

# OFFICIAL RECORD OF PROCEEDINGS

Thursday, 26 October 2006

The Council continued to meet at Nine 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

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

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

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

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

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

THE HONOURABLE ALBERT CHAN WAI-YIP

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

THE HONOURABLE VINCENT FANG KANG, J.P.

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE LEE WING-TAT

THE HONOURABLE LI KWOK-YING, M.H., J.P.

DR THE HONOURABLE JOSEPH LEE KOK-LONG, J.P.

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

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

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

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

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

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:**

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

THE HONOURABLE WONG YUNG-KAN, J.P.

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

THE HONOURABLE LEUNG KWOK-HUNG

**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

THE HONOURABLE JOSEPH WONG WING-PING, G.B.S., J.P.  
SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY

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

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

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

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

THE HONOURABLE STEPHEN LAM SUI-LUNG, J.P.  
SECRETARY FOR CONSTITUTIONAL AFFAIRS

**CLERKS IN ATTENDANCE:**

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

MRS VIVIAN KAM NG LAI-MAN, ASSISTANT SECRETARY GENERAL

**PRESIDENT** (in Cantonese): Clerk, please ring the bell.

(After the summoning bell had been rung, a number of Members came into the Chamber)

**PRESIDENT** (in Cantonese): A quorum is now present, the meeting starts now. We now continue with the second debate session of the Motion of Thanks.

## **MEMBERS' MOTIONS**

### **MOTION OF THANKS**

#### **Continuation of debate on motion which was moved on 25 October 2006**

**MR JEFFREY LAM** (in Cantonese): Madam President, the item in this year's policy address that has been much discussed is the Chief Executive's proposal for the launching of a Wage Protection Movement in the cleansing and guarding services sectors. In fact, the Legislative Council of this term has had a number of discussions on minimum wage in the past two years, and the motion debate to be held next week is also about this. The business sector has all along stressed that a law should not be enacted forcibly, but Members from the labour sector seem to be sceptical, and they appear to not understand it after all.

Coincidentally, an interview of this year's Nobel Prize Laureate in Economic Science, Prof Edmund S PHELPS, was published this Monday in *Ming Pao*. Prof PHELPS who has been studying the topic of wages and unemployment for over 40 years is an expert in the field. Perhaps Members should listen to his views on minimum wage carefully. He considers that upon the introduction of a minimum wage, employers will employ fewer workers, and non-skilled or low-skilled workers will definitely lose their jobs. As for investors, since the minimum wage will be altered from time to time, it has to be taken as an uncertain factor in the calculation of costs, and investors will thus choose to invest elsewhere. Therefore, he says that it is good not to legislate on a minimum wage.

I have to stress that the implementation of a minimum wage will not only fail to help the unemployed to find a job but on the contrary impede economic

development and affect competitiveness. As a result, more and more people will become unemployed. Sometime ago, some Members cried aloud that the Government should not intervene in the operation of the market. So I am really puzzled why some Members have now on the contrary requested the Government to legislate on a minimum wage?

The situation of Hong Kong is unique; it is an externally-oriented society and a service-based economy. Though minimum wages have been implemented in some overseas countries, it may not necessarily be suitable for Hong Kong, so never ever try to follow blindly. The solution to the problem of unemployment and wages is a better economy.

Madam President, if Hong Kong has to develop into a knowledge-based economy and promote creative industries, we have to attract more educated and highly skilled talents to come to Hong Kong to stimulate our economic development. The Government has introduced the Quality Migrant Admission Scheme, and I am glad that renowned pianist LANG Lang is also interested in the scheme and has submitted his application. However, Hong Kong must attract more talents in different fields to come to Hong Kong. I thus hope that more flexibility can be built into the Scheme, the upper limit of 1 000 persons per annum can be lifted and efforts to attract young talents aged between 18 and 24 will be made. If Hong Kong can secure the assistance of more elites from both the Mainland and overseas countries, I believe more investors will be willing to set up their companies in Hong Kong. Yesterday, I met with a foreign investor who indicated that he was interested in the recent abolition of the estate duty, the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) and the 11th Five-Year Plan in Hong Kong. I have already mentioned that to the Secretary. It is most likely that the investor will set up his headquarters in Hong Kong in the near future, using Hong Kong as the base of his company and the management centre of investment resources. I hope he will fulfil his plan soon and relocate his company's headquarters to Hong Kong. If more investors, like this friend of mine, are willing to come to Hong Kong and set up companies, I believe a lot more workers, ranging from the junior level to the senior level, will be recruited, thus bringing a significant increase in job opportunities.

Definitely, to attract investors, business-friendly policies are very important. Recently, according to a report released by the International Finance Corporation of the World Bank, Doing Business 2007, Hong Kong

ranks the fifth while our neighbour Singapore is on the top of the chart. According to the report, the performance of Hong Kong in credit standing and investment protection is outstanding, but the time required for the application of licences is still too long. On the contrary, in Singapore, the country that ranks first on the list, most of the application procedures of the government can be carried out via the Internet. The required procedures can thus be completed quickly and at lower costs. The business sector has repeatedly indicated that the existing application procedures for licences are rather cumbersome, and if we wish to improve our business environment and enhance our efficiency, these procedures must be simplified and inter-departmental co-ordination has to be improved. Otherwise, investment intention will be adversely affected.

Not much on small and medium enterprises (SMEs) was mentioned in the policy address, but SMEs are a significant part of society. In the past, SMEs had received assistance from the Government via various funds set up for SMEs and relevant policies, they do hope that the Government will come up with better measures to help them.

The SMEs strongly supports the concept of white clouds on a blue sky. Recently, they have made significant investments to replace their machinery with environmentally-friendly machines. In this connection, they hope the Government will formulate some new measures, providing assistance to them on the procurement of new machinery and the replacement of factory machinery or environmentally-friendly air-conditioning systems. I believe such co-operation between the Government and the people will enable Hong Kong to build a cleaner environment sooner.

The National 11th Five-Year Plan states clearly that "support will be given to Hong Kong's development on fronts such as financial services, logistics, tourism and information services, and the maintenance of Hong Kong's status as an international centre of financial service, trade and shipping", so our pace of development thus has to tie in soundly with it. I am glad that the Government is now amending the law to introduce multiple entry permits for river trade vessels, streamline application procedures and reduce permit fees, and is at the same time streamlining entry procedures and enhancing efficiency, so as to facilitate the flow of talents and goods. On land transport, the authorities expect that the express clearance system at the Liaobu inland control point will be commissioned by the end of this year, and it is believed that the efficiency of inspection will be enhanced then.



However, the business sector holds that the construction and progress of certain matching infrastructure has been rather slow. For instance, the study on the construction of a logistics park on Lantau Island has been heard of for a long time, but the study report will not be completed until the end of this year. I really do not know when this logistics park will be completed and the business sector is anxious about this. The logistics industry in Hong Kong is now facing competition from the Pearl River Delta (PRD), for various districts in the PRD are now constructing logistics parks of all scales and these parks will commence operation soon. If Hong Kong wants to maintain its competitive edge, it has to sharpen its price competitiveness, and more importantly, it must attract the shipment of overseas goods to Hong Kong, so that these goods will be transshipped to different countries and districts via Hong Kong. Therefore, the Government should endeavour to develop Hong Kong into a goods distribution hub. I hope the Government can quicken its pace in implementing the plan. It is also hoped that the Government will introduce the best support measures in terms of land, planning and the introduction of new technology and facilities, so that the import and export of goods will not meet a lot of barriers here. CEPA offers an edge to Hong Kong, we should take full advantage of the unique opportunities brought about by it, for only is this a proactive and pragmatic approach.

Driven by CEPA, the exhibition industry in Hong Kong has been developing rapidly. Each year, about 30 international trade exhibitions are staged by the Hong Kong Trade Development Council, and seven of them are the largest exhibitions in Asia. For instance, the Hong Kong Gifts and Premium Fair is the largest in scale in Asia and the second largest in the world. These exhibitions of all kinds can attract a large number of buyers every time, for they have the opportunities to access products from both local and overseas exhibitors. Thus, I am really glad to hear the Government say that apart from traditional industries, it will also promote creative industries and will earmark \$100 million over five years to subsidize the Hong Kong Design Centre and assist various trades and industries in building their own brand names.

Overseas buyers participating in exhibitions held in Hong Kong are also an important source of business visitors. According to the figures of the Hong Kong Tourism Board, the number of business visitors in the first quarter of this year has increased by 11.9% compared with the same period last year. To encourage business visitors to engage in travelling and spending in Hong Kong in addition to business, the authorities should encourage them to extend their stay

and bring along their family members to Hong Kong to savour this shoppers' paradise and city of cuisine. It should also promote the Hong Kong Disneyland, Ngong Ping 360, and the Wisdom Path, and so on. At the same time, it should step up its promotion efforts on various festive ceremonies, such as the parade at Chinese New Year, Spring Lantern Festival, Cheung Chau Bun Festival, and fire dragon dance at Mid-Autumn Festival, and so on, so that business visitors visiting Hong Kong at different times of the year will be able to experience the different facets of Hong Kong and discover its dazzling attractions.

The Government just broke the news yesterday that new cruise terminal facilities would be developed at Kai Tak. The Liberal Party and I strongly support the plan and believe that the cruise terminal will facilitate Hong Kong in developing into a regional cruise hub, introduce divergent and new elements to the tourism industry in Hong Kong and create more job opportunities. The plan can thus achieve a number of purposes in just one stroke.

Madam President, I so submit.

**DR DAVID LI:** The members of the Finance Constituency welcome the strong support the Chief Executive gave to the financial services industry in his policy address.

As pointed out by the Chief Executive, the industry has made great strides in recent years. With appropriate government policies, the Constituency is confident that Hong Kong can rise to become a world leader in financial services in the years ahead.

I have the honour to serve as the Convenor of the Focus Group on Financial Services under the Economic Summit on China's 11th Five-Year Plan.

Our Group is making excellent progress, and is looking forward to making recommendations on future policy direction to the Chief Executive by the end of this year. As such, I consider it appropriate that there were no major new initiatives on financial services within the policy address.

Nevertheless, the Finance Constituency appreciated receiving the latest information on the efforts to expand the scope of Renminbi business in Hong

Kong. The Constituency was pleased to learn that the matter is now before the State Council.

Early implementation of the two proposals now under consideration — trade settlement in Renminbi and the issuance of Renminbi bonds in Hong Kong — will bring both near and long-term benefits. The market demand for both these measures has become more pressing as the exchange rate of the Renminbi has become more volatile. Implementation of these measures will allow traders and investors to exercise better risk control. That, in turn, will promote stability and prosperity.

In this context, I wish to add my voice to the recent debate on positive non-interventionism, a subject dealt with so eloquently by the Chief Executive at the conclusion of his policy address. The economic relationship between Hong Kong and the Mainland is today significantly more complex than it was 25 years ago, when Hong Kong entrepreneurs first ventured into the Pearl River Delta.

At that time, no government intervention was necessary to promote business ties. In fact, government intervention would only complicate the matters. Individuals, working on the basis of personal relationships, were in a much better position to get things done. Today, the economic relationship has matured.

There are many policy issues that affect both the efficiency and the scope of business with the Mainland. These can only be dealt with on a government-to-government level.

Whether the issue is expansion of Renminbi business, or cross-boundary transport, or market access for Hong Kong firms — we depend on the Government to pursue and promote Hong Kong's best interests to a far greater degree than we did in the past.

Such policy support is distinct from direct intervention in the economy. It aims to remove obstacles that would otherwise hinder the development of private enterprises. It does not aim to replace or supplement the private sector.

I welcome the Chief Executive's clear assertion that the Government will maintain public expenditure below 20% of Gross Domestic Product, ensuring that the private sector continues to be the driving force of our economy.

Nevertheless, I must express some concerns at the amount of new spending announced by the Chief Executive. I accept the increase only because I fully support the policy initiatives that underlie the new spending — combating pollution and improving early childhood education. The sums involved are significant, but the policies meet the genuine community needs.

I was very encouraged that the Chief Executive included mention of the need for Hong Kong to attract talent from the Mainland and from overseas in the policy address. He noted the success of the current admission of talent programmes, but he remarked that, going forward, we must be more proactive and open-minded. I wholeheartedly endorse this view.

In order to transform ourselves into a global leader in financial services, we must continue to attract financial service professionals from around the globe. Hedge fund managers, pension fund managers and accountants with experience in other jurisdictions — their presence makes our markets more competitive and creates jobs here in Hong Kong.

But if we focus only on such professionals, we would be short-sighted. We need a new immigration policy, one that recognizes the strategic importance of immigration within an overall population policy. The Government has issued dire warnings that our population will age, the tax base narrow and the demand for social services rise in future.

Must we accept this fate? Yes, if we sit around and do nothing. But no, if we change our policies. Specifically, we must offer wide-ranging support for families. And we must recognize the key role that immigration has played in the past, and can still play, in rejuvenating our city.

As I mentioned earlier, the Chief Executive announced a significant shift in policy on early childhood education in his policy address. Earlier, he introduced the five-day week in the Government, to allow families to spend more time together. He is addressing the concerns of parents who wish to have more children. But the immigration policy is lagging behind.

Our economy is strong. Opportunities abound. Now is the time to welcome new talents and new ideas to our city. The present Quality Migrant Admission Scheme is not the answer. It discriminates against young persons who recently graduated from university. Hong Kong needs young, eager and

talented individuals. They have much to contribute. Their idealism, their imagination and their creativity can make a real difference to the vitality of our city going forward. What of the sons and daughters of Hong Kong natives who emigrated 20 or 30 years ago? What of the tens of thousands of mainland students who are studying abroad? Can we not make a place for them here, in Hong Kong, once they graduate from university? Our immigration policy can be more imaginative, more welcoming and more forward-looking.

We can be masters of our destiny. We can avoid the fate of becoming an aged society, if only we adopt an enlightened immigration policy, in addition to expanding support for the family.

Madam President, I support the motion without amendment. Thank you.

**MR JAMES TIEN** (in Cantonese): Madam President, today, in this session, we will discuss issues related to commerce and industry, economic services, financial and labour affairs, areas which the Liberal Party as a political party with the outlook for the business sector is deeply concerned.

Madam President, since 2003, the economy of Hong Kong as a whole has recovered rapidly. The unemployment rate has come down to four-odd percentage points, the level of several years ago, while economic growth has picked up gradually. We can also see the stock and property markets scaling new heights. I thus have full confidence in Hong Kong in the coming year, that is, the prospect in the coming year as mentioned in the policy address.

Certainly, part of the credit should go to the good governance of the Government. I have to mention the financial front in particular, which Mr Jeffrey LAM has also mentioned earlier. Many people used to think that the abolition of estate duty would only attract overseas Chinese in the Southeast Asia, such as those in the Philippines, Thailand or Indonesia, to come to Hong Kong. However, we find out recently that a lot of Indians in India are interested in it and have made enquiries about it. The economy in India is now prospering. Many people are of the view that, in terms of political development, India may grow faster than China, while in terms of economic development, particularly technological development, India has indeed outrun China. In respect of economy, many listed companies of India have achieved outstanding performance, and many Indians are very wealthy. They consider

that upon the abolition of estate duty in Hong Kong, it will be of great help to them to invest in Southeast Asia, including the Mainland, via Hong Kong.

On the other hand, last year, the Financial Services and the Treasury Bureau proposed to exempt offshore funds from taxation and set out clear terms and conditions in this respect. At present, many overseas companies think that they no longer have to worry about this uncertainty when they conduct transactions in Hong Kong. We think this is a point worth mentioning.

Regarding another relatively controversial issue, I think it is a matter of disagreement over terminology, that is, the so-called "positive non-intervention". On the interpretation of the term "positive non-intervention", I think, in English, the word "positive" should be rendered as "正面 (favourable)" in Chinese. That is to say, when something is favourable, there should be no intervention, but when it is unfavourable, intervention is in order. But it does not mean that in the course of "positive non-intervention" estate duty should not be abolished and that other new problems should all be ignored. I think all these are good proposals. However, I think that now in Hong Kong, the one sector that badly needs assistance, as Mr Jeffrey LAM mentioned earlier, is the SMEs. They really need help.

