up. Then the transactions are called off after the "cooling-off period" of three days. It is possible that the public will be misled by such information and make wrong decisions. It is no doubt that such a practice constitutes the misconduct of false trading.

At the same time, we also think that to purchase a property is a major decision in one's lifetime. They should neither make rash decisions nor pay

deposits before gaining a thorough understanding of the property development and giving the decision careful thoughts. The provision of a "cooling-off period" of three days will easily give rise to a substantial number of uncompleted transactions. As a result, the market will be in chaos and the steady development of the market will be affected. Of course, we do not oppose the conduct of further studies on the need to formulate a set of measures to improve the existing mechanism for the sale of properties.

Therefore, we support in principle the spirit of today's motion. However, I hope there will be more discussions in the community on how best the mechanism should be set up in future. President, I so submit.

DR KWOK KA-KI (in Cantonese): Madam President, I would like to thank Mr Martin LEE for proposing this motion.

Everyone in Hong Kong, including he himself and his family members, has a chance, or has had the experience of buying a property. To buy a property is often the most important investment, as well as the most important decision in one's life. However, it is unfortunate that in Hong Kong, people have often been misled in the course of property transactions by real estate developers, developers and estate agents into making some terribly wrong decisions they live to regret.

What has caused such a phenomenon? It is evident that the Government must bear a great responsibility because this is definitely not the first time this Council discusses the issue regarding the regulation of developers in the sale of properties. However, over the years, although the community or the Legislative Council has kept urging the Government to introduce appropriate and reasonable regulation, it has often turned a deaf ear to our calls.

Perhaps real estate developers do have very powerful influence. In fact, they do have plentiful financial resources, and their wealth can even rival that of a nation. They have not spared their opinions on a lot of important matters of Hong Kong, including the election of the Chief Executive. Of course, it is common knowledge that their wealth and influence have significant influence on many of the government decisions. However, should the Government be bound by their financial resources and controlled by evil forces stemmed from money?

The colleague representing the real estate sector severely criticized Mr Martin LEE earlier. In fact, it was not necessary. The incident of the development at 1 Plantation Road by the Wharf Estates Development Limited was cited earlier — I prefer calling it a scandal. It comes as a surprise that such a prominent developer released misleading information. And what it sold were super luxurious residential properties instead of ordinary ones. Even such a developer had to resort to such lowly means to attract buyers. When people approached Mr Stewart LEUNG, Vice Chairman of the Executive Committee of the Real Estate Developers' Association of Hong Kong (REDA), who was responsible for responding to the incident at the time, for comments on the relevant information, he took a fairer stance and said the allegation was not a simple matter and should be brought up for discussion in the Committee. If the allegation proved to be true, it really had gone too far. Even people from the REDA think that the conduct of their peer developer has gone a bit too far, should we keep defending this totally abnormal phenomenon at any cost?

Many people of Hong Kong work hard and tire themselves out to do overtime until the small hours simply for "a shell", that is, for being so-called "a snail with a shell". And usually a lot of money only buys them a very small unit. However, they are often provided with completely inaccurate information when they are induced to buy these units. Only 30% of the units put up for sale in a recent property development was accompanied by price lists, and the remaining 70% was extra units for sale on that very day, that is, without any price lists. Buyers could only enquire estate agents of the quoted prices on the phone. It was under such a closed and unreasonable situation that buyers purchased these units.

I have with me some cases of transaction for Members' reference. It is a property development called Chelsea Court which started sales on 2 June. Regarding units facing the same direction — take units facing more or less the same direction at block C as an example — the prices quoted by the developer were different at different times. Hence, the price per sq ft for flat C at the 55th floor was \$4,466; for the 60th floor, which is several floors higher, was \$3,895; for the 62nd floor was \$4,100; for the 61st floor was \$4,754, and lastly, for the 58th floor was \$4,512. These figures show that the units were sold at "seasonal prices". What has caused such a phenomenon of "seasonal prices"? We have every reason to believe that real estate developers have employed some totally unreasonable marketing tactics such as no provision of quoted prices, the sale of extra units on the spot and the freezing of the sale to attract buyers.

The wealth of real estate developers can rival that of a nation. It is the people who purchase properties deserve pity. To these people, the price of these properties is an astronomical figure. They can manage to buy one unit only after decades of hard work, or possibly hard work of the whole family. The tens of billions dollars going into the pocket of the real estate developers are earned in blood and sweat. Why has the Government allowed unscrupulous businessmen to do such things?

Every trade and industry in Hong Kong is subject to appropriate regulation. Even the sale of vegetables is regulated. We are evolving into a civil society; a progressive society. However, it so happens that people of Hong Kong are cheated time and again in the biggest investment in their lifetime and in a very reasonable investment indeed, that is, the purchase of a property. And the Government has turned a blind eye to it. The Secretary said that the REDA had set up a self-regulatory regime and a three-pronged approach had been adopted. What is the meaning of a three-pronged approach? It is to urge the members of the REDA to improve their self-image. This request is actually like asking a tiger for its hide. These people want to "dupe other people". But they are asked to improve themselves. Is it tantamount to asking thieves to improve their skills? Second, it is to ask the Consumer Council to take action. The Consumer Council certainly wants to do so. But it is common knowledge that the Consumer Council has neither the capacity nor financial resources to fight with them. Third, it is to urge the Estate Agents Authority to play a better regulatory role. I definitely strongly agree with this.

However, just as a number of Members mentioned earlier, if what developers are doing now is open and aboveboard, why do they oppose the three reasonable proposals of Mr Martin LEE? Of course, I agree with the reasoning of Mr CHAN Kam-lam earlier on the "cooling-off period". It is necessary to give this issue further consideration. However, generally speaking, there is no reason not to enact legislation to introduce appropriate regulation on floor area, direction, and so on. When Hong Kong has got into this state, I think it is a sorrow for Hong Kong when even the Government is not able to regulate people working in this sector.

With these remarks, I support the original motion. Thank you, Madam President.

DR YEUNG SUM (in Cantonese): Madam President, we support the free market and have a good measure of confidence in the market. However, many a time, when there are market ills and failures, government intervention is inevitable. Government intervention does not aim to suppress the market operation but to protect the investment interests of the investors and the public. It does not aim to suppress the market but to ensure a fairer and more open market, as well as a reasonable exchange of benefits where no special favour is given to one particular real estate developer to safeguard only his profits. Therefore, government intervention or regulation and free market are not necessarily inherently conflicting but complementary instead.

To purchase a property is the major investment in the life of the people of Hong Kong who work most of their life for real estate developers. Moreover, Prof Edward CHEN has mentioned recently that nearly 80% of the tax revenue of Hong Kong has been directly or indirectly related to the interests of real estate, which has led to the public wondering whether the Government has been biased in favour of real estate developers. Has the Government often been biased in favour of the interests of real estate developers in the formulation of legislation and policy? The public do have such concern and worry.

We cited two incidents earlier — the Secretary may respond to them later — perhaps the Secretary may think the incidents of The Arch and 1 Plantation Road are individual incidents. Mr Abraham SHEK also said earlier that they were individual incidents. However, even if they are just the tip of the iceberg, we cannot totally disregard them. The incident of The Arch happened last year, in which a buyer had purchased a penthouse unit at the price of over \$30,000 per sq ft, as well as three other units at lower-than-market prices from the developer in a packaged deal. However, when the information concerned was released, only the sale of the unit at \$30,000 per sq ft was announced but not the units at lower-than-market prices, which gave the public an impression that the sales situation of \$30,000 per sq ft was the substantive response of the market. As a result, on the following Sunday after the announcement, the developer succeeded in selling 500 units.