We can note from the development of large consortia in the Mainland in recent years that they are constantly finding opportunities to invest in various areas. In the past, their operations were often in the real estate sector, but now, their investment in road construction, electricity supply and even large-scale investment projects has greatly increased. As for identifying opportunities, the Liberal Party met with the leader in Beijing recently, and they gave us an analysis on the opportunities available in China. They, in fact, wanted to encourage more SMEs from Hong Kong to go to the Mainland, not to big cities like Shanghai and Beijing, but rather other secondary cities where opportunities abound. Certainly, in encouraging SMEs to seek opportunities in secondary cities, the Government has in fact done a lot. For instance, deputations led by the Chief Executive have already covered a number of places. These can indeed be called the "ice-breakers", opening up communication channels between the leadership of both sides and that between the business sectors in the Mainland and Hong Kong. I think SMEs will thus be able to find abundant opportunities in this respect.

Certainly, some people may say, as large consortia have found opportunities in the Mainland, professionals have also got their opportunities under CEPA and now even SMEs are relocating their operations to other places one after another, this trend will be unfavourable to the general wage earners in Hong Kong. However, in view of the continuous drop in the unemployment rate recently, I think we do not have to worry about this. The mechanism we have will adjust naturally to strike the balance, and job opportunities for the people of Hong Kong will continue to exist. Recently, an opinion poll conducted in Britain has caught my attention. According to that opinion poll, where do you think most foreigners desire to visit? Hong Kong, it is on the top of the list. Of course, you may say that it is because Hong Kong used to be a colony of Britain and the British thus have a good impression of Hong Kong. This may be one of the reasons — my colleague beside me reminds me that it is because of our good promotion, and it is certainly because of our good promotion that so many people have come here. As for other aspects, I think the Government does need to step up its efforts in assisting the SMEs.

Moreover, there is another point which I would like to make. Regarding the motion debate last week which talked about the economy, I think there are two issues worth mentioning. First, it is about GST. Since a detailed debate was held on this last week, I am not going to talk about it at length again. The other issue is labour matters, one of the areas covered in this session.

Madam President, let me first talk about GST. I recall that two years ago, the Liberal Party did state that if we wanted our economy to develop soundly and at the same bring revenue to the coffers and create more job opportunities, we thought it was worthwhile to consider the establishment of a so-called restricted multi-purpose gambling facilities on Lantau Island. However, at that time, for all kinds of reasons, the Government considered that we should not put forth such a proposal, for some people in Hong Kong did oppose it and the Central Government might have different views.

However, the fact proves that we were not wrong to say so at that time. Which point we said was not wrong? We noticed two years ago that in Macao, a place with a population of several hundred thousands, around 300 000 to 400 000, its Government was spending around \$12 billion to \$13 billion per annum. From the development of casinos in Macao at that time, it could be

inferred that it was receiving a colossal amount of revenue from the entertainment industries. The amount is so enormous that it did not have to worry about losing part of its business to Hong Kong even if Hong Kong considered doing the same business.

Actually, it is right. For we have learned from a recent report in newspapers that the total turnover of Las Vegas in the first half of the year was US\$3.3 billion, while that of Macao had reached US\$ 3.1 billion. Moreover, it was pointed out in another report released recently that the turnover of Macao had exceeded that of Las Vegas. Based on this figure, the amount of revenue the Government of Macao will receive from the entertainment sector this year may reach some 30 billion MOP. In other words, in Macao, the amount of revenue generated from the gambling sector in a year is already three times that of its government spending. In that case, can the Hong Kong Government reconsider the proposal or negotiate further with the Central Government? If this development trend continues, Macao will certainly accumulate a large amount of reserve, but given its population of only some 300 000, is that amount of reserve necessary? In the case of Hong Kong, not to mention professionals employed by large consortia and those who are able to find jobs under CEPA and employed by SMEs, for the great majority of low-income earners and low-skilled workers, the place where they can most easily find a job is entertainment establishments, that is, jobs falling into the so-called casinos category.

Macao is even facing a shortage of manpower now. When you visit Macao, you may meet some familiar faces, for workers who used to work in Hong Kong have been headhunted to work in those hotels. The same case also happens to restaurants, for workers in Hong Kong have also been headhunted by restaurants in Macao. Never ever had any one thought that this would happen. In the past, it was usually people from Macao who came to Hong Kong to find jobs, and Hong Kong people seldom went to work in Macao. I think the labour shortage situation in Macao has now reached a point that its unemployment rate is nearly zero.

Moreover, I would also like to talk about the Wage Protection Movement. The Government introduces the Wage Protection Movement and proposes to co-operate with the business sector and the labour sector to provide wage protection for the cleansing and guarding services sectors as a start. The Liberal Party fully supports the Movement. The five major business associations in Hong Kong have also indicated immediately that they would do



their level best. Moreover, they have already started introducing the Movement to their members, hoping that with all large corporations taking the lead, other SMEs which have the capacity will join the Movement soon. Recently, I have heard some friends of my mine in the business sector say that they have just promised to render assistance by all means on one issue. We fully agree that society should give more attention to people earning particularly low incomes. If they are given two more years, they will do their level best. But in just a little while, the Government has already bowed to the pressure of Members from trade unions. In the 34th paragraph of the policy address, it is said that it would "monitor the effectiveness of the Wage Protection Movement..... and conduct a comprehensive review two years after the implementation" — the word "after" is used. But all of a sudden, the Government has changed it to one year. I believe this will make a lot of people, the business sector in particular, think that the Government is again making unpredictable changes, which is not the way in which a Government pursuing strong governance should act.

At first, the Government proposed that it should be two years, and large corporations would certainly have no problem with this. As for SMEs, the Government said that the figure was the average figure. With regard to average wage, the business sector holds that wages do vary. Take the wages of security guards as an example. Security guards employed by large corporations to work in Central may get \$7,000 to \$8,000 monthly, but others working in North District or Tuen Mun in small-scale domestic premises may only get \$4,000 to \$5,000 monthly. When the Government sets the average wage at around \$5,000 to \$6,000, we will regard \$6,000 as the average. It is readily seen. As it is the average figure, it means that about half of the employees are earning wages above the average while the other half are earning wages below it. Of course, no one will suggest lowering the wages of employees who are now earning \$7,000 to \$8,000 monthly to the average wage of \$6,000. No one will do so. The only way to cope with this is to raise the wages of employees now earning \$4,000 to \$5,000 monthly to the average wage of \$6,000. However, many SMEs and commercial tenants not operating in Central District already find the target quite difficult to achieve within two years.

But, suddenly, it was changed to one year. Some members in the business sector thus feel concerned about the intention of the Government. Does the Government really want employers to do their best to foster harmony in society, or does it think the other way? All of a sudden, Members from trade unions proposed shortening the period to one year. There was also another idea

which proposed to limit the review period to one year for they knew for sure that employers would not be able to meet the target within such a short period of time and legislation had to be enacted as a result. For according to the initial proposal of the Government, employers would be given two years to meet the target, and if they failed to do so, the Government would decide whether or not it would enact legislation or consider enacting legislation. This is a hidden worry to many members of the business sector. I hope the Government can clarify this point. Just as Mr Jeffrey LAM said earlier, the latest Nobel Prize Laureate in Economic Science, Prof Edmund PHELPS, also considers that more often than not, arguments on minimum wages and average wages seems to be pretty correct at first glance, but since employers have to employ staff at a higher cost, that is, from some \$4,000 to some 5,000, they will definitely select workers with a higher level of skill and many non-skilled or low-skilled workers are bound to become jobless. This is his view and I am just quoting him. Under this circumstance, what worries the Government most is whether the number of people applying for Comprehensive Social Security Assistance (CSSA) will increase. This will naturally be the case, for incapable people will become unemployed. If capable people do become unemployed, you do not have to worry about them, for they will easily find other jobs. I think this is a point to which the Government should pay attention.

We have to understand that SMEs will be the hardest hit by the average wage, and some management companies of small and medium scale or many owners of private buildings will also be affected, for they all have to pay management fees and cleansing service charges. Many of them belong to the middle class, so what do they think about this? People may have the impression that the request for prescribing an average wage or minimum wage is only related to the business sector or large corporations, but actually, many other people will be affected as a result.

As I mentioned earlier, at present, the stock market is scaling new heights, the property market is flourishing and the unemployment rate is dropping, the best way to induce a rise in the wage level is — we used to have a very low unemployment rate, around 2%, in the '90s, but I think we can hardly return to that level, unless we set up casinos like Macao. At present, there is a shortage of supply in the manpower market. Every employer fears that his employees will look for greener pasture. They fear that their employees will quit at any time. Employers now have to put up with their employees' temper and have to ask their employees what they can do for them when their employees are

unhappy. There are surely some problems, such as family matters, which employers cannot help. But if the employee complains about his low wages or that another company is offering him higher wages, the employer will immediately say, "I may perhaps give you a raise, so will you stay, for it is better to work in a familiar environment than a new one." I think we are confident under such a circumstance. Therefore, many members of the business sector are of the view that if the Government implements the Wage Protection Movement for a duration of two years, they are confident that they can make it. We are also confident in encouraging SMEs to do so. One of the major reasons is that we think the economic development in the next two years will be extremely good, and employers will have difficulty in recruiting staff, so there will certainly be a rise in the wage level. Since Hong Kong always upholds free economy, I think, in particular in this respect, "positive non-intervention" should be desirable. From our point of view, non-intervention should be applied in such a way.

Madam President, this is all I have to say in this session. Thank you.

**MR WONG TING-KWONG** (in Cantonese): Madam President, the Hong Kong International Airport is currently serving 75 airlines, with over 5 000 flights to more than 140 destinations worldwide weekly, thereby making air freight a strong edge of Hong Kong's logistics industry. However, it should be noted that the Baiyun Airport in Guangzhou has been undergoing rapid expansion in recent years. Although in the short run, the development of its international aviation network can hardly compare with Hong Kong in terms of the number of international flights or the choice of destinations, it will sooner or later become the major competitor of the Hong Kong airport. Working on the basis of the National "11th Five-Year Plan", I think the SAR Government must know exactly where our advantage lies, and make a breakthrough in the traditional mode of business operation with a new mindset, by switching the development of the local logistics industry to such high-value logistics service as immediate transshipment. This will shape the direction of the sustainable development of Hong Kong's logistics industry.

Efficiency is the only concern for the logistics industry, which requires the support of the air, land and sea transportation systems to achieve the greatest effectiveness. For geographical reasons, normally cargoes from South China on land transport is re-exported via Hong Kong, cross-boundary land freight transport is therefore particularly important to the development of Hong Kong's logistics industry.

High cost has always been hard knot hindering the development of cross-boundary freight transport. After years of effort, however, approval was eventually obtained from the Guangdong Provincial Government last year to abolish such requirements as the "four-up-four-down" and "one-truck-one-driver". This relaxation has greatly enhanced the flexibility of our cross-boundary freight transport, increased efficiency and reduced costs. However, the system which requires the payment of "operating fees" for cross-boundary driving licences still exists.

The operating cost in Hong Kong is basically not as competitive as that on the Mainland. Despite that the Guangdong Provincial Government has agreed to extend the validity period of licence issued under the "operating fee" system from three to six years so as to streamline the procedures, but so long as the "operating fee" system exists, the costs of land transport in Hong Kong cannot be greatly reduced, nor can the gap between Hong Kong and the Mainland be narrowed. To ease the existing plight of high transportation costs, we need to strive for equal treatment for Hong Kong's cross-boundary container trucks and that of the Mainland. In this connection, it is necessary for the SAR Government to discuss with the Guangdong side.

To improve the cross-boundary freight transport policy of Hong Kong and the Mainland, it is necessary to standardize the inspection standards of cross-boundary trucks of the two places as early as possible, and abolish the existing requirement of carrying double insurance coverage. Furthermore, the SAR Government should also engage in active discussions with the mainland authorities on lifting all unnecessary restrictions, which include the restriction on cargo transshipment for containers and the age limit for drivers of cross-boundary container trucks, and so on.

The most effective way of reducing the cost of cross-boundary freight transport is to increase the efficiency of transportation. However, the best way to increase the efficiency of transportation is none other than to address the problem of traffic bottlenecks between Hong Kong and the Mainland, as well as the customs clearance difficulties. We hope that there can be co-location of customs and immigration clearance at more control points; the opening of the Frontier Closed Areas to allow access by all means of transport; the expeditious implementation of 24-hour passenger clearance at the border control points, as well as negotiation with the mainland authorities on the extension of customs operating hours in Guangzhou, Huizhou, Dongguan, and so on. These are

measures which the DAB has all along been calling on the Government to implement. Here, once again, I urge the SAR Government to consider and study into these measures seriously.

While the National "11th Five-Year Plan" emphasizes the enhancement of independent innovation capability, our economic infrastructure and support measures should also develop towards independent innovation and high value-added areas. This is the positive attitude to adopt in adapting to globalization and integration with the Mainland. The DAB holds that, apart from attracting international brands to invest here, it is necessary for Hong Kong to promote the development of original designs and local brands as well. Just as Mr Peter WOO, Chairman of the Hong Kong Trade Development Council, said earlier, the next wave of economic development would depend on creativity, innovation and knowledge, which could create more new jobs. We are, therefore, very pleased to note that the Chief Executive stated clearly in the policy address that, "The Government accepts the responsibility to create favourable conditions for this to happen", and has earmarked \$100 million over five years for the Hong Kong Design Centre to further assist our trades and industries in building their brand names.

However, financial support alone is inadequate to foster local creative industries. The Government should formulate policies to assist entrepreneurs in establishing high value-added local brands, so as to enable high value-added industries like R&D in design and other high-end industries to place all or some of their manufacturing processes in Hong Kong or relocate them here.

Furthermore, the Government is obliged to enhance protection of local products, which include making greater efforts in protecting intellectual property rights and preventing counterfeit goods or substandard goods from being exported to the Mainland, so as not to damage the reputation of our products. Moreover, the support network set up by the SAR Government on the Mainland should also be expanded, whereby more offices should gradually be set up in major mainland cities to protect the legitimate interest of Hong Kong products.

On the whole, I find that this policy address has put less emphasis on the policy of economic development and lacks in new thinking. Apart from stepping up efforts to consolidate Hong Kong's position as a financial, trading, tourist and shipping centre, I hope that the SAR Government can conduct more studies to look for new initiatives, with a view to exploring more business

opportunities for Hong Kong. Mr LAU Kong-wah, therefore, put forward a proposal yesterday, which suggested the establishment of a similar retail platform in Hong Kong by borrowing the idea of the small commodity market in Yiwu, Zhejiang Province. With our advantages on various fronts, coupled with the Government's concerted effort, I believe it will not be a very difficult task to achieve.

As far as the legend of Yiwu, Zhejiang Province, is concerned, it was originally a small, poor inland town in the rural part of Zhejiang Province in China, and a small village market located at the roadside where transactions were carried out under the stilts. Since Yiwu was officially opened as a small commodity market in 1982, its growth has doubled and re-doubled. During the past 20-odd years, it successfully stayed ahead of reforms and the opening up of the Mainland, and has become a legend after years of evolution. It covers an area of about 2.6 million sq m with a transient population of 200 000 person-times per day. There are over 40 000 trading booths gathering more than 320 000 kinds of commodities in 1 502 categories of 34 industries.

The goods are mainly small commodities like craftworks, toys, rain gear, stationery, blankets, blouses, cosmetics and glasses, and there are virtually all kinds of consumer goods. So, whenever one mentions small commodities, people from the Mainland or other parts of the world will immediately think of Yiwu. According to the statistics of 2004, the export products of Yiwu radiated to 206 countries and regions all over the world, with an export of commodities filling over 1 000 TEUs per day.

Apart from the local products of Yiwu, there is also a collection of products from overseas entrepreneurs of famous brands. World famous souvenirs reaching RMB 15 billion yuan, for instance, clocks and watches from France and leather goods from Italy, are made available for sale in the mainland market every year. Even the world's largest retail chain-store, WAL-MART of the United States, has demonstrated keen interests in this market, and designated Yiwu as the main source of procurement.

With the pace of internationalization of Yiwu's small commodity market in recent years, and the prosperous development of local private enterprises, international and professional conventions and exhibitions are held in Yiwu on a regular basis, and they have become major events of the city, thus further developing the sales market. The extension works of Yiwu's airport has just

commenced, and it is engaging in active negotiations with the relevant Hong Kong departments in order to obtain permission to launch its first international flight.

Simply look at Hong Kong's conditions, for instance, free flow of capital, prosperous industry and commerce, free movement of travellers, advanced information systems, a simple and low tax regime, a sound legal system, world-class financial market infrastructure, as well as an effective and transparent regulatory system, we have all the favourable conditions facilitating us in striving to become a trading platform, so that products from the Mainland and countries all over the world will gather in Hong Kong, and demonstrate a wider range of product information and communication. This will not only enable foreign businesses to purchase mainland products here, but also enable us to purchase more overseas products, which will, in turn, streamline the trading process and hence lower the costs incurred. Hong Kong economy will therefore be further promoted, thereby bringing benefits not only to industry and commerce, but also to such industries as air and road transport, hotel and tourism, and retail and catering, too.

To implement the preliminary idea of this plan, consideration may be given to amending the definition of "factory" under the existing Factories and Industrial Undertakings Ordinance by further expanding the scope of industrial use in respect of properties and factory buildings. This will give flexibility to the use of factory buildings so as to tie in with the needs of market development. Consideration may also be given to opening up the Frontier Closed Area, and designating suitable sites adjoining the Mainland for the establishment of a sales market. While the Hong Kong authorities will only monitor people instead of commodities, the mainland authorities will, through discussions with the Central Government and the Guangdong Provincial Government, monitor commodities instead of people. I believe this approach will not only facilitate management, but also provide flexibility to the creation of a commodity market. Of course, these proposals still warrant careful consideration, and must have the support of the SAR Government and other ancillary facilities before implementation.

I believe only continuous economic development can promote a prosperous and stable society for people's better living. We hope that Chief Executive Donald TSANG and the relevant government departments will

respond to the suggestions made by the DAB with a view to creating an all-win situation.

Madam President, I so submit.

**MRS SELINA CHOW** (in Cantonese): President, there are 300 000 small and medium enterprises (SMEs) in Hong Kong, accounting for 98% of all enterprises. Their employment size reaches 1.3 million. The elementary ranks of these enterprises are the cornerstone in the development history of Hong Kong. Be they the employers or employees, they all work unremittingly and diligently. These small business operations often require the employers to work like their employees and the employees shouldering multiple responsibilities. This is called multi-tasking. Only by so doing can they weather the competition with large corporations on the manpower front.

Just as Mr Andrew LEUNG has said, the policy address did not mention the SMEs, neither did it touch on the business-friendly environment which has frequently been mentioned by the Government earlier. All these have already created pressure on these small businesses. Can the establishment of a committee or a fund rescue the SMEs in Hong Kong? Many Members from the Liberal Party come from functional constituencies. It is indeed regrettable that we often hear Members returned by direct elections belittle the functional constituencies, for if only they could make an effort to look deeper, they would find that the overwhelming majority of the businesses, be they retailing, catering, tourism, transport, commerce and industry, or textile, are run by SMEs. Their difficulties should not be ignored lightly. Their voice is feeble, their capacity limited, and they are not good at organization. In the present-day social environment and political climate which only heed demands trumpeted by loud voices and big gestures, the SMEs indeed need the urgent attention of the community to survive.

A sound development of the economy should have room for enterprises of all sizes. The past success of Hong Kong was built on the infinite opportunities offered to individuals or enterprises, which allowed them to succeed from scratch, and then scale even higher heights. There are countless examples of people who have built up their businesses from nothing, and I believe there are equally numerous examples of penniless lads who have worked their way up to



becoming billionaires. These examples of success have become quintessential role models for people who aspire to launching their own businesses.

In retrospect, when the '50s and '60s saw the take off of Hong Kong economy, the SMEs in Hong Kong, fully utilizing the enormous opportunity of the free market and their fighting spirit, created their own horizons. However, nowadays, the advancement of society has, on the contrary, stifled their development and very often forced them into extinction. Is it not so? Let us take a look at the major goal stated by the Chief Executive, which is to enhance our position as an international financial centre in the Asian region. How would it affect the SMEs? In recent years, the economy of Hong Kong has experienced a strong rebound and the economic data are encouraging; the unemployment rate has dropped, the consumer market thrives, the stock market curved up and the turnover surged. However, all these are only superficial signs and superficial prosperity. In reality, only international and local consortiums have reaped the harvest and the great majority of local SMEs cannot share the joy brought by the prosperity.

Taking Hong Kong's stock market as an example, its daily turnover at present has climbed to \$30 billion to \$40 billion, but, to our surprise, several Chinese-funded brokerage houses have collapsed. A recent survey even indicated that an alarm had been sounded for the market share of Chinese-funded brokerage houses in Hong Kong and the business of many small brokerage houses, instead of getting better, has worsened. Have we looked into the cause of this phenomenon?

In order to protect the interests of investors, the regulation of the industry by the regulatory authority is getting increasingly stringent. To the general public, this is good as this is protection to them, and we will pledge our support to it. However, this will increase the operating cost of the brokers. Under such a situation, not only has the Government failed to provide a business-friendly environment or assistance to them, it has even gone so far as implementing more unfavourable measures, such as abolishing the minimum brokerage commission regime and narrowing the bid and offer spread, thereby further strangling their survival.

We may well remember that we supported the listing of The Link Real Estate Investment Trust (The Link REIT) and the majority of the shares subscribers were members of the public, but, to our surprise, the underwriters

for the listing of The Link REIT were large foreign-funded financial institutions, with small Chinese-funded companies not being able to get a share of the pie.

Moreover, banks are now stepping into the playing field of the securities sector. With their branch network and financial resources, how could the SMEs survive? From this we can see that the present policy will drive the SMEs in this industry in Hong Kong down the pit. It is hoped that the Government wake up to the seriousness of the problem and refrain from over-emphasizing positive non-intervention at the expense of the SMEs. In fact, as far as I know it, other countries might also have gone through this experience of transformation, but their governments would provide many channels — be it through merging or enhancing their service standards — for their SMEs to find new room of survival.

Let us now switch to another industry. The cultural and creative industries have also been given particular attention by the Chief Executive. But it should be noted that an overwhelming majority of players in the industries are SMEs. We have started a little late and we no longer hold the edge like before because the Mainland or Korea is developing like a ragging fire in this respect, especial when it comes to the Korean culture that we are so familiar with. Perhaps these developments outside Hong Kong have ignited the fighting spirit of the Chief Executive and prompted him to establish the Hong Kong Film Development Council. This is of course good news, but if one truly wants to foster the creative industries, he should never inject a large amount of public resources into the training of talents in finance and marketing but treat the most crucial matters lightly. While the Government will cite ordinances, administrative and law-enforcement measures as if enumerating its family valuables, we only have to listen to the views voiced by the sector to realize that intellectual property rights have continuously been pirated and eroded. Undoubtedly, the Customs and Excise Department has become more proactive than before and stepped up enforcement actions, but the community as a whole still takes no heed of immoral and illegal acts of copyright infringement, neither has the community shown any respect to talents and productions of the creative industries. Under such a social milieu, how could we vigorously develop the creative industries? And what edges do we have to attract talents to join them?

President, another example of SMEs being neglected is the owners of factory buildings — which have been undergoing transformation recently — who

were caught between the devil and the deep sea when the departments concerned did not offer any assistance to them. Due to the relocation of industries to the North, they could no longer maintain the operation of their factories and thus wanted to switch to other businesses such as retailing. I remember Mr John TSANG, who was the Secretary for Planning and Lands at that time, encouraged the conversion of factory buildings for other purposes, such as residential or commercial use. As many factory buildings are left vacant now, the entrepreneurs of these small enterprises thus want to flexibly convert the factory premises for other purposes. Their intention is nothing more than making full use of and not to waste the existing social resources. Unfortunately, their applications made to the departments concerned were rejected and they were even forced to relocate. These departments certainly have reasons for the rejection, such as safety or fire safety reasons. Each and every one of them has reasons, but invariably boiling down to public interest. The problem is that these reasons are all targeting at the SMEs, driving them to a dead end, while the problem of wastage of social resources remains unresolved. I believe that it will not only result in wastage, but also drive many workers into unemployment.

I wish to talk about a small episode here. Recently, Members may have heard of the oyster incident. When the problem surfaced, the department concerned immediately made a territory-wide announcement calling on the public not to eat the live oysters from a certain company. But, it turned out that it had not yet conducted a thorough examination. As a result, the company lost a lot of business and suffered immediate financial losses, and it had not been notified by the department in the first place. The department caused a public uproar once it had made the announcement. Of course, no one dared to eat live oysters because they were scared, but in fact the evidence was not yet established. Of course, I am not saying that the department held any ulterior motive, but there are definitely some problems with the process. If the department could not conduct a quick examination of the food before making the announcement, which might damage the reputation of the company concerned, its action might irreversibly ruin the reputation of the company. We can see that the company has reacted with great breadth of mind and the department quickly came forth to announce that the oysters from that company did not have any problem, but it was not until a few days later. I hold that the department, before taking any actions against these enterprises — especially these are also SMEs which are not large companies and are probably medium enterprises,

should give careful consideration to measures that are helpful, instead of stifling or harmful, to them. I believe the department should do a good introspection.

Let me name a few industries that are readily recognized to illustrate the point that there are numerous types of SMEs and they involve lots of trades. I understand that the Government has difficulties especially when it has to decide to which industries it should offer assistance. Indeed, when these industries encounter difficulties, they may even take to the streets, or may have lots of grievances, but my feeling is that the Government has not truly tried to understand the difficulties and needs of the SMEs. In fact, they very often need education and assistance. The Government claims that it has already helped them, but the so-called assistance offered now is most superficial and perfunctory. Can the Government really assist them? More often than not, we should seek not only to eliminate malpractices through punishment, but also to allow maximum room for the SMEs to run their businesses by adopting a helpful manner and offering deep-level assistance to them in relation to procedures and rules of enforcement.

I have mentioned a number of times in the Legislative Council that the stepping up of various regulatory measures, as frequently advocated by Members of the labour functional constituency, cannot hinder large enterprises; on the contrary, it will hamper the competitiveness of the SMEs and thereby create more room for the large corporates to operate. This will further widen the gap between the SMEs and large corporates and render the former even less competitive. Let us take GST or minimum wage as examples, these measures will not hinder the operation of large enterprises and corporations, but they will create more challenges and setbacks for the SMEs. Is this a situation we want to see?

President, I very much hope that the Government can use its heart to consider and deliberate policies that are beneficial to Hong Kong. I believe one of the difficulties of being government officials is that they are always sitting in their offices. I hope they can step out of their offices and reach out to the SMEs because the latter do not have the time or ability to discuss or debate some broad principles with the Government at the conceptual level. I do not think they have the ability to do so. The Government may have a lot of arguments against the SMEs, such as saying that they are over critical and very demanding, or they are

too money-minded in doing business. In fact, about many of these issues, we have to stop and think how we can foster a healthy development for the SMEs. Only by so doing can there be healthy development for the entire economy of Hong Kong. Thank you, President.

**MR TAM YIU-CHUNG** (in Cantonese): I rise to speak on minimum wages and the tightening of regulation over travel agents.

On the issue of minimum wage, both the community at large and this Council have had a lot of discussions, and much divided views have been expressed during the discussions. Recently, such discussions have even drawn the attention of international economic experts. Given the influence of the globalization of world economy which favours capitalists but victimizes labour, the prevalent problem of polarization of wages, and wages of non-skilled grass-roots workers dropping continually, with some even falling below the level of public assistance payments, the Hong Kong Federation of Trade Unions (FTU) considers that such an unreasonable phenomenon must be addressed squarely. We have therefore repeatedly reflected it to the Government and strongly requested it to legislate for a minimum wage.

In the course of this, the contribution made by three of my colleagues, Miss CHAN, the "Senior Counsel" and Kwok-Hing, should not be dismissed. The Government, due to the pressure constantly applied by these Members, eventually gave an undertaking in the policy address of the Chief Executive to launch a Wage Protection Movement as a start and proceed to legislation should the Movement fail to yield results. We can see that it is a change in policy by the part of the Government, though it falls short of the ideal of wage earners.

I recall, on that day, when the Chief Executive read out the 34th paragraph of his policy address saying that a comprehensive review would be conducted two years after implementation, Miss CHAN immediately wrote me a note stating that the remark was problematic. She reacted to this strongly, for she considered that the phrase "two years after implementation" which fails to state a definite time was unclear? Was the comprehensive review just an excuse for delay? These worries made her disappointed. Owing to these problems, we met again at the FTU to discuss the issue and agreed that the Government should be demanded to give further clarification in this respect. We thus decided that

the Chairman of the FTU would write to the Government to request clarification and further express our aspiration for early legislation on minimum wage.

The day before yesterday, we received a reply from the Permanent Secretary of the Economic Development and Labour Bureau, which stated that the Government would actively follow up and monitor the issue on wage protection via the Labour Advisory Board and undertook to conduct an interim review a year later. With regard to this response of the Government, the FTU will read its lips and watch its deeds. We will, as we always do, through our trade union networks and telephone hotlines, provide information on workers who are not offered wage protection, promote early legislation on minimum wage and protect the rights of low-income workers in the relevant trades.

Yesterday, a number of colleagues in this Council tried to target at the FTU and Miss CHAN when they spoke and made some besmirching remarks. I think such acts are meaningless. The FTU and our colleagues are determined to stand up for the rights of workers and have been doing so for decades. We have won the trust of wage earners and have been helping them in practical ways. These blatant attempts of swear will only reflect that those Members are narrow-minded and do not really care about the rights of workers. They are not helpful in any way to the fight for labour rights.

Next, I would like to talk about the regulation of travel agents. There are really some black sheep in the tourism sector in Hong Kong which use zero-fare tours or negative-fare tours to solicit business and attract customers, and profit from the commission received on goods these customers are forced to purchase. Such practice is not welcome in many other places. But, of course, in the Mainland, a newly emerged and developed market, this may still appeal to certain people for the time being. This situation has thus caused various concerns in society recently, involving travel agents, tourist guides, the relevant organizations and the Travel Industry Council, and the Government and various parties are also involved. We consider that the Government should take the initiative to understand the crux of the problem. For certain issues, if the trade has to deal with them on its own, it may not necessarily be able to perform this function. The Government should thus be involved direct, express concern for the issue and work out a solution to the problem.

Recently, I read from the press that Secretary Stephen IP was actively negotiating with the relevant parties with a view to finding a solution. I think

this is a very important step. On the other hand, I have recently met with a group of tourist guides who related their plight to me. They said that many of those in the trade are facing the difficulties of lacking job security and wage protection. However, their job is labour-intensive, they have to work long hours and they are under tremendous pressure. Moreover, the series of incidents which have aroused the concern of society recently do increase the difficulty of their work in facing customers for customers have lost confidence in them. These tourist guides are imbued with an immense feeling of injustice and have to air their misery.

Of course, in the course of explanation, they may not necessarily have a good grasp of the situation to voice their suffering to the public. However, as the representatives of wage earners, we do not hope that these undesirable systems will indirectly inflict intense sufferings on the employees concerned or wage earners, subjecting them to tremendous pressure. We hope that the industry as a whole will develop healthily. The tourism industry is very important to Hong Kong, and we hope that all parties will work hard together and enhance their communication. Once again, I have to point out that blame apportioning is not what we need, and all we need now is better communication. All parties should come together to work out a practicable solution to eliminate those black sheep and to impose regulation. They should further promote Hong Kong's reputation of quality service, so that the tourism industry as a whole will develop and employees of the tourism industry will be given protection. Thank you, President.

**MS MIRIAM LAU** (in Cantonese): Madam President, with a view to upgrading the competitiveness of Hong Kong's logistics industry, the Chief Executive has proposed in the policy address certain measures favourable to sea, land and air freight transport. However, there is no novelty in these measures. Some of them were confirmed long ago, and some are being implemented or announced for imminent implementation. Of course, Hong Kong's logistics industry needs these measures, but what we need with greater urgency is a complete set of strategies to ensure the sustainable development of our port.