Just imagine, was it a selective release of information? Was insider dealing or disclosure of misleading information involved? If it involves insider dealing and disclosure of misleading information, they are basically two counts of serious market misconduct. Should we turn a blind eye to them? Colleagues also mentioned earlier the incident of 1 Plantation Road, in which

eight units were reported to have been sold. However, it was not until a buyer had paid deposit for two units and the record of the Land Registry had reached his solicitor that he found out the reported transactions had yet to be executed. Were false trading and disclosure of false information involved in this case? Both of them are market failures.

The Secretary may explain to us later whether the abovementioned loopholes are the result of the current absence of effective government regulation on primary private property market. If there are loopholes, is it not necessary for the Government to enact legislation to protect the interests of investors, so as to ensure the market operates in a fairer manner instead of being biased in favour of certain people to damage the interests of investors?

In fact, the Law Reform Commission recommended earlier the introduction of legislation to require real estate developers to provide accurate information and clear account in sales brochures. We only request the Government to enact legislation to prohibit market failures including insider dealing, false trading, price rigging and disclosing false or misleading information. If legislation on all this is introduced, a signal will precisely be sent to the international community that in the open market of Hong Kong, fair dealings for investors will be protected because appropriate statutory regulation is in place. If a company operates in a proper manner, it will not break the law. Moreover, the presence of such regulation will not suppress the market. Instead, it will give rise to a more open and fair market. Not only the interests of investors will be protected, the interests of operators in the real estate sector will also be duly assured. Therefore, this is a "win-win" option. The enactment of legislation will not affect the operation of the market. Instead, it will boost the confidence of the public in the market.

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

I do not think all real estate developers will exploit "loopholes in law". And I am not going to "beat a whole boat's people to death with a bamboo pole". However, it is inevitable to notice that market operation is abused by the practice of misconduct to make profits. Such exploitation of "loopholes in law" has basically dealt a blow to the fundamental principle of the market operation of Hong Kong. In order to provide a safeguard for this, I think the introduction of

legislation is inevitable. Colleagues may take a look at our proposal. We suggest that legislation be formulated to prohibit misconduct such as insider dealing, false trading, price rigging and disclosing misleading information. What is wrong with this? To enact legislation to this effect will only foster more open and fair operation of the market that is free from manipulation. If the market is vulnerable to manipulation, what is wrong if legislation be enacted to prevent it from happening?

I so submit.

MR LEUNG KWOK-HUNG (in Cantonese): In fact, I mentioned this subject briefly last time when I spoke. The real estate developers of Hong Kong are certainly very powerful because they are an organic whole of three — The performance of the real estate companies affects the share market. And the banks lend money for interest. Therefore, they form a holy trinity. However, it seems to be the opposite of God. It is the smartest angel — Satan.

The proposals of Mr Martin LEE, such as calling for the formulation of legislation to regulate things people should not do, are equal to telling us that the sun rises in the East, which is not necessary to repeat time and again. The real estate sector of Hong Kong is world renowned. However, it turns out that the sector has all along not been regulated. Therefore, I dare to say that if today's motion is not passed, it is simply unbelievable. And it will bear testimony to what I always say: The Legislative Council is just a teahouse and a rubber-stamp. It is just like that. Even if it is an issue about which everybody thinks it is right, it will not be passed in the Legislative Council. This is what happens. I hope colleagues will show due respect this time and not bring the Legislative Council into disrepute (although this Council has often been humiliated).

In fact, why is it necessary for our Government to protect real estate developers? The answer is in the behaviour of some people. When Vice President ZENG Qinghong visited Hong Kong, we had a meal with him. (As I had told Vice President ZENG Qinghong what I thought, I was long driven away.) We humbly sat down to keep him company — it should be we were "flattered" to keep him company. However, Mr ZENG Qinghong paid a visit to Mr LI Ka-shing much earlier and had a two-hour breakfast with his son while his visit to Hong Kong was scheduled to be less than 48 hours. Sixty Members of the Legislative Council sat like a log and only had the chance to toast with

him, feeling flattered to keep him company. But the case was not just like that. He visited not only the LI family because the real estate sector is manipulated by several major families. If an "even-handed" approach is not adopted, a sequel of "The Godfather" is likely to be staged at any time. And what a terrible mess it will be. Therefore, he actually met all of them.

Honourable Members, "The preference of the superior will certainly be carried further by his subordinates." It has turned out that the major official of the Central Authorities had to pay courtesy calls like in the underworld when he visited Hong Kong. He called himself "younger brother" and presented them a visiting note to address them as "elder brothers". What else can other people do? Whether today's motion is going to be passed does not depend on "Uncle SUEN" or the one "who denies Jesus". Instead, we have to ask: What exactly is the national policy? If the national policy is Hong Kong should keep practising capitalism that focuses on real estate and stock speculation, the present situation will continue. This is very simple reasoning. At any gambling party, the bigger the gambling party, the bigger the chance to win money; and the fewer the regulations, the bigger the gambling party. It is just this simple. This is no different from putting a few playing cards one on top of the other in the market. A gambling den using gambling tricks and involving hundreds of millions of dollars can "take more cut off the winnings". Therefore, what is the purpose of imposing regulation?

You fools now ask for the provision of sales brochures in the purchase of properties, or talk about "false inside story" and "disclosing wrong information". What is going wrong now? Only in this way is there a chance to gamble. The pray-for-good-fortune gang has also used this tactics. They tell people there is no need to be afraid and it is possible to make more money. In fact, real estate developers have done the people of Hong Kong great harm. The expenses on rent have added another burden on the burden-loaded small businesses, which leaves them no space to move. When the business has just turned around, they have to face rent increases. When the Government has slightly reduced taxes, the bankers have decided to raise interest by 1%. All of these are manipulated by them.

Therefore, we can always go ahead with our discussion here. If the Government tells us it will not intervene in the market, it is a lie. For what reason did the Government intervene in the stock market? It was because there was a foreign predator in the market. Do you recall the incident of "black

Monday"? This rule was broken only because of an incident of this nature, in which foreign capital over-invested in the stock market of Hong Kong. But over-investment was not allowed here. The 6 million population of Hong Kong are all dupes. Why is it necessary to protect us? It is only when the overseas "big predators" are going to chew us and we can hardly hold our own that it is deemed necessary for the Securities and Futures Commission to improve our market. That means only when the "big predators" are going to chew us that such action is deemed necessary. Therefore, the people of Hong Kong are really pathetic.

It has turned out that commodities of a similar nature can equally be used for speculation purpose. However, a particular commodity is subject to regulation and another is not. This is just the same as in the market where the poisonous Chinese broccoli is regulated but not the poisonous choi-sum. Hence, this issue again reflects the sordid nature of the small-circle election. How many votes within the small circle are controlled by real estate developers, bankers and people working in the financial market? Mr LAU Wong-fat alone controls over 80 votes. Therefore, the issue of small house is "negotiable". As the whole situation is under their control, what more can we say? Small-circle election enables the frauds to clear their offences, as well as to cheat at a declining cost like the pray-for-good-fortune gang. Small-circle election has enabled this to happen. And it is very difficult for us to change the small-circle election.

I hope Mr Martin LEE's motion will be passed. And I also hope the Government will not say, even if the motion is passed, it will just note it but not take any action. I hope the Legislative Council today will win credit so that even "madam shun" in Ngau Tau Kok agrees that reason is on the side of the Legislative Council. I also hope the Government will not again lay stress on strong governance. If it does wrong, it should rectify the mistake — This is what Mr Donald TSANG said. This is not what I taught him to say He thrice denied Jesus. (*The buzzer sounded*)

DEPUTY PRESIDENT (in Cantonese): Your speaking time is up.

DR DAVID LI: Deputy President, may I say at the outset that I fully support the intention of the Honourable Martin LEE's motion.

A fair and transparent property market is in everyone's interests. By promoting fairness and transparency, we promote an active and healthy property market.