As we all know, in the '80s and '90s, when the development of ports in the Mainland had yet to prosper, the port in Hong Kong enjoyed a *de facto* monopoly in the market, and almost all cargoes in South China had to be imported or exported via Hong Kong. But in the past few years, constructions

of various ports in the Mainland were completed successively. They are continuously expanding and the quality of their service is more or less the same with that in Hong Kong. In addition, the relevant policy and regulation by the mainland authorities are gradually improving. Hong Kong no longer enjoys a monopoly and also has to face the fierce competition and challenges posed by the ports in the Mainland, especially from Shenzhen ports. Despite all this, a few years ago we still firmly believed that, given the persistently high growth rate of freight transport in the South China region, the port in Hong Kong could still maintain its status as the prime freight hub even in a direct battle with Shenzhen's ports. The reality is that the total throughput of Shenzhen's ports far exceeds its handling capacity, which leads to saturation, while there is still a great surplus of handling capacity in the Hong Kong port. For this reason, we can still get a slice of the cake. Nonetheless, reports in the press suggest that the handling capacity of Shenzhen ports will reach 25 million TEUs in 2010 according to the "11th Five-Year Plan". This is approximately twice the current figure. It is generally estimated that the actual handling capacity of Shenzhen ports will greatly exceed this level. By then, the appetite of Shenzhen's ports will have grown, and it will be very doubtful if the port in Hong Kong would still be able to get a slice of the cake.

In fact, with regard to operating cost, the overall transportation cost for exports from Hong Kong is higher than that from Shenzhen ports. According to a survey conducted in 2004, the difference is about US\$300 per container, with US\$100 arising from terminal handling charge and US\$200 from land transport. The problem with terminal handling charge is not easy to resolve, and so we can only work at the land transport cost. For the last few years the Government and the industry have devised every possible means to reduce land transport cost. The mainland authorities also made matching efforts, including relaxation of the "four-up-four-down" and "one-truck-one-driver" restrictions, extending the validity of licences "operating fee" system and the opening hours of individual customs control points, and adopting an improved clearance system to expedite process at the customs control point at Liaobu in Dongguan. The result of our efforts so far is that the gap between Hong Kong and the Mainland in terms of land transport cost has been reduced by tens of US dollars, decreasing from US\$200 in the past to the current discrepancy of around US\$150 to US\$60. Of course, if the Government grants a remission of diesel duty, the land transport cost can be cut further. The land transport industry will continue with its efforts on cost-cutting, but I believe that try as hard as they might, there will still



inevitably be a gap between the overall transportation costs in the two places due to their great fundamental differences in living standard and institution. It has been suggested that the services of mainland drivers be introduced as a solution to this problem. I hold great reservations about this proposal. I think that even with the introduction of mainland drivers the freight charges in Hong Kong would still be higher than those in Shenzhen. This is because the existing problem with terminal handling charge would still be unresolved or cannot be resolved, and we would still be unable to cut down on other transport costs. Accordingly, can we really attract more cargoes at the expense of the "rice bowls" of local drivers? I have great doubts about this. Although we know that we all are very anxious for our port to turn back the tide, still we must not confuse our orientation and we must not make decisions which will gain no recovery but inflict even further losses on ourselves.

Madam President, if fewer cargoes come from South China to Hong Kong or not at all, the SMEs in Hong Kong's logistics industry will be the first to feel the impact. I am particularly concerned about land transport, warehousing and handling services, and so on. These SMEs have planted their roots in Hong Kong and have no outlets inside China. There is no capacity and no possibility for them to relocate their services to China. When Hong Kong's logistics industry dies, they too will not survive. And their survival dictates the fate of tens of thousands of workers under their employment.

I have pointed out for many times that the ports in Hong Kong and Shenzhen have already come neck and neck in terms of service quality, efficiency, liner routes, and so on. On this premise, instead of engaging in a "price battle" with Shenzhen, Hong Kong should rather find other breakthroughs and competitive edges which we can sharpen. I think that Hong Kong can develop its value-added logistics services, and this is not the first day I have ever said so. I said it already eight years ago. For instance, we can attract more multinational companies to set up distribution centres or procurement centres in Hong Kong, or attract more companies to carry out their final production process here, so as to raise the volumes of import and export in Hong Kong. In fact, Hong Kong has the conditions of achieving so. At least Hong Kong has quite an advantage in the use of information technology, especially in e-logistics. Upon this foundation we can build our own unique logistics services and attract more cargoes for processing via Hong Kong.

Nevertheless, whether it is distribution centre, procurement centre or value-added logistics service, back-up land is needed in any of the cases. Unfortunately, the logistics park still remains on the drawing board, and there is a lack of back-up land elsewhere. The Government has been really too slow in providing the logistics industry with an environment and facilities conducive to business. I want to let the Government know that, in order to facilitate the direct passage of cargoes from Dongguan to Yantian port, it took the Mainland less than three years to level mountains to build a highway and tunnel of 15.2 km, linking Yantian port and Dongguan. Other logistics facilities such as South China Logistics Park have successively been completed and commissioned. If Hong Kong still maintains its tardy pace and does not catch up swiftly, I am afraid that sooner or later we will lose our position as a logistics centre, and possibly very soon.

Madam President, regarding sea freight, since the source of incoming cargoes to Hong Kong is gradually extending from the East bank of the Pearl River to its West bank, the Government proposed in last May the introduction of multiple entry permits for river trade vessels. The proposal did not receive the attention of the Chief Executive until this policy address, and I hope that the Government will quickly confirm the relevant measure, so as to promote the local logistics industry.

However, although the relevant measure will provide river trade vessels with a favourable business environment, Hong Kong's local vessels could not benefit from it. Currently, when locally registered vessels enter or leave the Mainland, they are regarded as foreign vessels and their handling charges are higher than those of mainland vessels. At the same time, however, locally registered vessels of Hong Kong and foreign vessels are given different treatment. Recently, the Shenzhen Water Bureau of Guangdong Province has imposed a waterway maintenance fee on locally registered barges, while on the contrary the fee has been waived on foreign vessels.

With the reunification of Hong Kong with China, I very much hope that the SAR Government could relate this to the relevant authorities in the Mainland and press for a review of the relevant shipping policy, so that locally registered vessels of Hong Kong can be categorized as the same rank of river trade vessels of China.

Madam President, I now turn to the tourism industry. I am not well-versed in the tourism industry, but tourism and transportation are closely related. For example, the Government will enhance the inter-modal connection service of the airport by using Skypier to attract the 40 million population of the Pearl River Delta to travel worldwide via the Hong Kong International Airport. However, the Government could in fact further utilize Skypier by adding immigration service to the pier, so as to make it more convenient for mainland visitors to travel to the numerous scenic spots on Lantau Island, including Disneyland, Ngong Ping 360, Buddha Statue, and so on, and also to AsiaWorld-Expo Exhibition Centre for attending exhibitions or enjoying performances. Then mainland visitors will not have to go through other customs control points, such as China Hong Kong City and Hong Kong Macau Ferry Terminal, thus spared the hassle of multiple transfers *en route* to Lantau.

Apart from transport connections, the packaging of scenic spots is also very important. In any shipping centre in the world or any place related to shipping there must be a maritime museum. Macao is one example, and Rotterdam is another. Many maritime museums are must-go places for visitors. All the maritime museums in other parts of the world belong to their governments, but the maritime museum in Hong Kong was founded on funds from private members of the industry. It is already much disadvantaged in terms of resources, and it is very questionable whether it can sustain in the long term. Moreover, the location of this maritime museum is in Stanley, which is far away from the urban area. Without promotion or packaging by the Government, its attractiveness is greatly reduced. There is a need for the Government to give it support. This includes providing an annual operating funding and a permanent location for the museum, so that the people of Hong Kong will truly have a maritime museum of their own and that local and foreign visitors will learn about the history of shipping in Hong Kong.

Madam President, I so submit.

**MR PATRICK LAU** (in Cantonese): President, the Asia-Pacific Wealth Report recently published by Merrill Lynch and Capgemini shows that, as at the end of last year there were totally 78 000 High-Net-Worth Individuals (HNWIs) in Hong Kong with assets of US\$1 million or more, representing an increase of 14.4% from the year 2004. 1.5% of them were Ultra-HNWIs, holding more than US\$30 million of assets among them on average. In the eight Asia-Pacific

regions covered by the report, Hong Kong's HNWI's averaged US\$5.3 million of assets per person, which was by far higher than the figure of US\$3.2 million of the entire Asia-Pacific Region and the US\$3.8 million worldwide.

According to these statistics and the fact that the Industrial and Commercial Bank of China has recorded an oversubscription of 76 times for its shares, it proves that there is actually an enormous amount of capital in Hong Kong. However, there is no investment channel available to this capital, causing a capital overflow internally. The analysis by Merrill Lynch points out that the revival of the real estate market and the desirable performance of the stock market are positive factors contributing to the growing number of HNWI's in Hong Kong. Nevertheless, the sustainability of this high growth rate in the future is still dependent on external factors and the economic growth of Hong Kong and that of the Mainland.

For this reason, we cannot solely rely on the backing by the real estate sector and the stock market for our economy to sustain its development. Consolidating our internal economy with a view to attracting more inward investments bears higher importance. I agree that the Government should spend more time on devising ways to create more investment opportunities and enhance the development of the finance, shipping, logistics and tourism industries. Investment on planning and infrastructure is very important and investment on urban development is critical as well. However, Hong Kong has not done well enough in both aspects, for the annual spending target of \$29 billion has still not yet been reached.

Secretary Frederick MA and I have visited the Middle East and witnessed the rapid development in Dubai. Currently, an urban development race is taking place throughout the world. It is because places with a quicker pace of urban development will be the first to attract capital flow. But I think that the Hong Kong Government has yet to grasp an early lead in this race. There have been repeated delays in urban development projects and a serious lack of major infrastructure and community facilities in the new towns, thus hindering urban development.

If the Government still does resolve to catch up on lost ground with a sense of urgency and step up our pace of urban development, it will amount to nothing more than a withdrawal from the race of globalization. Hong Kong's advantage in possessing an enormous amount of capital will be lost in vain. The Financial

Secretary has said that he desired more parks and passive amenities to be built, but where could we obtain the money? Now there is no doubt that funds are available, and it comes down to whether the Government has the determination and visionary foresight to make good use of this capital. The Chief Executive stressed in the policy address that, "The Government has accelerated the pace of public investment to create more development and employment opportunities.". I hope the Government is seriously determined this time.

I am very glad that the Executive Council has endorsed the cruise terminal development project and brought urban development to a forward leap. Nevertheless, besides confirming the construction of infrastructures for the terminal, the Government must also ensure proper arrangements for the development of ancillaries on the periphery of the terminal, so as to stay concerted with the blueprint for the overall urban development planning.

The policy address stated that the founding of a city of culture and arts requires a cultural atmosphere within the city. Therefore, I believe the Government should invest more resources in urban development, urban renewal, adaptive reincarnation of monuments, and so on, to forge a genuine city of culture and arts. I hope that the Government will finalize the financial arrangements in regard to this respect in next year's budget.

The 2008 Olympic Equestrian Events and the 2009 East Asian Games will be held in Hong Kong. These major events will become the focus of international attention, and therefore the Government must hasten the completion of urban greening and beautification projects. Hong Kong will then be able to put its most gorgeous side on display to the world, and strike a wonderful impression in the hearts of tourists. This will further push the development of the tourism industry and consolidate our internal economic development.

When the economy continues to recover and the unemployment rate to drop, "wage earners" will receive a salary raise. I support the proposal of the policy address to first implement the "Wage Protection Movement" on a trial basis, with its results to be reviewed in two years' time, before we consider enacting legislation. In fact, legislation on a "minimum wage" is not necessarily beneficial to "wage earners". I know that in such industries as building cleansing and security services, when tenderers were obliged to comply with minimum wage contracts, the reference point for the "minimum" wage immediately became the "maximum" wage of the employees. The higher

wages originally earned by some employees were uniformly slashed to the "minimum wage" level.

President, "the protection of a minimum wage" actually exists in Hong Kong now. How do I mean? This is because the current security provided by CSSA has practically become a "minimum wage". Quite a lot people are receiving an amount of CSSA which is higher than a minimum wage, and some of them are probably new immigrants who have not yet resided in Hong Kong for seven years. In fact, there is a certain number of people in society who think that work is harsh and the wage they can earn is not high. They easily choose not to go out and seek work but stay home with their CSSA so that their "minimum wage" can be guaranteed. For this reason, I support the idea that before legislating on a minimum wage we should conduct a general review of the various parts of the social welfare system, especially its possible conflict with a minimum wage, and make holistic considerations for the overall policy. The most important thing is to study the impact of a minimum wage on Hong Kong's economy as a whole.

If the implementation of a minimum wage will scare away foreign investors and deal a blow to Hong Kong economy, and survival will become so hard for companies that they will have to cease operation or lay off employees, then will this impact on "wage earners" be even more negative than legislation on a "minimum wage" itself?

Apart from "wage earners", unemployment of professionals is also a problem not to be disregarded, especially that of young professionals. One solution to the problem of unemployment of professionals is assisting professionals in accessing other markets. In fact, many young professionals have now become "border double-crossers" — the term implies that they work outside Hong Kong from Tuesdays to Fridays and can only return on Saturdays to be "Hongkongers" again. Therefore, I agree to the suggestion made by the policy address concerning creative businesses, that we should encourage young professionals to found their own businesses in Hong Kong and the Mainland. This will resolve many social problems brought by unemployment, and also save our public expenditure on social welfare. In this way, we will be able to invest more resources in urban development and create more wealth for Hong Kong. Thank you, President.

**MR HOWARD YOUNG** (in Cantonese): Madam President, the theme of the second policy address delivered by the Chief Executive during his current term is "proactive, pragmatic". As indicated by the Chief Executive, his term of office has only eight months left. It is probably for this reason that the policy address carries on the Chief Executive's previous visions for governance. Insofar as tourism is concerned, not much is said on tourism development in the policy address. It has merely announced that, starting from New Year's Day next year, the Individual Visit Scheme (IVS) will be further extended to cover five more provincial capitals, such as Shijiazhan, Hebei and Zhengzhou, Henan, to bring the total number of cities covered by the IVS to 49. The further expansion of the IVS is welcomed by the tourism sector.

Since the launch of the IVS in July 2003, more than 14 million mainland travellers have visited Hong Kong as individual travellers. During the first seven months of this year, 3.77 million mainland travellers, 23% up from last year, visited Hong Kong under the IVS. The five newly added provincial capitals, with a combined population exceeding 3.67 million, are relatively remote. It is therefore believed that tourists from these cities will stay a longer period. Moreover, they are more likely to travel by air in packaged tours and stay in hotels. Hence, the benefits to be brought by this latest relaxation of the IVS will be even more comprehensive. Besides the retail sector, such industries as travel agencies, hotels and airlines may be benefited, too. However, the tourism sector and the Liberal Party still hope that the Government can continue to strive for further extension of the IVS to cover second-line cities, such as Changchun and Harbin.

Although the Chief Executive has not made particular mention of tourism development plans, he has put forward some infrastructure projects, including the Tamar Development Project which covers the Central Government Complex, the Legislative Council Complex and public open space; the extension of the Hong Kong Convention and Exhibition Centre; the West Kowloon Cultural District project; the construction of a multi-purpose stadium complex fully equipped for international events under the Southeast Kowloon Development Plan; and the development of a cruise terminal at the site of the former runway. I am particularly pleased that the relevant plans have been endorsed by the Executive Council for tendering in the latter part of next year and completion in 2012 at the earliest. However, I hope that a flyover to Kwun Tong can still be built at the tip of the runway as an ancillary measure. Although Hong Kong has lagged behind its neighbours, such as Singapore, Shanghai and Xianmen, it is

"better late than never", as we have really been late. If the projects mentioned above can be launched for scheduled completion, I believe Members will still support this pragmatic policy address. The Liberal Party supports the policy address, too.

The growth in the number of tourists during the National Day holiday was obviously lower compared to previous years. For some people, it is because Hong Kong has nothing new to offer and lacks new scenic attractions. To maintain the competitive edge of the local tourism industry, the Government should continue to develop new scenic attractions. Given that Lantau has the greatest potential for integrated tourism development, the Liberal Party proposes that the Government give play to Lantau's abundant tourism resources and develop theme tourism, eco-tourism, spa resorts, and so on, on the island. As was pointed out by our party leader earlier, we should be open-minded in considering the proposal of establishing an "integrated entertainment and leisure centre offering limited betting" on Lantau and the underlying problems relating to economic benefits, solutions to the employment population, and so on. These points were already clearly expressed by Mr James TIEN earlier. Even Singapore, a conservative country, has issued two licences for casinos. During a visit to Cambodia several years ago, I found that the country had casinos exclusively for tourists, all of whom came from Vietnam. I hope the Government can take an open attitude towards this issue. Besides entertainment offering limited betting, the Government may also offer other performances or spending activities to tourists for the purpose of attracting tourists with a higher spending power to the territory. Furthermore, the Government should examine the need to expedite the phase two expansion of the Disney theme park in Hong Kong and introduce new games to attract tourists travelling in families.

Meanwhile, the Government should adopt support measures in hardware and software and perform its tasks properly. To complement the redevelopment of the Ocean Park, the Liberal Party urges the authorities to expedite the development of transport and tourism infrastructure in Southern District, including expediting the construction of the South Hong Kong Island Line and approval for building more hotels in the district to meet demands.

The tourism sector feels greatly concerned about air pollution in Hong Kong, though air pollution is outside the ambit of the Secretary's portfolio. There have been previous cases in which some international conventions scheduled to be held in Hong Kong were cancelled owing to air pollution.



Given the adverse impact of air pollution on health, the incentive of tourists visiting Hong Kong may also diminish. Not only does air pollution cause economic losses, it also stifles the development of Hong Kong's tourism industry. I am very pleased to note that the policy address has strategically implemented and deepened measures for ameliorating air pollution to achieve the goal of reducing emissions to improve air quality.

Madam President, to avoid damaging the image the tourism sector has been striving to build up, we must not tolerate a repeat of the recent disgraceful incidents involving mainland packaged tours being abandoned. Zero-fare tours are the fatal cause of mainland travellers being abandoned and forced to make purchases. Upon arrival, tourists travelling in zero-fare packaged tours will be persuaded to shop to make up for tour expenses and generate profits. This has resulted in such serious problems as vicious competition within the sector, deterioration in the quality of tourism, and poor impressions of Hong Kong. Therefore, our foremost task is to stop the operation and acts of these so-called zero-fare tours. I hope the Government can examine with the Mainland initiatives to eliminate zero-fare tours.

Although some travel agencies in Guangzhou and the Travel Industry Council of Hong Kong (TIC) have jointly signed a memorandum for tourism co-operation between Guangzhou and Hong Kong stipulating that the fees of one-day tour to Hong Kong paid by mainland tourists must not be lower than the costs, not every city has signed the memorandum. To restore Hong Kong's tourism reputation, we cannot rely on the TIC alone and instead, a two-pronged or even multi-pronged approach should be adopted to, for instance, provide the TIC with additional resources for regulation, disallow the tourism sector to receive zero-fare packaged tours, render proper regulatory support, and discuss with the Mainland ways to make joint efforts in combating zero-fare packaged tours, especially at source. The Hong Kong Tourism Board (HKTB) should also act more vigourously to continue with the promotion of the 14-day purchase protection scheme to restore tourists' confidence, or even invite the retail sector to participate in the scheme and complement in various ways before the problem can be tackled at root and radically resolved.

Madam President, I was greatly puzzled when I was told earlier that some people in the tourism industry had refused to escort certain packaged tours from Shanghai. I later found out that it was because the consumers of the packaged tours from Shanghai were very smart. Knowing that Hong Kong had put in

place a scheme whereby packaged tour members must be brought to shops governed by the 14-day refund guarantee scheme, they would buy as much as possible when being forced to make purchases and ask for refunds the next day. Such being the case, those undesirable elements seeking to charge exorbitant and unreasonable commissions on the purchases (that is, promoters of zero-fare tours) will be unable to make any money in the end. Therefore, I believe smart consumers will not be cheated. Actually, the market can exert pressure to help curb zero-fare tours, though a two-pronged approach must be adopted.

In the '70s, there was a popular trend of Japanese tourists to Hong Kong going to Macao to buy gold ornaments. Even though I was not in the tourism industry at that time, I heard that a tour guide escorting a Japanese tour group to a goldsmith's shop would be summoned back to the shop should he stepped into the shop next door. The shop might even be closed for the tourists to make their purchases. The situation soon disappeared because Japanese travel agencies feared that their customers would no longer patronize their travel agencies should the situation remain unchanged. Therefore, they worked hard at the source to put the situation to an end.

When tourism was opened up in Taiwan in the '80s, some veteran soldiers began visiting their home towns and shopped in Hong Kong when they passed through the territory in transit. At that time, the so-called zero-fare tours also emerged in Hong Kong. Later, travel agencies from Taiwan organized a deputation to meet with the tourism industry in Hong Kong and made it clear that they would boycott the intermediaries quoting prices for such operations and cease doing business with them. If a travel agency or a tourist guide was found to operate in this manner, the relevant company would lose all of its business. I was told that Taiwan's tourism industry was able to demonstrate such a strong solidarity because outbound travel agencies in Taiwan were governed by a deposit system, whereby the deposit paid by a travel agency would be forfeited and the travel agency would have to make up for the shortfall should a tourist lodge a complaint upon his return to Taiwan. Such being the case, the outbound travel agencies were extremely serious and dared not act indiscriminately. Therefore, we cannot rely solely on Hong Kong to resolve the problem.

Insofar as mainland travel agencies are concerned, as I mentioned to the industry yesterday, during our previous visit to Beijing, the Commissioner for Tourism raised the issue with the Tourism Administration to see if some norms or standards could be formulated. I heard that some travel agencies would

operate in this way. When some packaged tours checked in a hotel in Hong Kong for three days, they would still be required to check out in the morning and check out in the evening again even though they were supposed to stay in the hotel for three consecutive nights. It was meant as an intimidation, for it was virtually hinted to the tourists that they would not be able to return to their rooms should they fail to make purchases. This is most irritating to scrupulous operators in the industry. Therefore, we may stipulate in the model contracts that tourists staying in the same hotel for a number of consecutive days are not allowed to change rooms halfway. We must join the retail sector in promoting the Quality Tourism Services (QTS) Scheme in many areas. Coupled with the 14-day purchase protection scheme and our joint efforts, I believe the problem can be resolved.

Lastly, I hope the Government can continue its discussions with the Mainland to further relax the restriction on Hong Kong-financed travel agencies in operating outbound tours on the Mainland. According to the supplementary agreements under CEPA IV, Hong Kong-financed travel agencies in Guangdong Province are allowed to operate, on a pilot basis, packaged tour services for Guangdong residents. This new arrangement is supported by the industry. I hope that the Government can consider with the Mainland the possibility of extending the relevant arrangement to other provinces and cities and even allowing Hong Kong travel agencies to operate on the Mainland outbound tours beyond Hong Kong and Macao. I believe the industry, with its rich experience, can provide mainland residents with more quality options. I would also like to add that reputable Hong Kong-financed travel agencies can help put the operation of zero-fare tours to an end if they are allowed to operate outbound travel on the Mainland, because there will be no more passing on of packaged tours or "selling" of packaged tour members to someone else, as the same travel agency will be responsible for everything from making travel arrangements to reception. In the event that the packaged tour should experience any problems, it will be easier to identify the causes and source of the problems, thus rendering greater protection to tourists.

Madam President, I so submit.

**MR LEE CHEUK-YAN** (in Cantonese): President, Members must be aware that on behalf of the Hong Kong Confederation of Trade Unions (CTU), I have proposed a motion of regret, expressing regret at the Government's refusal to legislate for a minimum wage. The Government has just put forward a policy

based on voluntary participation, claiming that this can already give workers protection. I think this is nothing but a means to "deceive a ghost into eating bean curd"<sup>1</sup>. It is obvious that the Chief Executive simply does not care for the livelihood of workers. We must therefore propose such a motion of regret.

The most ridiculous part must be the Chief Executive's lengthy discussion on building a harmonious society in paragraph 75 of the policy address. All the problems mentioned by him are real ones. But having raised and discussed all the problems connected with building a harmonious society, he fails to give any answers, probably because he simply does not care for the plight of low-wage workers. What is more, there are also lots of "optimistic" remarks, one of which is really much too "optimistic": "An optimist sees every challenge as an opportunity; a pessimist only sees trouble in every opportunity. I am an optimist, ....." . He is of course an optimist. He now occupies such a post, so he is of course an optimist. However, as Members can imagine, all those low-wage workers simply cannot make ends meet. How can they be as "optimistic" as the Chief Executive and "see every challenge as an opportunity"? What opportunity can they see? There is no possibility of enacting any legislation now. There is no such possibility now. We hope that there can be such possibility two years later. But it is certain that there is no such possibility for the time being. Therefore, it is obvious that the Chief Executive is still out of tune with public sentiments and he is still unable to appreciate the plight of the common people.

President, I have been fighting for a minimum wage in this Chamber for many years. I started to do so in 1998. Let me do some computations here. In 1998, I started to advocate a minimum wage, and now the Government says that it will conduct a review in 2008 before deciding whether it will enact any legislation.

First, by October 2008, there will be another Legislative Council. I do not know whether I will still be in this Chamber by that time. Second, the whole matter will have dragged on for 10 years then. I do not know how many more decades I can have in my life. If Heaven, or God, is kind to me, I may have a greater number of decades in my life. But I really do not know how many more decades low-wage workers can have. They may not that have many decades, or they may not even live long enough to see the arrival of 2008.

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<sup>1</sup> This is a Cantonese colloquial expression that means trying to persuade one into accepting something that is obviously meaningless to him.

The Government says that it will enact legislation for these sectors only. The low-wage workers under discussion now are not confined to these sectors. Why should we treat the low-wage workers of many other sectors so unfairly? We must wait until legislation is enacted for these two sectors (It is still a question whether any legislation can be enacted after the review), but when can the legislation be extended to other sectors? How many decades do these workers still have? If the issue is allowed to drag on indefinitely, if no solutions are offered, I must say that the Chief Executive is most irresponsible. I hope that the next Chief Executive can be more responsible. However, as Members all know, the same person will be the next Chief Executive. I therefore hope that the Government can do something, so that workers do not have to wait so many years.

I now wish to return to the Wage Protection Movement put forward by the Government. Being a movement based on voluntary participation, it is obviously not legally binding. I have criticized the Government for choosing the wrong course, for practising the rule of man instead of the rule of law. President, you may recall that in one Chief Executive's Question and Answer Session, I remarked that Donald TSANG was very much like MAO Zedong. I must explain why I think that he is like MAO Zedong. MAO Zedong instigated the Cultural Revolution. I have told the Secretary that this Wage Protection Movement is very much like the Cultural Revolution. Employers will be persecuted. Anyone who refuses to participate will be persecuted. In reply to my question, the Chief Executive said that he did not understand the meaning of persecution. He remarked that what he meant to say was when there was a reported case of non-adherence, there would be public criticisms. What will the public criticize? He went on to say that offences would of course be criticized and so would non-adherence to policies. Sometimes, I really wonder how a policy can be enforced. A policy is of course enforced through the enactment of legislation. If people claim that there is a policy despite the absence of any legislation, and if they thus criticize others for non-adherence to the policy, everybody will not know what he should do. Mr James TIEN looks very happy today, probably because people who are persecuted will still receive the support of the business sector. But if I were a member of the business sector, I would prefer the clear listing of all rules in a piece of legislation. That way, I could have some rules to go by, which will be better than being persecuted by others. However, it is a pity that the Government is trying to encourage persecution. The Chief Executive has become very much like MAO

Zedong. If he continues to comb his hair backward, he will certainly look more like MAO Zedong.

Second, I think another bad thing about the Wage Protection Movement is that it is all about the rule of man as I have already mentioned. Verbal coercion will frequently be made to threaten employers. Employers will be told that if they do not participate in the movement voluntarily, legislation will be enacted in the future. I can remember that such a tactic was employed by Secretary Stephen IP before. At that time, he bluffed the insurance sector, saying that studies on a central compensation fund were underway. He remarked that if the insurance sector did not make any attempts to solve the problem, he would enact legislation. Following his intimidation, the insurance sector really made some efforts. But such efforts still fell short of the establishment of a central compensation fund as requested by us. This time around, employers are similarly intimidated at the beginning. But I do not want to see any intimidation at all. The authorities should know only too well that what we want is a decisive attempt to enact a piece of clear-cut legislation.

Third, I think the policy has been launched much too hastily. The Government may have considered all relevant factors. I do not think that the Government has taken the present action without considering all relevant factors beforehand. However, the Government has not mentioned many relevant factors this time around, and I fear that this may be caused by its intention of employing a "flexible" tactic. What is our greatest worry? Our greatest worry is about what types of indicators the Government is going to adopt to measure the effectiveness of the Wage Protection Movement. There are currently 190 000 workers in those two sectors. How can we measure the results of the movement?

The other day, I found out that the assessment methodology mentioned by Secretary Stephen IP was quite good. Here is the relevant press report: "According to Secretary Stephen IP, if less than 90% of the employees are offered the minimum wage, legislation will be enacted two years later." It is all very clear. The indicator will be 90% of the employees. However, when I questioned the Secretary in this Chamber that day, he replied that it was just his personal opinion. Secretary, there is no such thing as personal opinion in this world. I believe, and I think he will also agree, that accountability officials are never supposed to have any personal opinions. What he said should be a government policy. If the Government says that 90% will be the indicator,

things will be OK. Everybody will know clearly what the indicator is. But then, he added that there was a need for consultation with the Labour Advisory Board (LAB). But the LAB is just an advisory body, so the power of policy-formulation will still be vested with the Government in the end. In other words, the Government can decide how all things are to be done. I therefore hope that Secretary Stephen IP can state clearly that the indicator will be 90%, and that if this cannot be attained, legislation will be enacted. It must not employ any "flexible" tactic.

Besides, there is another serious problem with these two sectors. If this problem cannot be properly solved, it will be very difficult to ensure any wage protection. The problem is that in these two sectors, wages are often not determined by employers but by the tender conditions prescribed by buyers of services. If tenders — including those of the Legislative Council, as we are also regulated in this respect — are all based on the lowest bidding price (Tenders in the wider community are all based on the lowest bidding price, and employers all want to bid and adopt the minimum wage), then unscrupulous employers who do not adopt the minimum wage will easily get the upper hand. In that case, service contracts may well be awarded to unscrupulous employers instead of their scrupulous counterparts. In the end, when good employers have to lay off their employees, they may face an even worse situation. In other words, unscrupulous employers may seize this opportunity to boost their presence and "snatch" all contracts. The situation will be very terrible. If this is really the characteristic of these two sectors, then the decision-making power will not be vested solely with employers. Tender conditions will also play a critical role — unless we can persuade all owners' incorporations in Hong Kong. That day, the Secretary said that more manpower would be deployed to do the job. I do not know how he is going to do it. There are so many places in Hong Kong. Are they going to call at each and every building? I really do not know. There are just two years, so the job will be even more difficult. Therefore, I think it is after all much better to follow my advice of enacting legislation immediately. I very much hope that the Government can come back to the proper path.

I very much hope that my motion of regret can receive the support of more Members. I especially want to call upon Members belonging to the labour sector to support this motion. From the press, I learn that the Hong Kong Federation of Trade Unions (FTU) does not intend to support my motion of regret. I hope that the FTU can reconsider its position, because when I read the

documents from the FTU's affiliated unions (They handed a letter to me yesterday), I found out that two of its affiliated organizations were "strongly opposed to the Government's refusal to legislate for a minimum wage." It was said that they "want only legislation, not any charter or Wage Protection Movement." My motion regrets the Government's refusal to legislate for a minimum wage. Please do not argue that the FTU is asked to follow the appeal of the Confederation of Trade Unions. Instead, one should say that the FTU should heed the appeal of its affiliated unions. The FTU's affiliated unions call upon it to strongly oppose the Government's refusal to legislate for a minimum wage. This is perfectly in tune with my motion's spirit.