Confidence is a very fragile commodity. If information in a sales brochure is unreliable, or there is concern about market manipulation, the public will simply refuse to buy. The resulting fall in transactions will not only affect property developers. It will impact the whole economy. There would be less demand for mortgages, for decoration services, and for furniture and fittings. Fewer flats would be built. Construction workers would lose their jobs. Engineering firms would be forced to cut back. Law firms would lose their bread-and-butter conveyancing work. In short, everyone is affected, if the public lacks confidence in the property market.

What, then, is the best way to ensure fairness and transparency? My honourable friend has suggested that this can be accomplished through legislation. I disagree. Experience from the banking sector has shown that self-regulation works. Moreover, a self-regulating code of conduct can be put in place far quicker than legislation. And it can be updated as necessary to meet changing market conditions. The Code of Banking Practice was developed by the banking industry in consultation with the Hong Kong Monetary Authority. It has proven extremely effective in regulating the conduct of banks and bankers.

Therefore, the property industry should first be given the opportunity to regulate itself. If the industry is unable to do so, then and only then should legislation be considered. If the industry indeed fails to abide by an agreed code, I am confident that there would be widespread support for action, ensuring quick passage of the necessary legislation through this Council.

May I also raise the issue with the third part of the motion. My honourable friend wishes to introduce a cooling-off period, during which a buyer may unilaterally decide to terminate a sale and purchase agreement. I fear that this proposal will only create confusion in the market. Worse, it is wide open to manipulation by persons with ulterior motives. An organized group could easily disrupt a flat sale, by signing multiple sale and purchase agreements, and cancelling them 48 hours later.

We also have to bear in mind the special nature of property sales. Flats are individual and unique units. They are not interchangeable. Selling flats is

not like selling insurance. An insurer can sell an unlimited number of policies. Cancellation of a sale has no impact on other buyers. However, once a given flat is sold, buyers must choose from the remaining stock. If a desirable flat is returned to the developer after a cooling-off period, those who bought their properties in the interim may well feel cheated. Introduction of a cooling-off period is a bad idea, unsuited to the property market.

I fully support fairness and transparency in the property market. This motion outlines the provisions necessary to ensure fairness and transparency. However, I do not agree that we should consider legislation at this stage. Nor can I agree with the provision of a cooling-off period. For these reasons, I must regrettably vote against the motion.

Thank you, Deputy President.

(THE PRESIDENT resumed the Chair)

MR ALBERT CHAN (in Cantonese): President, as you and the Deputy President have just changed places, all of a sudden, I do not know how to address you.

I very much thank Mr Martin LEE for bringing up such an important subject which has a direct impact on the interests of the general public of Hong Kong — it may not exactly be the general public, but at least the tens of thousands property owners. Before I speak on the motion, perhaps I have to declare my interest. I am now suing the biggest real estate developer of Hong Kong. The lawsuit has gone on for eight years. Therefore, a number of arguments and legal issues I am going to raise regarding this subject are mainly related to this lawsuit.

In fact, among the various policies of the Government of Hong Kong, the arrangement for the sale of properties, particularly the sale of first-hand properties, has attracted the fiercest criticism and has given the strongest impression of collusion between business and the Government and transfer of benefits. It is not only collusion between business and the Government, but also collusion between business and the Government and transfer of benefits under the escort of professional bodies and professionals. Moreover, it is transfer of

benefits and collusion under the protection of the law because the overall policy and legal arrangements regarding first-hand property transactions are drawn up between the Government and the major real estate developers, particularly the large number of provisions in the agreement concerning first-hand property transactions. For "properties for sale before completion", many provisions are decided by the Lands Department in consultation with the real estate developers. And some are amendments proposed by The Law Society of Hong Kong on basis of the basic provisions. However, even with such stringent procedures, communication of various parties concerned and participation of persons involved including professional bodies, the protection for flat owners is extremely weak. It cannot be said there is no protection, but it is extremely weak.

I would like to take the lawsuit concerning Maywood Court that I have followed up for eight years as an example. The case of Maywood Court is very similar to that of Yan Ning Garden (sic) developed by the Housing Society (HS) in 1998. As the HS failed to complete the development of Yan Ning Garden before the date prescribed in the Agreement for Sale and Purchase, it took the initiative to inform flat owners of the Yan Ning Garden of its failure to complete the development on time and prospective flat owners were refunded 30% of the deposit paid. It was really a pleasant surprise like winning "a lottery" to the prospective flat owners of the Yan Ning Garden because some of them could avoid losing every cent of the deposit. Of course, some of the transactions went on for completion. However, on the whole, the incident was handled in a fair and just manner. Although I have often criticized the HS, I think it has handled this incident in a just manner.

At more or less the same time, the 1 700 flat owners of the Maywood Court also purchased properties at the Maywood Court before the development was completed. The developer also could not hand over the properties after the specified deadline. During the months of pursuit by the flat owners, the representative of the developer always said, "It is all right. It will be ready soon." The completion date was delayed from December to January; then January to February; then February to March and it was delayed again and again. At last, it was until June that approval was given by the Lands Department to allow the developer to inform the flat owners to take possession of the properties. In the meantime, the property price had already gone down 30%. According to the Agreement for Sale and Purchase and the guidelines issued by the Lands Department, in January 1998, with knowledge of the delay and the opinion of the

lawyer, it was possible for the flat owners to accuse the developer of non-compliance with the provisions on the transaction of uncompleted properties and demand refund of 30% of the deposit plus interest. I have done the calculation. It amounted to a total of \$1.7 billion with 1 700 units priced at \$1 million on average. The donation by this major developer to the Faculty of Medicine of the University of Hong Kong was also \$1 billion.

This developer did not honour his obligation like the HS. He neither informed the flat owners that the properties could not be handed over to owners due to his own mistake nor informed them that they could take possession of the properties. The developer did none of these. He just kept covering up the information. A lot of information we got hold of showed that many facilities of the development were yet to be completed in March 1998. Therefore, it was impossible for the flat owners to take possession of the properties before the specified date. However, when the agreement drawn up by the Lands Department was examined by the Court of Appeal, the Court ruled that the developer did not have the obligation to inform the flat owners that the agreement could be terminated. Moreover, the agreement for the transaction of uncompleted properties stated that if the flat owners did not inform the developer of the termination of the agreement 30 days after the deadline for taking possession of the properties, they were assumed to accept the delay. This is really ridiculous. But the provisions did state these terms. "Uncle SUEN", it is prescribed in the provisions for the transaction of uncompleted properties of the Lands Department that the developer does not have the obligation to inform the flat owners. If the flat owners have no knowledge of their exercise of this right, they are assumed to have given up their right. The 1 700 flat owners were kept in the dark because they employed the developer's specified lawyer to handle their property transactions. This shows that first-hand property transactions bear the convincing evidence of collusion between business and the Government and transfer of benefits, as well as transfer of benefits and collusion between business and the Government under the escort of the professionals.

The people of Hong Kong are miserable. They can be described as the slaves of the real estate developers. When their pocket is empty, they have to save to purchase properties. After they have purchased a property, they are exploited and oppressed by developers. After moving into the unit, they find the management company is a subsidiary of the developer; the telecommunication services are also provided by a company under the developer; the supermarket they go for shopping also belongs to the developer; and the same

happens to the bus services. Some of the bus routes are solely provided by the bus company under the developer. The residents simply have no choice.

Therefore, on the issue of property transactions, if the Government does not change its attitude — I do not believe the Government will change it because, to a certain extent, the Government is manipulated by developers. Although "Uncle SUEN" is unlikely to, and will not admit it, history obviously shows that once the Real Estate Developers' Association opposes a certain proposal, the Government turns lame. The Government please does not tell us again about strong governance. It assumes strong governance before the general public. But it is actually lame before the real estate developers.