I am puzzled by Miss CHAN's Yuen-han's open statement that the Government has already made a friendly gesture because there will be an intermediate review, that is, a review one year later. In regard to this review, I do not think that the Government has made things clear enough. I do not think that the FTU should change its position and support "Bow-tie" just because it wants to find a face-saver. This will distort the truth that the Government's policy is just a stalling tactic. I do not know who actually raised the idea of an interim review because the Secretary has never mentioned any such review. But he did mention the conduct of a review two years later. He still said so yesterday — not yesterday but the day before yesterday. In the Legislative Council Panel on Manpower, he still said that there would be a review two years later. It is therefore not true to say that there will be a review one year later, following which a decision on the enactment of legislation or otherwise will be made immediately. Rather, there will just be an interim review one year later. Then, we will have to wait two years — still a wait of two years (The Government is nodding in agreement. That is very bad). In other words, we will have to wait two more years. If that is the case, there will actually not be any review a year later as mentioned by the FTU. It is going to be an interim review only. The Government likes to talk about reviews. In policy debates with the Government, we often ask it when a review will be conducted. The Government will invariably reply that it conducts reviews on a regular basis, almost every day. Therefore, an interim review will be largely meaningless. What counts will just be the "final" review. If the final review indicates that two years later, things are still not "OK", ..... A final review is not quite the same as the review to be conducted a year later. The situation is still very disappointing. And, workers must not be given any false hope that things will be "OK" a year later.



We in the CTU have been fighting for a minimum wage for years, and having reached the situation today, we can only say that we have bored an opening which gives the prospect of legislative enactment two years later. We will certainly continue to join hands with all employees in Hong Kong to push our cause through this opening. I hope that in the next two years — I hope it will not take as long as two years, so I should say "in the days to come" — workers can report to us all cases of employers' non-adherence to the minimum wage, so that we can work with Donald TSANG (We should do so since we have to respond to his Cultural Revolution and "Besiege the City" Campaign). It is hoped that we can thus compile a list of all employers who do not pay the minimum wage and prove that the whole movement is ineffective. I very much hope that in the days to come, we can break through this opening and reach our goal of legislation. Lastly, I call upon Members to support my motion of regret and vote against the Government's Motion of Thanks. Since the Government refuses to legislate for a minimum wage, why should we still thank it? What is the logic of this anyway?

President, in regard to labour issues, I still wish to say a few words on working hours and age discrimination. The Government has indeed devoted great lengths to family assistance in this policy address. Honestly speaking, I really want to tell the Secretary that we really do not dare to talk so much about any family assistance, and we will consider ourselves very lucky as long as the Government does not do anything to ruin the family. The Secretary often talks about family assistance. But we all call this "assistance at the sight of bloodshed". What I mean is that assistance will be provided only when fights break out between a couple and when child abuse occurs. The Government is only willing to provide assistance for dealing with domestic violence. What we want to see is not the "remedial" actions of social welfare agencies after the occurrence of "bloodshed". Our aim is not the provision of remedial measures for cases of domestic violence. We want to prevent families from breaking up. How can we do so? The answer is that we must ultimately tackle the issue of working hours. Long working hours will do damage to the family. Once again, the Government is simply making appeals. The Government knows only how to make appeals, advising people to adopt flexi-time and the five-day work week. I do not know whether a movement should be launched to promote the five-day work week. I do not know whether we should "besiege the city" once again, so as to report and persecute those employers who do not implement the five-day work week. We do not want something like this. I very much hope that the right track can be followed and the authorities can refrain from indulging in mere empty talk.

Therefore, I do think that in the end, we must enact legislation to regulate the number of working hours, so that employees in Hong Kong can once again enjoy family life. This should be the only kind of family assistance. Unfortunately, however, as I mentioned yesterday, once the business sector is involved, the Government will simply stop taking any forward steps and refuse to show any commitment at all.

I also hope that Members will not neglect the issue of age discrimination. We often discuss employment, but people who face the greatest difficulties in securing employment are those aged around 40. This is often called "the problem of employment difficulties faced by the middle-aged". The Government has not enacted any legislation to prevent age discrimination. It keeps saying that there is a policy, and that it has been adopting an approach of encouragement. But I have exposed the unfairness of the age-discriminatory retirement policies of Cathay Pacific, Dragonair and British Airways. All of them require employees aged 45 to retire. I have reported all these cases to the authorities, but there has been no progress. I hope that legislation can be enacted to prevent age discrimination. If there is no legislation, it will be impossible to tackle the unemployment problem faced by the middle-aged, because when all job applicants are equally experienced, those who have reached a certain age will never get the jobs. Thank you, President.

**MISS TAM HEUNG-MAN** (in Cantonese): Madam President, in the last session, I already talked about the overall impression that the policy address had given me. I wish to make use of this session to express my views on issues relating to the economy and the financial and accountancy sectors.

The Chief Executive stated right at the beginning of his policy address that the emphasis this time would be on economic policy. Although one cannot say that the whole policy address has delivered nothing as far as the policy in this area is concerned, it surely cannot satisfy the great majority of people.

First, of course, I have to express some hopes to the Government on issues of concern to the accountancy sector. On the most controversial Professional Liability Reform, which the accountancy sector has lobbied for for a long time, I know that regardless of what I say today, given what the Chief Executive considers to be pragmatism, the Government will still steadfastly refuse to carry out any study or consultation on this subject matter. However, I still hope that

the Government can take the demands of the accountancy sector seriously, recognize the importance of the accountancy sector to Hong Kong and formulate a policy conducive to the development of the sector.

Separately, many accountants hope that by virtue of CEPA, they can access the mainland market and find more opportunities there. They also hope that they can contribute to the development of the country with their professional expertise. However, they find that at present, the threshold for accountants in establishing themselves on the Mainland is still quite high and after establishing themselves there, they have difficulty adjusting to the business environment and government policies on the Mainland. In this connection, they have met one hurdle after another.

The Government often stresses that with Hong Kong leveraging on the Motherland, economic integration between China and Hong Kong must be promoted in order for both to complement each other with their respective advantages. However, there is scant mention of this in this policy address and all that it says is that five mainland cities will be included in the Individual Visit Scheme. Can service providers have access to the Mainland with greater ease under the framework of CEPA? Can the threshold for Hong Kong accountants entering the Mainland be lowered? How can the Government assist business operators who have expanded northwards? There are no answers in the policy address, so people who plan to have a go on the Mainland will definitely be disappointed.

Madam President, regarding financial policy, I welcome the initiatives mentioned in the policy address of according legal status to some of the existing listing rules and launching the work relating to the Financial Reporting Council as soon as possible. These two measures can strengthen the supervision of the securities market, so I hope the Government can implement them as soon as possible and collect the views of such professions as the securities sector and the accountancy sector.

However, I have some reservations about hosting an international financial forum in Hong Kong with a view to consolidating Hong Kong's position as an international financial centre, as mentioned in the policy address. The organization of this kind of forum requires considerable resources and time, but it is impossible to evaluate the results. I believe the SAR Government has to find the right approach for this matter. The development of the financial market

in Hong Kong does not require activities that are promotional in nature and involve a lot of hot air. Rather, what matters most is refinement of the supervisory regime and diversification of investment products.

In order to diversify investment products, it is necessary to establish new investment markets. For example, the Government can actively study the feasibility of establishing spot and futures markets for commodities in Hong Kong or study how to invigorate the bonds market in Hong Kong, as well as carrying out consultation on these two proposals. If we want to maintain Hong Kong's position as an international financial centre, there must be a wide array of markets to offer more choices to investors.

Madam President, the greatest disappointment of the policy address this year is its silence on two of the most significant issues relating to the business environment in Hong Kong, namely, high operating costs and a fair competition law. As long as these two issues remain unsolved, hidden ills will continue to exist in the business environment in Hong Kong.

In the final analysis, the major cause for high operating costs in Hong Kong is the inflated property prices and soaring rents found all these years. However, the Government continues to adopt the stance of propping up the property market and a series of measures adopted a few years ago to stabilize the property market has remained in place. It is still common for property developers to influence property prices through the system of private sale, whereas the amount of land supplied by the Government is still very limited. How can property prices not remain at a high level? And how can business operators possibly not pay high rents?

When tenants of offices or shops negotiate new tenancy agreements, property owners will often make a rip-off by increasing the rent by 20% to 30%. In some cases, the rent was even doubled. The rises in rent are totally disproportionate to the rate of economic growth in recent years and exorbitant rents have surely deterred quite a number of business operators and investors. It is really necessary for the Government to do more in this regard and step up its supervision of the property market, as well as making clear its position of not propping up the property market.

Another policy affecting the business environment relates to fair competition in Hong Kong. In last year's policy address, the Chief Executive

proposed the establishment of a committee to examine the policy on fair competition in Hong Kong. The committee has now completed its work and proposed that the Government formulate a cross-sector fair competition law. However, the policy address has only skimmed over this issue, devoting only one or two lines to this in the policy agenda in a perfunctory manner. Does this mean that the Government actually has no intention of enacting a fair competition law? Without a fair competition law, it will be very difficult for the Hong Kong market to attract new investors; without a fair competition law, instances of price rigging and market monopolization will only continue to exist. I hope the Government will launch a study and carry out consultation on the specifics of enacting a fair competition law as soon as possible.

Madam President, just as Chief Executive Donald TSANG said in the last part of the policy address, the sustained development of the Hong Kong economy is a challenge and we really have no time to lose, that is, we cannot discuss this matter after the Chief Executive has been elected for a second term without event in March next year. It would be too late by then. From this very day, the Government has to contrive ways to deal with this challenge and it cannot just talk but take no action. I so submit. Thank you, Madam President.

**MR VINCENT FANG** (in Cantonese): Madam President, before I speak, I wish to quote part of the policy agenda concerning a vibrant economy, "We will anchor economic development as the focus of the Government and help the economy power ahead at full steam; uphold the principles of..... and 'Market Leads, Government Facilitates'; maintain and strengthen the territory's status as an international centre of financial services, trade and shipping, etc; and support Hong Kong's development on all fronts such as financial services, logistics, tourism and information services.....While doing this, we will maintain our traditional institutional strengths including the rule of law, a level playing field, clean and efficient government, free flow of information, low and simple taxes and good order, to provide a business-friendly environment."

In reading out this passage, even though some people may find what I did tedious, I wish to point out that since the Government says it will rely on maintaining our traditional strengths as the bulwark in governance, why does it want to destroy of its own accord the scope that Hong Kong has depended on for many years for its development and its advantage of low tax rates?

Madam President, in the policy address this year, the Chief Executive made no mention of the hotly debated Goods and Services Tax (GST), rather, there is a fair amount of discussion on the future direction of economic development. However, on seeing that the Government has been making adjustments to the GST proposal of late in an attempt to turn around the tide of overwhelming opposition, I think the Government's words are not matched by its deeds.

The policy address says that "The National 11th Five-Year Plan states clearly that support will be given to Hong Kong's development on fronts such as financial services, logistics, tourism and information services, and the maintenance of Hong Kong's status as an international centre of financial services, trade and shipping." However, if GST is really levied in Hong Kong, both our logistics and tourism industries will be dealt a serious blow. May I ask how our position as a trading and shipping centre can be maintained? The only thing that can be preserved is our position as a financial centre because the proposal on GST will grant exemption to the financial industry.

However, can the entire Hong Kong economy be propped up by the financial industry alone? If we rely on the financial industry to perform a solo act, when a financial turmoil, which the Government is very worried about, unfortunately strikes again, what will Hong Kong's fate be? May I ask if this way of helping the economy power ahead at full steam is too restricted?

Although the Chief Executive said that the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) had brought a lot of new opportunities to trade and the logistics industry in Hong Kong, that the Government also planned to streamline the entry procedures and reduce the fees for river trade vessels entering our port so as to expand Hong Kong's shipping network, and that an express clearance system would be introduced in land transport to foster the logistics industry and boost the volume of trade between China and Hong Kong, it is common knowledge that sea, land and air transportation in Hong Kong has been facing the problem of increasing costs and competition due to constant improvements in hardware and software on the Mainland. The throughputs of container terminals or air cargo terminals have all experienced a marked slowdown in growth. Where have the cargoes gone? To the container terminals and airports on the Mainland. Even the largest international express couriers have anchored at the airports on the Mainland one after another.

Competition is inevitable and Hong Kong companies are also used to competing with their international counterparts. However, the precondition is that we must have an ideal business environment and a competitive edge. Hong Kong has never possessed any advantage in terms of pricing and it is in efficiency, service and a tax-free port that we have an upper hand. If our products are processed offshore on the Mainland or shipped as re-exports, since it is necessary to go through a lot of procedures such as storage in bonded warehouses or making applications to become a qualified exporter here, why does one not import and export direct from the Mainland? The efforts we made over the years in maintaining Hong Kong as the logistics base for factories on the Mainland will then be wasted. Will the endeavours of the Central Government in supporting Hong Kong in becoming important centres in several domains also be wasted? Even the effects of CEPA, which is dealt with emphatically by the Chief Executive in his work review, will fade gradually. Does the Government remember that CEPA came into being after Hong Kong had experienced the SARS outbreak in 2003 and its economy was in recession, whereas the mainland economy continued to power ahead? In view of this, the authorities proposed to the Central Authorities that the mainland market be further opened up to the products and services of Hong Kong companies and the Individual Visit Scheme (IVS) be introduced to allow people on the Mainland to visit Hong Kong, so as to enable Hong Kong companies to develop and give the consumer market in Hong Kong a boost.

The original purpose of CEPA is to give Hong Kong companies more room for development, not to encourage companies to abandon Hong Kong and relocate to the Mainland, still less to disregard the increasing need for more hardware and software due to the expanding IVS. Not only are the hotels for business travellers in Hong Kong inadequate, the middle-grade accommodation suitable for mainland visitors have not seen any increase either. In neighbouring Macao, more than 50 hotels will be completed in the next 10 years, but what about Hong Kong? Recently, an overseas customer of mine wanted to come to Hong Kong and I booked a semi-en suite for him in a four-star hotel and the rate was as high as \$5,000. However, in the short interim during which my secretary informed me of this, the rate had already gone up to more than \$6,000. May I ask what impact this sort of rates that fluctuate like seasonal prices will have on the development of our tourism industry? Worse still, during the peak season for exhibitions, some visitors and business travellers cannot book any hotel room at all, as a result, they have to put up in guesthouses. Some overseas buyers even have to stay in Shenzhen because even though a

value-added tax is levied on the Mainland, the rates are still much cheaper than those in Hong Kong after tax.

We have been striving to develop Hong Kong into a city for exhibitions in Asia, a must-visit city in Asia as well as a shoppers' paradise. Coupled with the introduction of the IVS by the Central Authorities, one can say that all these are treasures in our possession. However, why do we allow old government buildings and quarters to remain vacant for many years with the departments responsible for planning carrying out no planning to make more land available to developers for hotel development, so as to complement the development of the tourism and exhibition industries? Is there a lack of communication between various government departments? Regarding travel agencies, one can say that they are the ambassadors of Hong Kong to the outside world, so they must project a good image.

Hong Kong has trained a lot of talents for these companies. We hope that these companies will remain in Hong Kong and use Hong Kong as a base for expansion into overseas markets, instead of moving to the Mainland and the increasingly popular Macao as a result of the deteriorating business environment here.

The business environment in Hong Kong is deteriorating and its competitiveness is also waning. For example, in the Global Competitiveness Report 2006-2007 published by the World Economic Forum last month, Hong Kong's competitiveness ranked 11th place globally, behind Singapore and Japan. The World Bank Report 2005 points out that when the business environment in Hong Kong was not so favourable, the Government said that a review of Hong Kong's business environment would be conducted. However, in the report this year, Hong Kong's rating only edged up by one place. In Hong Kong, there is still room for improvement in terms of processing licence applications and property registrations. Has the Government streamlined the application procedures for overseas investors wishing to enter Hong Kong and examined in which area improvement and fine-tuning is called for?

Not only must the Government propose a long-term development plan, it also has to tell us in the business sector and the Hong Kong public how it will ensure that economic development can be sustained and the quality of life of the public will not deteriorate as a result of the levy of GST in Hong Kong. The consultation on GST has continued for three months now and it turns out that the



response of the Government is: The short-term consumption habits of the public will be affected but people will get used to it gradually. However, it has resorted to duress and inducement and offered petty favours to sectors that are more vocal in their opposition. In the face of opposition, it has asked people what proposals on broadening the tax base they have. I wish to ask the Government in return what proposal it has to attain the goal of promoting prosperity as stated in the consultation paper even as it broadens the tax base by means of GST. May I ask what proposal it has to sustain the long-term development of the Hong Kong economy? Has the Government assessed what impact the levy of GST will have on various trades and industries in the Hong Kong economy? What contingency plans does the Government have to cope with such impact?