Therefore, President, if the Government does not support this motion today, it is difficult for it to be passed. Thank you, President.

MR CHIM PUI-CHUNG (in Cantonese): President, it is perfectly normal for Mr Abraham SHEK to strongly oppose the motion because he is the representative of his own sector.

We are aware that real estate developers of Hong Kong in general began to get rich in 1972 and 1973. At the time, there were one Chinese-funded bank and two stock exchanges to back them up and provide them with support. As a result, they took the opportunity for listing — First of all, I have to point out that real estate developers have made their "pots of money" through their own hard work and their fitting in with the overall development of the economy.

However, I have to criticize the policies of the Government. These policies have made them even richer. We can see that in the various predicaments we faced in the past such as the social riot in 1967, the stock market slump in 1974, the issue of Hong Kong's future in 1982, the so-called global stock market crash in 1987 and the issue of 1997, all the major real estate developers managed to remain intact. Why? It is because the Government has created an environment for real estate developers to exploit small investors and home buyers. We can see that the 10 major real estate developers

President, no government official is attending the meeting now. I would like to ask you to rule.

PRESIDENT (in Cantonese): Mr CHIM Pui-chung, the Secretary attends the meeting by himself. I guess he has to leave the meeting for a little while to answer a call of nature. *(Laughter)*

MR CHIM PUI-CHUNG (in Cantonese): President, in that case, I will wait for the Secretary then.

PRESIDENT (in Cantonese): Would you mind speak slowly while you are waiting for the Secretary to return? I will immediately ask someone to request the Secretary's early return, all right? We cannot stop the meeting here and do nothing.

MR CHIM PUI-CHUNG (in Cantonese): All right.

MR JAMES TO (in Cantonese): President, I am afraid a quorum is not present at the moment.

PRESIDENT (in Cantonese): It seems that a quorum is lacking. Will the Clerk please ring the bell to summon Members back to the Chamber.

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

PRESIDENT (in Cantonese): A quorum is now present. And the Secretary is also present. Mr CHIM Pui-chung, please continue with your speech.

MR CHIM PUI-CHUNG (in Cantonese): President, the Government was greatly held responsible in the past. Why? It was the high land premium policy, and that was what the people said the flour was even more expensive than the bread. The Government has all along protected the right of real estate developers. Over the years, we can see that no matter how far the stock and property markets had slumped, the profits of the five major real estate developers

was always maintained at over \$10 billion each year. I think the Government should give some thoughts to this. Of course, some may say that the real estate developers have to pay tax. But this is another matter.

We must be aware that there are three irregular practices or rules of the real estate developers: First, exaggerating the floor area. Foreign governments have required the specification of the net floor area. But the real estate developers of Hong Kong are unscrupulous (I have to say not every one of them is). They have included the peripheral areas in the quoted prices; second, making use of public places such as the lift lobby. These areas are actually not included when the building is under construction. However, real estate developers deceive home buyers by raising this multiplier; third, making use of the mass media. Please take a look at the amount of advertisement for real estate development every day now. Who give these advertising agencies a living? Therefore, we can see what all these mean. Therefore, the Government is greatly held responsible. Why? We members of the public can buy stocks today and sell them tomorrow. I can claim I am able to bear the losses. However, apart from marriage, the purchase of a property is one of the most important processes and the most significant decision in our life. Therefore, as a Member — I do appreciate that Mr Abraham SHEK has to defend the interests of his sector — nevertheless, we should have some conscience. Otherwise, we 60 Members will become subjects of ridicule.

I personally believe this motion is not going to be passed today. It does not matter if the motion is not passed. However, instead of evading the issue, the Government should make it public and let the community as a whole review it. It does not matter if we have different political views because such views only go through a transient test and some people may change their stance. However, it is most important to be a person of integrity. Therefore, as we are on the Legislative Council, we should stand by our own beliefs and decisions about certain issues so that people will show us respect. To some people, the introduction of legislation may cause them inconveniences. However, it is not my intention to seek redress because my own sector is regulated by a stringent set of laws. This is not my intention. However, although it is not possible to introduce legislation on this today, I very much hope that apart from self-regulation, the sector will also show its courage. We must understand that one must behave with integrity while making a fortune. In particular, the real estate developers who adhere to the rules have actually made "pots of money".

Therefore, they should follow the rules of the game. It is certainly not their wish to be splashed with the black dog's blood time and again. It is only because the course of events has not followed the proper development. And in response, people have taken these illegal means when their patience has been worn out.

Therefore, I support the motion today despite it is obviously not going to be passed. Thank you, President.

MR JAMES TO (in Cantonese): President, after listening to Mr CHIM Pui-chung's speech, I actually very much agree with his overall analysis. Perhaps as Mr CHIM Pui-chung is well versed in the legislation on securities, therefore, when he mentioned the related legislation and drew a comparison with that presently regulating the sale of properties, it is obvious that the laws on the latter have completely failed to keep abreast of the times and cope with the prevalent situation.

I only wish to speak on a narrower topic. Last time when we found out something wrong in this respect, the Secretary replied on the issue of sales situation (I guess the Secretary will make the same comments in his reply) that such information (for example, the misleading sales situation provided by developers) was actually not a major factor of consideration. And as buyers were very sensible, they would not be easily deceived. However, since I could not rebut after his reply at the time, I wish to refute his arguments as early as possible.

Admittedly, by general logic, is it true that every member of the public will be influenced by the sales situation? From a practical point of view, the sales situation itself (particularly at a certain time and space) is actually a very important factor in the decision of buying a property. And from a psychological point of view, as Mr Martin LEE mentioned earlier, some real estate developers, apart from releasing through the media the number of units sold, would make use of a number of psychological tactics of promotion on the scene, including the creation of a very pressing atmosphere that leads people to think if they do not purchase, those queuing behind them will do so and they should not hold others up. In fact, this tactic is employed not only by real estate developers, but also in other promotion such as the sale of time-share plans and even slimming products.

However, we are now talking about the sale of properties. As a number of Members said, since this is a very important, very important asset in people's life, as well as a matter of lifelong pursuit and living in peace and plenty, we attach special importance to these transactions. When compared with other more significant investments such as stocks and shares, other assets and investment vehicles, it is obvious that properties carry a more special meaning. It is a plan of an individual that concerns his family, his living and his life.

However, the question is when we review the incident of 1 Plantation Road, we became fully aware that even with the careful land search and the support of fine lawyers and professionals, there is no denying in the end that some information is only in the hands of the seller or the developer. Why? It is because only the developer can tell the buyer the number of units sold and the number of legally binding agreements signed. Only the developer can get hold of information of this nature. Even estate agents under the developer may not have such information because the developer may distribute the units of a development to different estate agents. And eventually it is the developer who is going to sign agreements. Moreover, according to the law, it may be stated in the developer's agreement that, for instance, the agreement has to be submitted to the Land Registry for registration within 30 days after the signing of the agreement. Within those 30 days or possibly more than 30 days, only the developer can actually get hold of some information. Therefore, if the developer releases certain information, it really will constitute misleading representation, leading to a circulation of confusing information in the community. After reporting by the media, it may even create an uproar. In the end, it will definitely influence some buyers.

Of course, in the reply last time, the Government said it was possible to bring a charge of fraud — it is possible to do so. However, if the case is that the person concerned has direct contact with the developer or a representative of the developer, it is possible that the information received is a bit closer to the facts. However, the onus of proof in criminal law is a far cry from whether the public can get the money back because there remain difficulties in finding a lot of other evidence. For instance, it is not certain whether the law-enforcement authorities have acquired such investigation skills. Even if they have such skills to identify different intermediaries and evidence, it does not necessarily mean they are sure to win. Moreover, if the information is disclosed not to the person concerned but to the public, it is obvious that it will be more difficult to prove the developer's conduct constitutes criminality.

Therefore, under these circumstances, I can understand why when the member of the Executive Committee of the Real Estate Developers' Association heard of this incident, he could only say it should not go so far. If this really was the case, it deserved their concern. In fact, there are actually some black sheep in the sector, which have made the public lose confidence in the whole sector. Furthermore, not every developer acts like this. If statutory regulation is in place, the black sheep will be on the alert and act with the utmost care. Moreover, as a bottomline, even though criminal sanction is not imposed, the general public or home buyers can at least claim compensation through civil proceedings according to law and have justice done. On this issue, even it is not possible to formulate a number of laws to cover every aspect, I think it is absolutely necessary for the Government to study how the buyers' interests can be protected by legislation under some special circumstances, particularly those under the complete control of developers.

Lastly, I wish to say that good and bad developers mingled together like seedlings and weeds. Sometimes, not only the general developers we are now talking about engage in such practices, even the MTRCL would act like this — both the MTRCL and the KCRC have acted like this. The MTRCL actually employed the same tactics for the promotion and the information released in the sale of several residential estates located at the waterfront of West Kowloon. Perhaps the public do not believe the MTRCL will act like this. However, in reality, even the MTRCL has acted like this. If no statutory regulation is in place, even public bodies or bodies wholly owned by the Government would employ these tactics, let alone other developers. A developer has sold the sea view twice, that is, selling it again after it has been sold. And a lot of misleading information and representation have been set out in the sales brochures. Therefore, I think due attention must be paid to this issue.

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

MR ALBERT CHENG (in Cantonese): President, Mr Martin LEE has proposed today a motion, not a private Member's bill. And the points raised in Mr Martin LEE's motion are actually quite brief. We listened to Dr David LI speak particularly on this motion — He rarely speaks here. However, his speech has given us food for thought. And the issues he raised do give us much to think about. However, as this is not a private Member's bill, we are not

enacting legislation now. Mr Martin LEE has only proposed a spirit which is very simple, and that is, to safeguard the rights and interests of consumers.

President, a number of Members mentioned earlier — I very much appreciate what Mr WONG Kwok-hing said — the purchase of a property is actually a very serious matter. It is a lifelong investment of an individual rather than a rash decision. Dr David LI drew a comparison between bankers and developers earlier, saying developers should regulate themselves like bankers. However, bankers are highly respected by members of the public, but developers cannot be mentioned in the same breath. It is not my intention to belittle developers. President, a bank requires a licence to operate and it is subject to regulation. But I can be a developer tomorrow, and so can Mr Martin LEE. Therefore, it is rather difficult to require developers to regulate themselves. However, Dr David LI did not point out that property buyers should actually be careful themselves because this is a lifelong investment. They certainly should be careful as they make savings at great pains from what they earn.

A number of Members cited earlier the example of 1 Plantation Road. But this is actually a very bad example because it has involved a very sensible investor and a sum amounted to \$900 million. President, the person concerned protested downstairs at the entrance of the Legislative Council a month ago about his complaint being turned down by the Legislative Council. I did not pay him any attention. But he shouted at me and demanded me going over there. I then walked towards him. And I told him, "What is the business of mine in this matter? As you are rich, first, you can enlist a lawyer; and second, you can go to the Liberal Party." I also told him, "My major concern is to safeguard the rights and interests of the disadvantaged social groups." Why did I say it is a bad example? I do not mean there is no need to protect the rich. The rich equally need the protection of law. However, Mr Abraham SHEK referred earlier to Mr Martin LEE's purchase of a property and even the price per sq ft of that unit. I think all along that it is not a good example. No matter whether it is Mr Martin LEE or Mr Abraham SHEK — Mr Abraham SHEK got angry today because it is his obligation to defend the rights and interests of his electors. It is due to the support of his electors that he can sit in this Council. This has magnified the problems arising from the small-circle election and sectoral interests. Mr LEUNG Kwok-hung discussed this issue earlier and I will not elaborate on it. However, we are the more sensible investors. Therefore, it is no use to talk about Mr Martin LEE's way of doing things. Instead, we should

talk about people who purchase a unit priced at around \$1 million with money earned at great pains.

No Members have proposed any amendments to the three points put forward in Mr Martin LEE's motion today. If Members think that there is something wrong with Mr Martin LEE's motion, they should propose amendments to it. After reading the motion, I think it demonstrates a spirit. If we support this motion, it shows that we in the Legislative Council agree with one thing, and that is, to safeguard the rights and interests of consumers. It is this simple.

Then how will the relevant bill be drawn up? It should be drafted by the Administration and submitted to the Legislative Council. We will naturally scrutinize every clause and perfect it. Regarding the issue brought up by Dr David LI, it gave me a scare when I heard about it earlier. I think Dr David LI is right. Developers resort to every possible means not only on consumers but also on rival developers. For instance, when a property development is offered for sale, several hundred people will be employed to purchase all the units and then "forfeit the deposit" after three days. This is a problem. But this is no ground for opposing this motion because what we are now proposing is a spirit, and that is, to safeguard the rights and interests of consumers.

One more question: Is Hong Kong the only place in the world where properties are offered for sale? It is not that Hong Kong is the only place where properties are offered for sale and there are no properties for sale in the rest of the world. Our Government always mentioned in the past the target of surpassing the United Kingdom and catching up with the United States and places like Manhattan and London. There are also properties for sale in these two cities. There is also investment. And there is also protection. It is the same after all. It is common knowledge that Dr David LI has properties all over the world. For the purchase of uncompleted residential properties in Canada, the funds for the purchase are kept in the bank. As Mr Albert HO said earlier, after the property is completed, if the buyer finds the property is not built to the specifications or to his liking, he can get a full refund. In the other so-called sophisticated capitalist economies, there are similarly properties for sale and speculation on properties. Over the past few years, the property price in London has surged at a rate higher than that in Hong Kong. And over the past two years, the property price in Vancouver has also surged at a rate higher than

that in Hong Kong. However, there is protection in these two cities. Is it possible for us to refer to the practices of other markets?

I think it is pointless arguing over this issue. Mr Martin LEE's motion today points out that we in the Legislative Council should serve the people of Hong Kong rather than safeguarding the sectoral interests. I wish to reiterate that when we were sworn into office over there, we pledged allegiance to the Basic Law and the people of Hong Kong. Therefore, the sectoral interests are not our sole concern. It is very simple. We Members of the Legislative Council should be true to our pledge and our promise. President, we serve the public and the people of Hong Kong. This motion aims to safeguard the rights and interests of consumers. After the motion is passed, it still takes a long time for us to deliberate on the drafting of the legislation. If Members even oppose in this case, I think they set themselves against the people instead of protecting the interests of consumers. There must be something wrong in the spirit. Therefore, besides this, I do not wish to elaborate. I certainly support Mr Martin LEE's motion. I so submit. Thank you, President.

MR LEE WING-TAT (in Cantonese): Honourable colleagues have put forward a lot of opinions on the motion. I just wish to remind everyone that Hong Kong is not an absolutely free market.

As we all know, regarding property transactions, property developers and buyers are mainly different in two ways, namely, in their financial strengths and the access to information. Uncle SUEN knows all too well that, during the past decades, very few small owners had ever sued property developers for poor maintenance after moving into the new flats — it simply seldom happens in Hong Kong. It is very difficult for the people to initiate such civil proceedings. Even if you stake all your savings on the litigation, you may not be able to prosecute the property developers, not to mention the chance of obtaining a judgement in your favour.