Whether or not economic development can be sustained is vital to social stability. To promote economic development, what matters most is whether government policy can provide an ideal business environment. However, the business environment in Hong Kong is deteriorating and we in the business sector, in particular, people in small and medium enterprises, are very worried. If the Government goes further by levying GST, it will be practically impossible for businesses to maintain their operation. Although the Government originally said that it would take several years to prepare for the levy of GST, if the future is uncertain, coupled with the fact that the Government will review whether to legislate for a minimum wage and maximum working hours a year later, the capital input in the next few years will surely be reduced, thus indirectly affecting the economic development of Hong Kong.

Although I am very dissatisfied with the present business environment, the Government is prepared to take actions to support the development of the design industry in Hong Kong and allocate \$100 million this year to finance the Hong Kong Design Centre and assist various trades and industries in building their brands by means of design. I started my career in the garment industry and have many years of experience in brand building. The building of brands requires more than designs. Some product designers in Hong Kong have all along designed products for international brands. Brand building also requires investment by entrepreneurs. Before making investments, they will definitely make sure that the business environment is favourable and the economic prospects are bright. An economic environment in which development is sustainable will foster a stable society and this law of economic cycle is true in places all over the world. I sincerely hope that our Government can truly be

people-oriented and make the well-being of the public and society its ultimate goal.

I support the original motion. I so submit. Thank you, Madam President.

**MR SIN CHUNG-KAI** (in Cantonese): In his policy address, the Chief Executive said one of the challenges facing Hong Kong is "how to sustain economic development". It seems the Chief Executive made this remark not so much out of genuine concern about the momentum for long-term economic growth in Hong Kong but his grudge that the environmental awareness of the public, including their hope for no more reclamations, is impeding the implementation of his grandiose plans.

I wish to remind the Government that the protection of our environment is in fact an important dimension in ensuring sustained economic development. I hope that the Government, before making complaints, will look at our Motherland and see how much economic growth was erased year after year by floodings and droughts and the dust storms in Beijing. These are precisely the ills that are beginning to surface on the Mainland as a result of the disregard for sustainable development in the past several decades. When the Chief Executive is marketing its Action Blue Sky Campaign, which is devoid of substance, he is directing complaints at members of the public who desire a better environment, so does this not smack of double standards?

Therefore, I believe the Government should treat the criticisms of the public rationally and while it develops the economy, it must have regard for the effects of these economic projects on the overall living environment of society.

However, what I want to talk about is genuine sustained economic development. Insofar as the sustained development of Hong Kong economy is concerned, the foremost issue that the Government has to consider is the disparity of wealth. Hong Kong is only a small economy but the service industry accounts for over 80% of our economy. If there is a great disparity of wealth, it will have an adverse effect on internal demand and economic development. However, when the Hong Kong and mainland economies become highly integrated, the competition posed by low-skilled workers on the Mainland to Hong Kong will become keener and keener. Since the costs in

Hong Kong are soaring and there is inadequate demand for low-skilled workers in our economy, vicious competition among low-skilled workers will emerge. The fundamental cure lies in finding ways to increase the demand in society for low-skilled workers.

The soaring costs in Hong Kong are closely related to land prices. As a result, it is difficult for some low value-added industries to survive in Hong Kong. The Democratic Party opines that the Government should alleviate the unemployment problem among elderly low-skilled workers in three ways: promoting tourism, expediting the implementation of infrastructure projects and introducing green taxes to promote the development of the recovery and recycling industry.

A booming tourism industry can help increase the demand for manpower in the retail, tourism and catering industries and these are precisely the industries that employ the largest numbers of low-skilled workers. It is imperative that the Government stamp out incidents that damage the reputation of the local tourism industry, including deceptive practices preying on mainland tourists and the use of duress to compel them to make purchases. The Hong Kong Tourism Board (HKTB) should review its work in this area and the Travel Industry Council should also step up its supervision. However, I wish to point out here that the Government should actually review whether it should allow this system of self-regulation to continue to exist and whether it should introduce a system in which the Government supervises the tourism industry. In fact, the Government has proposed a so-called three-tier regulatory regime for the financial sector as we have the Securities and Futures Commission as well as the Hong Kong Exchanges and Clearing Limited. In fact, it is also possible to put in place a one-tier regulatory regime for the tourism industry, namely, the Travel Agents Registry should consider whether stiffer sanctions should be imposed on the black sheep among travel agencies.

In Hong Kong, there are a lot of little-known stories. Of course, we agree with Mr Vincent FANG's opposition to the levy of GST. In fact, in the long term, the levy of GST will really deal a blow to the reputation of tourism in Hong Kong and it will also be unfavourable to the development of Hong Kong into a tourism centre. In addition, there are a lot of little-known but valuable locales and cultural heritage in Hong Kong, however, they are not adequately and properly maintained to attract long-haul visitors from Europe or the United States. For example, has the former abode of the author Eileen CHANG been

properly preserved so that people can visit it? What historical and geographical changes have taken place in Hong Kong? Has the HKTB made any special effort to promote all this? A small amount of information in this regard is available on the Internet, however, it does not amount to any major promotional effort.

Regarding middle-aged people, the unemployment rate among workers in the construction industry is still as high as 10%. Fortunately, quite a number of construction workers have recently gone to Macao to seek further development and it is only in this way that they have managed to maintain their livelihood. However, I believe the Government should expedite the launch of major infrastructure projects, in particular, cross-boundary infrastructure. I believe that in this way, unemployment among middle-aged construction workers can be eased in the short run. In the long run, enhancing the efficiency of the flow of people and goods between the Mainland and Hong Kong will definitely be conducive to economic development in Hong Kong. Moreover, these projects will not become white elephants or memorials of political achievement, so the Government should speed up the work in this area.

As regards green industries, since the products produced by the recovery and recycling industry often require the use of raw materials and the cost is quite high, therefore, there is no demand for them in the market and in fact, the Government has to spend billions of dollars each year to handle recyclable materials. Instead of dumping these materials, the Government can consider introducing green taxes as a financial incentive to induce the public to use products that are less damaging to the environment. In this way, the quantities of recyclable materials recovered will increase and this will also be conducive to environmental protection. More importantly, this will broaden the scope of development for the recovery and recycling industry, tie in with the commissioning of the EcoPark in Tuen Mun and boost the market demand for low-skilled workers.

Of course, high value-added industries depend to a large extent on the economic policy of the Government and whether there are sufficient talents, in particular, high calibre and creative talents. It is also a must for the Government to maintain a low-tax regime, the freedom of speech, the free flow of information and judicial independence. Moreover, it is even more necessary for the Government to rid itself of the impression that it is colluding with businesses, which is fatal to attracting overseas investors. It will take quite a

long time before it can rid itself of such an impression. If overseas investors no longer consider Hong Kong to be a level playing field for business operation, it will be difficult to attract them any further. Here, I once again urge the Government to conduct a public consultation on the consultation report released by the Competition Policy Review Committee.

Apart from certain fundamental factors, there are also some other areas where the Government has to play a fairly important role, for example, in the financial sector. If Hong Kong can become the first RMB clearing centre outside China, this will be a positive development for the financial sector in Hong Kong.

Apart from the business and service sectors in Hong Kong, the export of education and health care services are the other high value-added industries with great potential. In the past, the Government spent large amounts of public funds on education, in particular, on higher education and health care services, as a result, the standards in these two areas in Hong Kong can be considered top-notch in Asia. However, it is still necessary for the Government to provide some assistance in exporting these services. For example, a large number of mainland students are enrolled in the tertiary institutions in Hong Kong, but can the facilities in these educational institutions, such as libraries and hostels, cope with the demand? Has the Government further considered encouraging mainland residents to send their children to Hong Kong to study in secondary schools with boarding facilities? I have to stress that I am not talking about universities but secondary schools with boarding facilities. What is the progress in assisting tertiary institutions in Hong Kong in providing education on the Mainland independently? In the past, large amounts of public resources were invested in training world-class health care personnel in Hong Kong. Now that private hospitals are operating close to full capacity, should the Government consider granting land to private hospitals for the purpose of expansion or construction of new private hospitals? I believe that such initiatives will be helping to driving the Hong Kong economy in the long run.

Regarding the grooming of talents, can our education system, culture and population policy attract high-calibre talents? Will the air quality in Hong Kong scare away overseas investors? Will our infrastructure, including facilities for information technology (IT), keep up with our development needs? I believe this is an important dimension in studies on our economy in the long term.

Madam President, next, I wish to talk about IT. IT is one of the pillars of a knowledge-based society.

In this year's concise policy address, a longer passage is devoted to IT than it was the case in the past. Unfortunately, I found on reading the measures proposed in the policy agenda closely that what the Government has done is merely reiterating the measures that are being implemented or those on which announcements of implementation have been made. However, no account on the vision and policy guideline for the development of the industry has been given, nor has the Government responded to the aspirations and expectations of the industry and the public regarding IT in Hong Kong.

Not to mention the vision for the development of the industry, even the Government's outlook on promoting the application of IT in various areas remains fairly restricted. This is probably due to the fact that in the past few years, the Government has been operating with a deficit budget. We have to bear in mind that the application of IT is not limited to replacing systems, issuing smart identity cards or the implementation of the project on a facial recognition system. In other areas such as transportation, there is also an urgent need to introduce IT.

The serious traffic congestion that occurred in May 2005 serves to remind us of the great urgency in developing a smart transportation system to ease road traffic. Unfortunately, although we have been advocating this proposal over the past year, the Government is still lukewarm in its response to a smart transportation system, as a result, the work on developing such a system has stalled and this is most disappointing.

In fact, in order to further promote local IT development and to lead Hong Kong society in its transformation into a digital metropolis, not only is it necessary for the Government to promote the application of IT, it also has to outline a vision or policy guideline for the development of the IT industry. Unfortunately, the policy address is silent on this. In the policy address, the Chief Executive did not say a word on the recently released consultation paper, that is, the 2007 Digital 21 Strategy. Of course, this project is only at the stage of consultation, however, my initial observation is that it is also disappointing.

Does it mean that the overall strategy does not matter? The Digital 21 Strategy covers many issues of great concern to the industry, such as how to

improve the business environment, the training of manpower for IT and the development plan for the next-generation Internet (IPv6).

The Chief Executive should not neglect such an overall strategy and should make it a forward-looking multi-policy paper on development, rather than merely a paper of the Commerce, Industry and Technology Bureau. It should be a paper relating to the Government's overall policy that integrates the policy on IT with various policy areas, so that the efficiency made possible by putting IT to good use can enhance the Government's efficiency in various areas. Only in this way can society and the industry enjoy the benefits.

All along, the emphasis of the Government's IT policy has been on introduction and application and it believes that the introduction of all sorts of high technology can be equated with the sum of promoting the development of the industry, while the research and development (R&D) of IT is overlooked. Compared with other economies in the region such as Singapore and Taiwan, fewer resources have been committed to technological research in Hong Kong. The Government should encourage private companies to commit more resources to technological research by offering tax concessions, encourage various local R&D centres to co-operate with the industry, enhance the communication between the two sides to ensure that technological research projects will be closely relevant to the needs of the industry, as well as enhancing the effectiveness of the commercialization of R&D results. In this regard, the industry has all along advocated that the Government establish a science and technology bureau specifically for such duties. Unfortunately, the Government has never given this proposal any consideration throughout all the years.

The IT industry in Hong Kong is closely related to the market in China and the Government frequently says that it will co-operate actively with the Pan-Pearl River Delta Region and assist the industry in developing the mainland market.

Unfortunately, throughout the discussion process, the Government has greatly disappointed the industry, particularly with regard to CEPA, which was expected to bring more business opportunities to Hong Kong products and services by giving them greater access to the mainland market.

In April 2005, I, together with eight local trade associations and professional bodies of the industry, met Secretary John TSANG, who was

responsible for the discussions on CEPA with the Mainland at that time, to explain the expectations of the industry for CEPA III. It is disappointing that a lot of proposals had not been put into practice even by the time CEPA IV was implemented.

In order to secure a share of the vast mainland market, the position of the industry is that it should be accorded the same treatment given to nationals, as is the case for its counterparts on the Mainland, and should be enabled to compete in a level playing field with its mainland counterparts. The industry also hopes that the Government can step up co-operation with the industry and respond positively to its demands in this regard, for example, by arranging a visit by the industry to Beijing, so that it can explain and exchange views with the corresponding mainland units. The trade will also be happy to provide support to the authorities in their work in this area.

Other suggestions on developing the mainland market include defining the products or services of Hong Kong software publishers as "domestic goods or services" as referred to in the Government Procurement Law of the People's Republic of China, so as to shorten the vetting and approval procedures and time for online games made in Hong Kong; adopting a vetting and approval system equivalent to that of their mainland counterparts when dealing with the products of Hong Kong companies, so as to assist the IT industry in Hong Kong in establishing a permanent communication channel with the regulatory authorities and trade associations of the industry on the Mainland, and promoting cross-boundary co-operation.

We hope that next time when the SAR Government discusses with the Mainland again, it can put in place the foregoing policy for the industry in Hong Kong.

In the briefing on the last occasion, the Secretary said that in opening up the mainland market, it is not possible to open up the whole mainland market at one go. However, I wonder if it is possible to open up the mainland market partially. In fact, as early as a few years ago, we already raised the concept of a so-called "special telecommunications region" in the Pearl River Delta Region and this concept is the same as the Secretary's concept, only that we have talked about it for several years. In fact, the worst thing for the telecommunications industry is that there is no difficulty whatsoever for mainland telecommunications companies in setting up their businesses here in Hong Kong



and there is no problem in obtaining licences either. Put simply, there is no problem whatsoever in laying an optical fibre cable linking the Mainland and Hong Kong, whereas conversely, it is not possible for the telecommunications industry in Hong Kong to lay an optical fibre cable going up to the Shenzhen River. This leads to unfair competition.

In fact, it is also doubtful if the Government is sincere in supporting the development of small and medium enterprises in the IT industry.

For instance, the software industry has all along requested the Government to review the clause of unlimited liability in procurement contracts for IT projects and to consider adopting the flexible model adopted by the international community and in commercial contracts, so that the Government has to bear reasonable risks and the industry can be encouraged to participate in the Government's procurement projects. However, so far, the Government has turned a deaf ear to this suggestion. I would like to take this opportunity to say a few more words. In fact, the so-called unlimited liability is only academic. On seeing such a clause, large international companies will be reluctant to submit a tender because they do not know how likely they will be sued after completing a deal. As a result, it is possible that only small companies will still put in a tender after seeing the unlimited liability clause. After winning the tender, if it so turns out that a company is sued, the outcome will be that the business will wind up. Therefore, to the Government, such protection is definitely academic in nature and in reality, there is no protection. Therefore, the Government should review its procurement practices.

Other examples include the establishment of a registration system for IT professionals; the promotion of a system for the mutual recognition of qualifications of IT professionals on the Mainland and those in Hong Kong to help members of the IT profession obtain equitable professional recognition; ongoing promotion of professional development and the elevation of standards to ensure that members of the public can have a high standard of service, as well as raising the social status of IT professionals to attract more outstanding graduates to join the IT profession, thereby solving the problem of manpower shortage in the industry. However, the active efforts made by the industry have not been backed by government support. The industry hopes that the Government can give positive responses and allocate funds to support the research in this area.

Regarding public service broadcasting in Hong Kong, the Government has already commissioned an independent committee to consult the public extensively on the major issues, including the public missions of public service broadcasting, specific public purposes, service model, governance, accountability, public participation and financial arrangements, before proposing the direction for public service broadcasting in Hong Kong in the future.

In this connection, the Panel on Information Technology and Broadcasting of the Legislative Council has submitted a report on its study on the foregoing issues. I hope that the Government can make reference to the report of the Legislative Council before proposing the relevant policy. Moreover, I believe there is still room for doing so because the Legislative Council will hold a detailed debate on 1 November.

There has been a lot of discussion in society on the corporatization of Radio Television Hong Kong (RTHK) and reorganizing it into an independent statutory corporation. There is little wonder that the Chief Executive, with only eight months left in his tenure, has shunned this topic. However, evasion cannot solve the problem. I urge the Government to implement the corporatization of RTHK as soon as possible and turn it into a statutory corporation.