With regard to the access to information, James TO has just discussed the issue a moment ago, and actually I had also discussed it with Secretary Michael SUEN and Deputy Secretary TAM Wing-pong. Now, those who have the best access to market information are the property developers and the estate agents. How much information is accurate? In fact, no one knows the answer. Every

day when we read the newspapers, we may come across reports on the sales situation of a certain property project, such as, saying that 50 flats have been sold. But we never know whether such reports are true. Even if these figures are true, we have no way of finding out whether this is the final sales figure. Why? Secretary Michael SUEN may also know that all that these people have to do is just to sign some provisional sale and purchase agreements. The official agreements will have to be processed at the Land Registry. We can believe that the transactions are real only when they have reached this step.

In fact, I have always wanted to conduct a study project. But I have no money. The Secretary should also know the kind of study I wish to conduct. The project involves a study that would enable us to find out: Among those who have signed the provisional sale and purchase agreements, how many of them eventually have not followed through their agreements to the Land Registry? To put it in layman terms, they can play "tricks" at this point. This is because the figures announced by property developers and estate agents simply refer to the numbers of provisional sale and purchase agreements signed. It takes nearly three months before such agreements really have to go through formal processing with the Land Registry. As James TO has said, there are good and bad property developers and estate agents, and some of them may collaborate with each other to sign some provisional sale and purchase agreements and announced the sales figures after signing such agreements, which are cancelled one month later. All they have to do is to mutually agree to the cancellation of the deposits involved. I would like to advise the Secretary to spend more time on conducting the study, because it is really a project we should do.

Second, on the issue of information. I had already raised this issue with Secretary Michael SUEN in the Legislative Council at the end of 2004. At present, the provision of market information is one-way. The reason is very simple. The newspapers, even if not all of them, rely heavily on the advertisements of property developers as the major source of income. We can see for ourselves how many newspapers have published advertisements for property developers or property-related sectors? Every day, when we come across news reports featuring so-called interviews of property developers, and when they are asked to comment on the market trend, they will say that property prices will definitely surge by 10% within this year. Even at the time when the interest rates were relatively high, those property developers and property agencies still said that it would only have a short-term effect on the market, and that the situation would improve later.

We all know that the provision of information is rather lopsided. I had already reminded Secretary Michael SUEN at the end of 2004 that he should do something about market information, so as to let the consumers have access to information on such situations as the property transactions in the market, land and uncompleted properties. I know the Secretary has done work in these regards. I am not criticizing the Secretary for not doing such work. However, the problem is, such work cannot give full play to its effectiveness. As one of the Members of this Council who are very concerned about this issue, I notice that the information released by either the Lands Department or the Bureau quarterly or every one or two months has absolutely failed to achieve the purpose of enabling the consumers to have a good grasp of the latest market information. Therefore, from this perspective, there are no remedies for this problem. So, the small consumers are absolutely vulnerable.

About a year ago, the Panel on Housing of this Council also held a discussion on a simple message, that is, there should be listed prices when we do shopping. Even if we are shopping in a wet market, those hawkers would display a price board, for example, *choi sum* is sold at \$5 a catty, though sometimes the quantity may be less than proclaimed. But our current system is: There is a price list for the first batch of flats, but when the second batch is launched, the price list is no longer available. The Secretary may also know that. What are the present situations? When the first batch of flats is launched, the number of flats is limited. For example, there are only 50 flats with prices on a list. After they are sold out, another 200 flats will be launched, and the property developers can put on whatever price tags they like, and no price list is available for them. I do not understand why the Secretary can tolerate this? This is indeed very intolerable. I do not know why Mr SHEKoh, he has already left the Chamber. Why Mr SHEK, as a person and as a member of the public, can tolerate the fact that no price list is provided when we do shopping? Words of mouth can be forgotten and denied afterwards.

Up to this day, I still do not understand why the Bureau can tolerate the act of property developers in not providing price lists for flats launched in the second and subsequent batches. The Bureau attributes this to the rapid and drastic changes in the market. However, no matter how drastic the changes are in the market, a price list can always be drawn up in 10 minutes. Can such an explanation hold water? If the Secretary does believe in this reason, I am sorry, I am very disappointed with you. If the Secretary finds it not a valid reason,

then he has to do something and curb property developers' practice of not providing price lists when they sell a second batch of flats and he should not leave it entirely to the self-regulation of the Real Estate Developers' Association of Hong Kong (REDA). In fact, the Secretary also knows that it does not work. Otherwise, the test purchase would not have been conducted early last year. I cannot remember if it was the Secretary or LEUNG Chin-man who had set it for the property developers. But as I have known it, of course I must offer you my congratulation because you have been so successful in setting it. I must make it clear I have not collaborated with you in bringing this up. It was the Secretary who wanted to set it. And only by then did the Secretary realize that there were really property projects selling flats without any price lists. Those ordinary consumers are really like frightened children or innocent goats before the tigers — they are surrounded by a group of persons telling them how much each of those flats costs. How can they have access to accurate information in the market?

Therefore, I really hope that the Secretary can think about it. The present situation is really very undesirable. The Secretary withdrew the White Bill in 2003-04 — you were not the Secretary at that time, Dominic WONG was. He was in that post shortly before he "beat it". I was not in the Legislative Council either. Now three years have lapsed. If the Secretary does not do something about it, I think it is really very bad. I think, sooner or later, the Legislative Council Panel on Housing will conduct a major study on the issue. We have received only very few complaints — this is not true either, Secretary. The reason is: Many consumers dare not start any litigation against property developers and they also feel that it is useless to lodge any complaints. If the Secretary really cares to conduct some investigations and if he bothers to ask the buyers whether property developers have been fair on this issue, he can definitely find out the truth.

Thank you, President.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): If not, then I shall call upon the Secretary for Housing, Planning and Lands to speak.

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): President, I would like to thank Members for their opinions on the topic of regulating first-hand residential property transactions.

Some Members have drawn a comparison between the property market and the securities and futures market, and consider that the Government should establish a statutory regime to specifically regulate property transactions. In my reply earlier to a Legislative Council question on a similar topic, I already pointed out that the two markets are different and should not be compared in the same light.

The securities and futures market is of a global nature. As an international financial centre, Hong Kong needs to ensure that the regulatory standards for the local securities and futures market is on a par with other major financial centres. Also, given the many different types of stocks and futures, and the fact that the amount of investment involved may vary considerably, the extent of the securities and futures market's impact is far deeper and broader than that of the property market. Hence, it is necessary to establish a stringent statutory regime to regulate activities in the securities market.

There is generally no international common practice on whether or how the property market needs to be regulated. Different jurisdictions would employ different mechanisms appropriate to their own circumstances. In Hong Kong, property transactions are no different from other commercial transactions such as sale and purchase of cars in that they are all carried out in the spirit of the contract, rather than being subject to market-specific statutory control. Any dispute from a transaction may be dealt with through civil litigation, and if fraudulent acts are involved, criminal prosecution action may be taken in accordance with relevant legislation. We believe existing arrangements suit the needs of the local property market.

The property market in Hong Kong is thriving under free market forces. It has always been the Government's policy objective to strike an appropriate balance between protecting consumers' interests and maintaining a free business environment. At present, the Real Estate Developers' Association of Hong Kong (REDA) already has a set of guidelines for developers to follow when they sell uncompleted residential properties. Furthermore, the Consumer Council takes steps to enhance consumer education and remind home buyers of the things they need to pay attention to when they purchase properties. The Estate Agents Authority (EAA) has also stepped up enforcement action and taken measures to

raise the calibre of estate agents. This three-pronged approach has greater flexibility and can better cater for the needs of the local property market compared with the option of regulating the property market by means of legislation.

I have the following views on the three suggestions mentioned in the motion:

First, regarding information provided in sales brochures, the REDA has, since the introduction of a regime of self-regulation in October 2001, asked its members to provide essential information in sales brochures of local uncompleted residential properties. There were reports last year saying that private sale arrangements lacked transparency and that the accuracy of released sales figures was in question. In the light of these concerns, the Government urged the REDA to review the matter. The REDA responded positively and issued a more detailed set of guidelines on 24 June 2005 asking developers to improve the transparency of sale of uncompleted residential units and the accuracy of sales figures disclosed.

Under the REDA's current guidelines, developers are already being asked to provide essential information in sales brochures, including most of the information mentioned in the motion, such as location plan, floor plans, information on prominent fittings and finishes, floor areas, dimensions of parking spaces, salient terms of the land lease and the Deed of Mutual Covenant, anticipated completion date of the buildings and facilities, information on management fees, and so on. If applicable, sales brochures also need to set out owners' obligations with regard to slope maintenance and to feature a plan showing the slopes. As regards the defect liability period, the REDA has recently undertaken to ask its members to include such information in sales brochures so that property buyers can have more comprehensive information.

Concerning such information as price lists, number of units on offer, mortgage and payment plans, and miscellaneous expenses involved in a property transaction as mentioned in the motion, it is developer's commercial practice to make adjustments having regard to the sales situation and market circumstances, and make available updated information to prospective purchasers. If such information was required to be printed in the text of sales brochures, developers would no longer have flexibility in selling residential units. Free operation of property transactions would be impeded. This is not an advisable step to take.

In a nutshell, the REDA's guidelines allow more flexibility than does legislation because guidelines can be updated from time to time to meet changing market circumstances and consumer expectations. Members of the public, including consumers and the media, are constantly watching how developers regulate themselves. If individual developers are found to have failed to comply with the guidelines, their business reputation would be tarnished once the incidents are reported by the media. This is an incentive for developers to follow the REDA's guidelines.

In addition, if a developer is in breach of provisions prescribed in Lands Department's Consent Scheme for sale of uncompleted residential units, the Lands Department could take enforcement action depending on the extent of the breach. For instance, there were cases in which the Lands Department had issued warnings and asked the developer concerned to correct the information. The Lands Department had also temporarily suspended, or even withdrew, its consent and discontinued the sale, and required the developer to allow buyers not to complete the Agreement for Sale and Purchase (ASP) and to refund the buyers the money paid plus interest.

Hence, we can see that the current mechanism has its deterrent effect. At the moment, the Administration will not consider enacting legislation to regulate the sales brochures of local uncompleted residential properties.....

PRESIDENT (in Cantonese): Secretary, are you prepared to clarify the query raised by Mr Martin LEE?

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): No, I am not.

PRESIDENT (in Cantonese): Mr LEE, please sit down first. Secretary, you mean you have no objection or you are unwilling to make a clarification? Are you unwilling to stop delivering your speech?

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Yes, I am. That is what I meant.

MR MARTIN LEE (in Cantonese): Can I first state what I wish him to clarify?

PRESIDENT (in Cantonese): Mr LEE, this is not in compliance with our rules. I believe you know the Rules of Procedure very well. This is not how we may interrupt the speeches. Please sit down.

Secretary, please continue with your speech.

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Thank you, President. We are not having a debate. I am answering questions raised earlier on.

We shall continue to meet with the REDA, the Consumer Council and the EAA on a regular basis to explore ways to make further improvements and to ensure that the REDA's guidelines can really meet the needs of consumers and the real estate sector.

Second, regarding disclosure of inaccurate sales figures, the motion makes a comparison between the property market and the securities market and suggests that the Government should establish a statutory regime specifically to regulate property transactions to prohibit such improper acts as insider dealing.....

MR ALBERT HO (in Cantonese): President, a quorum seems to be lacking now.

PRESIDENT (in Cantonese): Secretary, we do not have a quorum now. Please sit down first. Let me summon Members back to the Chamber.

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

PRESIDENT (in Cantonese): Now a quorum is present. Secretary, please continue.

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Thank you, President. I have been discussing prohibiting such improper acts as insider dealing, false trading, price rigging and disclosure of false or misleading information. Earlier, I already pointed out the differences between the two markets. The two markets cannot be compared in the same light.

There have been recent reports about disclosure of inaccurate sales figures. The Government has conveyed its concerns to the REDA and asked the REDA to review the existing practice. The REDA has agreed to urge developers to ensure that they release accurate information about the sales situations and to standardize the definition of "sale" to refer to the signing of a Preliminary ASP. The new measures will facilitate dissemination of clearer information about sales for buyers' reference.

I wish to emphasize that laws against misrepresentation and fraudulent acts already exist, and persons involved in such acts may have to bear criminal or civil liabilities. A purchaser has the right to seek litigation and claim damages if he considers that inaccurate information is involved in the course of a property transaction and that he has been induced to sign an ASP as a result of misrepresentation.

With regard to the third point of the motion, that is, the proposal of introducing a cooling-off period for the contracts of first-hand private residential transactions, I have just heard that there are different views about the idea. I believe the community would too have divided views on the suggestion of introducing a mandatory cooling-off period. Individual buyers may not necessarily consider that a mandatory cooling-off period would be to their benefit, depending on whether there are drastic fluctuations in the property market. As a matter of fact, should both parties to a transaction agree to adopt a cooling-off period, they are free to set out the agreed details of such a period in the Preliminary ASP. This can be done without a mandatory cooling-off period prescribed by legislation. Generally speaking, a buyer can, under the current mechanism, choose not to complete the transaction within a certain period after signing a Preliminary ASP and forfeit the deposit paid. This is what market players commonly refer to as the non-"must buy must sell" arrangement. To some extent, it is already similar to a cooling-off period.

Based on the above considerations, we believe it is not a suitable time now to introduce a mandatory cooling-off period by way of legislation.

At the end of the day, introducing a mandatory cooling-off period and hindering the free operation of the property market would not be the most effective means of consumer protection. Rather, consumers need to be educated to refrain from making hasty or rash decisions to purchase residential properties. In this regard, the Consumer Council and the EAA will jointly publish a checklist this month. The checklist will be inserted in sales brochures and will list out the things which purchasers of first-hand residential properties should pay particular attention to. The checklist will remind consumers to think very carefully before buying residential properties. Consumer education would help prospective buyers make wiser choices.

Thank you, President.

PRESIDENT (in Cantonese): Mr Martin LEE, you may now reply and you have one minute 52 seconds.

MR MARTIN LEE (in Cantonese): Madam President, it is not until today that I discover that we have two functional constituency Members representating the real estate and construction sector: One is Mr Abraham SHEK and the other is the Secretary. They are really awesome. In fact, this is indeed the best proof of the existence of collusion between business and the Government, that this is the city of the LI Family and this is the city of the KWOK Family.

I cannot help making the following remarks: Shall we teach our younger generation that, if they aspire to becoming rich, they should become property developers; if they wish to cheat others, they should become property developers; if they wish to violate the laws without being prosecuted, they should become property developers? In fact, they are not that kind of men. Therefore, I feel that it is Mr Abraham SHEK and the Secretary who have done them injustice. Why should you do all these acts to give them the extra protection? Were they really down on their knees to beg you protection? Why should a "cooling-off period" be introduced? Because they have adopted some nasty tactics and some unfair tricks to make others feel the compulsion of buying the properties, saying that lots of people are lining up behind you, and that was the reason for introducing a "cooling-off" period. If there is no need to provide

any protection at all, all the aspects are fine enough, why have so many problems emerged? Did you hear me requesting you to make a clarification? Did you hear the real-life miserable stories quoted by Mr WONG Kwok-hing and Miss CHAN Yuen-han? You always claim that everything is fine, and you just sit back and relax, doing nothing at all.

Madam President, I believe, unless functional constituencies Members do not return to the Chamber, today's motion will eventually be negated by them. But, may I ask, in doing so, have they done justice to Hong Kong people? In fact, I have bought a flat too. And regarding the flat I have bought, it is rather interesting. My wife and I went to see the flat after the construction had been completed. She said the carpet there was terrible. But I said it did not matter as we could replace it when we did the renovation. When we eventually proceeded with our own renovation works, we found that even the wooden flooring was not provided because the vendor was the son of the developer. But the developer was not one of the two largest ones.....*(the buzzer sounded)*

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

(Members raised their hands)

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

(Members raised their hands)

Mr SIN Chung-kai rose to claim a division.

PRESIDENT (in Cantonese): Mr SIN Chung-kai has claimed a division. The division bell will ring for three minutes, after which the division will begin.

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

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

Functional Constituencies:

Ms Margaret NG, Mr CHEUNG Man-kwong, Mr SIN Chung-kai, Ms LI Fung-ying, Mr WONG Kwok-hing, Dr Joseph LEE, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr CHIM Pui-chung, Mr KWONG Chi-kin and Miss TAM Heung-man voted for the motion.

Dr Raymond HO, Mr Bernard CHAN, Mrs Sophie LEUNG, Dr Philip WONG, Mr Howard YOUNG, Ms Miriam LAU, Mr Abraham SHEK, Mr Tommy CHEUNG, Mr Daniel LAM, Mr Jeffrey LAM, Mr Andrew LEUNG and Mr Patrick LAU voted against the motion.

Geographical Constituencies:

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Dr YEUNG Sum, Mr LAU Kong-wah, Miss CHOY So-yuk, Mr Andrew CHENG, Mr TAM Yiu-chung, Mr Albert CHAN, Mr Frederick FUNG, Mr LEE Wing-tat, Mr LI Kwok-ying, Mr Alan LEONG, Mr LEUNG Kwok-hung, Mr CHEUNG Hok-ming, Mr Ronny TONG and Mr Albert CHENG voted for the motion.

Mr Jasper TSANG abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 23 were present, 11 were in favour of the motion and 12 against it; while among the Members returned by geographical constituencies through direct elections, 22 were present, 20 were in favour of the motion and one abstained. Since the question was not agreed by a majority of each of the two

groups of Members present, she therefore declared that the motion was negatived.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 11.00 am on Wednesday, 14 June 2006.

Adjourned accordingly at nineteen minutes past Six o'clock.

Appendix I**WRITTEN ANSWER****Written answer by the Secretary for the Environment, Transport and Works to Ms Margaret NG's supplementary question to Question 1**

As regards budgetary cost of collecting sediment samples at 3 m below seabed near the pipeline of The Hong Kong and China Gas Company Limited's pipe laying project in Tolo Harbour, it is estimated to be \$200,000 based on the information provided by a private contractor.

Appendix III

WRITTEN ANSWER

Written answer by the Secretary for Home Affairs to Mr WONG Ting-kwong's supplementary question to Question 6

As regards districts for which the public library usage rates are among the highest, according to the information provided by the Leisure and Cultural Services Department, a total of 61 million items of library materials were lent out by the public libraries in 2005. The districts with a comparatively higher lending out rate were Sha Tin (5.5%), Kwun Tong (5.4%), Wong Tai Sin (5.3%) and Eastern District (5.2%). Details of the lending rate in the 18 districts are at the Annex.

Annex

LIBRARY MATERIALS ISSUED BY DISTRICTS IN 2005

<i>DISTRICT</i>	<i>LIBRARY</i>	<i>2005</i>	
		<i>TOTAL LIBRARY MATERIALS ISSUED</i>	<i>BY DISTRICT</i>
1	Sha Tin	Sha Tin (M) Ma On Shan (D) Lek Yuen (S) 12 Mobile Stops	1 901 942 1 131 158 296 696 79 235 3 409 031
2	Kwun Tong	Ngau Tau Kok (D) Shui Wo Street (D) Lam Tin (S) Lei Yue Mun (S) Sau Mau Ping (S) Shun Lee Estate (S) 7 Mobile Stops	690 238 993 849 356 146 329 387 306 974 332 430 308 122 3 317 146
3	Wong Tai Sin	Ngau Chi Wan (D) San Po Kong (D) Fu Shan (S) Lok Fu (S) Lung Hing (S) Tsz Wan Shan (S) 3 Mobile Stops	679 844 810 318 320 670 531 714 336 238 515 511 56 917 3 251 212

WRITTEN ANSWER — *Continued*

<i>DISTRICT</i>		<i>LIBRARY</i>	<i>2005</i>	
			<i>TOTAL LIBRARY MATERIALS ISSUED</i>	<i>BY DISTRICT</i>
4	Eastern	Chai Wan (D)	1 083 836	3 169 826
		North Point (D)	358 424	
		Quarry Bay (D)	762 948	
		Electric Road (S)	429 932	
		Yiu Tung (S)	360 189	
		4 Mobile Stops	174 497	
5	Yuen Long	Yuen Long (D)	998 107	2 539 931
		Tin Shui Wai (D)	1 452 383	
		9 Mobile Stops	89 441	
6	Tuen Mun	Tuen Mun (M)	1 653 013	2 518 263
		Tai Hing (D)	468 468	
		Butterfly Estate (S)	301 548	
		6 Mobile Stops	95 234	
7	Kwai Tsing	Tsing Yi (D)	1 029 962	2 448 116
		North Kwai Chung (D)	577 569	
		South Kwai Chung (D)	782 222	
		7 Mobile Stops	58 363	
8	Kowloon City	Kowloon (M)	818 318	2 373 497
		To Kwa Wan (D)	758 330	
		Hung Hom (S)	596 413	
		Kowloon City (S)	170 857	
		2 Mobile Stops	29 579	
9	Central and Western	City Hall (M)	1 108 375	2 314 000
		Shek Tong Tsui (D)	824 865	
		Smithfield (S)	380 760	
10	Sham Shui Po	Lai Chi Kok (D)	873 501	2 275 067
		Po On Road (D)	622 703	
		Pak Tin (S)	263 236	
		Un Chau Street (S)	457 103	
		2 Mobile Stops	58 524	
11	Sai Kung	Sai Kung (D)	515 471	2 076 371
		Tseung Kwan O (D)	1 503 696	
		6 Mobile Stops	57 204	

WRITTEN ANSWER — *Continued*

<i>DISTRICT</i>	<i>LIBRARY</i>	<i>2005</i>	
		<i>TOTAL LIBRARY MATERIALS ISSUED</i>	<i>BY DISTRICT</i>
12	Yau Tsim Mong	Fa Yuen Street (D) Yau Ma Tei (D) Tai Kok Tsui (S) Tsim Sha Tsui (S) 1 Mobile Stop	831 884 663 474 240 134 219 663 45 605 2 000 760
13	North	Sheung Shui (D) Fan Ling (D) Sha Tau Kok (S) 2 Mobile Stops	887 894 1 003 791 35 666 8 739 1 936 090
14	Tsuen Wan	Tsuen Wan (M) Shek Wai Kok (S) 6 Mobile Stops	1 589 212 144 326 70 686 1 804 224
15	Tai Po	Tai Po (D) 6 Mobile Stops	1 723 011 24 261 1 747 272
16	Southern	Aberdeen (D) Ap Lei Chau (S) Pok Fu Lam (S) 5 Mobile Stops	709 891 319 629 310 201 72 712 1 412 433
17	Islands	Cheung Chau (D) Mui Wo (S) Peng Chau (S) North Lamma (S) South Lamma (S) Tai O (S) Tung Chung (S) 6 Mobile Stops	227 251 55 479 73 492 20 066 2 510 17 512 513 690 94 867 1 004 867
18	Wan Chai	Lockhart Road (D) Wong Nai Chung (S)	756 401 190 266 946 667
Hong Kong Central Library (not included in DFMC)			3 783 875 3 783 875
Internet/Telephone Renewal			16 675 665 16 675 665
TOTAL			61 004 313 61 004 313

M Major library
D District library
S Small library