Furthermore, in order to ensure the quality of the programming of RTHK, the Government should also expedite the construction of the new Broadcasting House of RTHK, to be located in Tseung Kwan O. Put simply, this is to relocate RTHK. As a matter of fact, Members can see that the site at 1 Broadcast Drive has been triggered and it is worth over \$2 billion. I believe that after the relocation of RTHK to Tseung Kwan O, not only will the Government not lose any money, on the contrary, the site on Broadcast Drive made available after the relocation will even yield profits. The Government should do its calculations properly.

Regarding the implementation of digital terrestrial television broadcasting, before its launch, I urge the Government to set aside some of the digital television channels for the establishment of public access television channels for broadcasting programmes produced by the public, so as to expand the scope for members of the public to express their views. A committee should also be established to make recommendations on the channel's management framework, mode of operation and funding.

Madam President, next, I wish to talk about the policy on telecommunications. Although there is more detailed discussion on the policy on telecommunications in this policy address than was the case in the past, since the majority of proposals have already been implemented or were put forward only after repeated calls and exhortations, I still feel somewhat disappointed.

The Chief Executive mentioned the establishment of the Office of the Communications Authority in the future to facilitate co-ordination and enhance efficiency in regulating the telecommunications industry. Convergence has in fact become a major trend in the communications sector for a long time and regulatory bodies have to make corresponding changes in their structures and mode of regulation to tie in with the trend. The industry and I proposed as early as 1998 that the Government carry out reforms in this regard and the response on this occasion is in fact very late in coming.

The industry has already reached a consensus on the establishment of a single regulatory body and the present issue has to do only with how this policy should be implemented. The Government said that it would adopt the approach of tackling the easy part first and the difficult part later. In the first phase, the relevant bodies will first be merged but the areas regulated by them will only be merged in the next phase. However, the crux of the issue in this merger is the standardization of the regulatory provisions and criteria governing the telecommunications and broadcasting industries. In fact, this is a very difficult task. The Government should conduct a detailed study of the specifics of the proposed Telecommunications Ordinance immediately, including the licensing framework, the licensing regime, the provisions on competition and the appeal mechanism, carry out consultation at an early date and provide a timetable on the work relating to the proposed Ordinance.

Meanwhile, the telecommunications industry also faces a lot of changes in the mode of regulation and the regulatory framework, including the convergence of fixed and mobile networks, the radio spectrum management policy review, and the regulation of and licensing framework for broadband wireless access service. All these issues require urgent attention. These issues have in fact been discussed for many years, however, our repeated endeavours have not yielded any result.

The industry has relayed to me a number of times that the foregoing issues are in fact interrelated and cannot be dealt with in a fragmented manner. They have to gain a good understanding of the future regulatory plans before they can express any views. On the same occasion last year, I also proposed drawing up a policy blueprint and timetable for the regulation of the local telecommunications market for industry comments. However, the relevant authorities have stuck to their former ways. In the past year, there has been little progress in the work in this regard.

Continued delay in this area will only have a negative effect on the development of the telecommunications industry in Hong Kong. If we take a look, six licences for wireless fixed telecommunications network services were issued in neighbouring areas in 2005 and it is expected that the relevant services will be launched this year, so it can be seen that the relevant technology is maturing.

If the regulatory body in Hong Kong cannot keep abreast of the development in this area, this will impede the development of the telecommunications industry in Hong Kong. To the industry, it will miss the business opportunities offered by this technology and to consumers, they will miss an opportunity to make use of a new technology. In addition, it will not be possible for new competitors to enter the market and as a result, public interest will be jeopardized.

In view of this, I urge the Government, and the Office of the Telecommunications Authority in particular — in fact, this is a policy of the relevant bureau — to formulate a longer-term blueprint for the development of the telecommunications market, so that the industry can have the opportunity to express their views more clearly.

Madam President, as there is not much time left, I wish to comment on the extent of government commitment to IT. In the past few years, due to the fiscal deficit, the Government has launched comparatively fewer IT projects and its spending on IT has also dropped from \$700 million to \$800 million at its peak to \$500 million to \$600 million in the last two years and this represents a fairly substantial rate of reduction. In fact, in this regard, at a time when the financial situation of the Government is improving, various government departments should ensure that their application of IT should not lag far behind the market and technological developments.

Finally, I wish to point out that at many places in Hong Kong, there is scope to put in place the so-called Wifi connection. At present, with the advent of certain new technologies, for example, the single antenna, it is possible for the connection to cover an area of nearly 1 km in diameter. Put simply and to use hospitals as an example, one Wifi will be able to provide Internet connection to many places. It is also possible to do so in housing estates and Wifi connection can also be provided at a lot of cultural and recreational venues. This will be highly conducive to the promotion of its application in society and to turning Hong Kong into a so-called "ubiquitous information society".

I so submit.

**MS LI FUNG-YING** (in Cantonese): President, according to my recollection, the labour issue has never been the focus of any policy address before or after the handover. After years of strenuous efforts by the labour sector, the Chief Executive finally declared in this policy address his stand on the implementation of a minimum wage and standard working hours. The standpoint of the labour sector is very clear. They are disappointed that the Chief Executive is still unwilling to legislate for the protection of minimum wage and standard working hours, and they believe that legislation is the only true safeguard for the rights of fellow workers. However, the Government has put forward an alternative package in its policy agenda, with its effectiveness to be reviewed in two years' time. This has created a breakthrough towards legislation on the protection of minimum wage and standard working hours. As Member of the Executive Council Prof Anthony CHEUNG said, minimum wage has become a policy initiative, and it has practically been included in the public policy agenda.

On the issue of legislating for the protection of minimum wage and standard working hours, what I would like to say is that the alternative policy currently proposed by the Government — Wage Protection Movement — is in my opinion difficult to implement. Even if we start with the best intentions and the measuring standards devised by Secretary for Economic Development and Labour Stephen IP, that in two years' time over 90% of employers will join the movement and hire fellow workers in the cleansing and security service sectors with a level of wages pitched at the industry's median wage, what will happen after those two years? If employers resume their same old practice after two years and hire fellow workers with extremely low wages, how can we handle that? The point that must be stated is that as long as the Government does not

legislate for a minimum wage and standard working hours, this Wage Protection Movement will have to carry on.

Due to the fact that there is a certain time limit on this movement, it clearly shows that our fellow workers cannot depend upon a piecemeal Wage Protection Movement to protect their own rights. Ultimately, the only possible solution to the problem comes down to legislation. When attending the Question and Answer Session in this Chamber after the release of the policy address, the Chief Executive said that the Wage Protection Movement could be implemented immediately, while legislation would require time. The Wage Protection Movement would therefore offer better protection for the rights of fellow workers. However, up to now there has still not been any substantive information on how the implementation of the Wage Protection Movement could be finalized. Even though such implementation requires less time than legislation does, they are not exclusive of each other. I urge the Government to implement the Wage Protection Movement and simultaneously prepare for the legislation for the protection of wage and working hours. This is the right and definitive path towards protecting the rights of fellow workers.

President, in the middle of this month the Court of Appeal heard a case in which a restaurant was alleged to have evaded severance payment by using short-term contracts. In his judgement the Honourable Mr Justice CHEUNG of the Court of Appeal pointed out the fact that workers in Hong Kong do not have the right to collective bargaining, and there is a huge discrepancy between the bargaining power of employees and that of employers. Therefore, the Employment Ordinance seeks to provide a minimum safeguard for employees and workers, who are incapable of bargaining with employers. That particular case shows that employers can deprive employees of the rights to which they are entitled. This situation is hardly satisfying and not at all beneficial to social harmony.

In his policy address, the Chief Executive raised the question of how to build a harmonious society as one of the challenges to meet Hong Kong. Mr Justice CHEUNG has already provided an excellent answer, and that is, a review of the Employment Ordinance with a view to eliminating the deprivation by employers of the rights of employees. In fact, restaurants are not alone in evading severance payment through short-term contracts. Currently, many group-operated supermarkets and chain stores and even public bodies do hire their employees on hourly yet long-term basis, with the objective of evading the

responsibilities imposed on employers under the Employment Ordinance. In order to build a harmonious society, the bargaining power of employees must be enhanced, which means that a review of the Employment Ordinance should first bring fellow workers currently working on hourly basis under the protection of the Employment Ordinance.

In his policy address, the Chief Executive also put forward the idea of cherishing the family and that new mindset and values are vital to promoting harmony in the family. I am supportive of the Chief Executive's emphasis on family relations. In contributing my views towards the policy address of the Chief Executive, I propose to him the implementation of family-friendly employment policies as a measure to prevent domestic violence. The public opinion centre of the University of Hong Kong has recently conducted a survey on the working hours of the people of Hong Kong. The result shows that overtime work has become the norm for employees in Hong Kong. The ratio between work and leisure is 85:15 while the ideal ratio is 60:40. Private time and leisure activities have become luxuries for employees. It is a very simple fact that when work has become almost the entire life for employees, and when private time and leisure activities have become a luxury to them, any negligible trivialities and minor conflicts could be the fuse for eruptions of domestic violence incidents. I think that we must improve the current excessively long working hours of employees if we are to reduce the occurrence of such incidents.

The Chief Executive indicated in the policy address his intention to consider establishing a high-level Family Commission which would be responsible for policies and measures in support of families. Nevertheless, if the Government genuinely takes family issues as a serious matter, it should not only make minor patches and repairs on the policy level, but face up to the latent root cause of domestic violence. The problem can only be solved with this approach. This brings us back to the issue of legislating for the protection of minimum wage and standard working hours. In fact, several deep-rooted problems in Hong Kong are also similarly interlocked. Therefore, I am disappointed and regretful for the approach taken by the policy address in using the Wage Protection Movement as an alternative to legislation on minimum wage and standard working hours. The amendment to this motion moved by Mr LEE Cheuk-yan also expresses my feelings.

President, I have always disapproved of moving an amendment to the Motion of Thanks. I made myself clear in this respect in my speech during the

debate on the policy address last year. Despite all this, when faced with the issue of legislating for the protection of minimum wage and standard working hours, one of the targets for which the labour sector has strived in the last few decades, I feel unable to convince myself and the Federation of Hong Kong and Kowloon Labour Unions to which I belong, that I could ignore the common sentiments shared by the labour sector for the sake of some personal views on the procedures of this Council. Consequently, this time I will make an exception and support the amendment proposed by Mr LEE Cheuk-yan.

Thank you, President.

**MR ABRAHAM SHEK:** Madam President, unlike in the past, the Chief Executive in his policy address has been prudent enough in unveiling no grand master plan or guaranteeing any achievements in the eight months left in his present tenure. With no surprises and little excitement, the Chief Executive has worked hard to confine his administration to do what a transitional Chief Executive can pragmatically do. Not surprisingly, such a self-limiting style of government has not won favour from every citizen.

Hong Kong's economy might have steadily improved, the deficit has seemingly disappeared, the jobless rate has fallen to a five-year low and the employment prospects are looking way up for many, but our construction industry unfortunately has remained mired on shaky ground. As the Government's investment on infrastructure dwindles and investment in the private sector continues to slide, the jobless rate in the injured industry still stands above 11%. Many construction firms are facing financial difficulties and near the verge of bankruptcy. Construction workers, who account for almost 10% of the city's workforce, have been demoralized for the lack of jobs and obviously, minimum wage is not even a priority for them, but getting work is a necessity. Thanks to the construction spree propelled by Macao's booming casino and entertainment industries, it has absorbed some of our construction workforce hungering for job, but many of them would be returning upon completion of the projects and the level of unemployment will shoot up even higher. This is not good for the economy.

I do appreciate our Government honouring its financial commitment to provide up to \$9 billion in the Budget to initiate outstanding municipal projects in the next five years, and even the \$5.1 billion Tamar investment, they will hardly



revive the sluggish construction industry, and the public works projects created are still not enough to create sufficient opportunities for our local construction workers. Hampered by bureaucratic failure to roll out more capital projects to catch up with the substantial slump in public investment on mega infrastructure projects, the Government's investment on capital works has plunged to \$26.5 billion in 2005-2006, and it is estimated that the Administration's investment on capital works will shrink to even a record-low level in 2006-2007.

I strongly urge the Government to honour its pledge to invest up to \$29 billion or more per annum on infrastructure. Our Government can incorporate various financial models for contracting and financing capital works through public and private partnership scheme and private sector financing scheme. These methods will allow more flexibility in financing public capital works, and open up investment opportunities for private enterprises to participate in the construction and operation of public works projects. These measures can inject tens of thousands of jobs which are much needed in the job hungered construction industry.

Ideally, infrastructure investment should grow at the same rate as development in the different phases of our overall economy. In this way, our city will not lose its vitality or be marginalized in the global market. Investment in the state-of-art infrastructure will entrench our city's position as a premier logistics and maritime regional hub, as well as a tourist and financial centre, propelling our economy to new heights.

Our Government should seriously consider building a dedicated Guangzhou-Shenzhen-Hong Kong express rail link to connect Hong Kong's network with the extensive national express rail system, in order to cater for the booming traffic flow across the gigantic Pan-Pearl River Delta Region. Also, the lack of progress in the financial arrangements of the Hong Kong-Zhuhai-Macao megabridge is frustrating. Our Government must motivate and work with the mainland authorities to expedite the launch of the megabridge and Eastern Corridor. Both projects will foster more direct road link connecting Hong Kong with the western part of the Pan-Pearl River Delta and eastern Guangdong. They will also expand our local ports' cargo hinterland and propel the volume of the local logistics and maritime services industries.

Madam President, Hong Kong is very strong when it comes to financial services, tourism, logistics, trading and professional services, as well as its international network. True, our economic success is underpinned by a market-led economic model, a rule of law, a low and simple tax regime, plus the prudent management of public finances and good infrastructure networks. But what is also of paramount importance is that the Government must continue to improve our business-friendly environment by resisting the growing call for more intervention.

Hence, I am opposed to the amendment to be moved by Honourable LEE Cheuk-yan. I caution that any blatant violation of market principles to introduce mandatory minimum wage will surely hamper our solid economic foundation. Under the prevailing wage protection movement as supported by the business chambers, local employers will be encouraged to pay wages not lower than the average market rates to cleaners and security guards. This government initiative is a step in the right direction as it strives to strike a balance between the time-honoured business tradition and also the protection of workers in certain sectors.

As for Hong Kong's public finance system, it is true that it relies too much on a very small base of salaries and profits tax and land-sales revenues. The simple tax system has its structural deficit shortcomings and it still has to finance the ever-increasing infrastructure investment, education, health care and other welfare services. Hampered by the financial turmoil and the economic depression of the past eight years, our city was hit by an unprecedented fiscal tsunami and only now is Hong Kong's fiscal structure starting to restore its shape. As for the introduction of the Goods and Services Tax (GST), I firmly believe the Government should present stronger arguments to persuade our entrepreneurs, investors and citizens to recognize the urgent need for the tax.

Judging from overseas experiences, implementing the GST will likely cause a temporary flattening in economic growth but higher inflation. Further, household consumption and retail sales in the transition period will likely slow down a bit. Therefore, I strongly urge the Government to publicize more facts and figures on whether the impact of the GST on trading, transport and logistics, imports and exports, construction and real estate, tourism and retail industries will be transitional or not. As we know from overseas examples, when a GST arrives, it will not only stay but grow up gradually. The United Kingdom is a fine example. Now they have up to about 17.5% of VAT. Our Government

must provide clear evidence of how the implementation of GST will be revenue neutral. Will it be through adjusting the current salaries and profits tax or by compensating low-income families with additional subsidies to ease their fiscal burden? Last but not least, our Government must reassure us that the low-income families and the underprivileged will not be the ultimate losers when the sales tax rolls out.

With these words, I support the original motion. Thank you.

**DR KWOK KA-KI** (in Cantonese): Madam President, as stated in the policy address, the economy is better this year than it was in the past and the Hong Kong economy has seen further improvement since the SARS outbreak. However, if we examine the situation in Hong Kong, we will find that there are still a lot of hidden problems actually. Innumerable businesses are still being affected by high land prices and an economic policy that lacks vision. The proposals put forward by the Government are still confined to the very narrow tax reform, for example, the introduction of GST. Therefore, I believe such proposals will not serve to further economic development in Hong Kong.

I think other Honourable colleagues have already commented a great deal on economic development and the issue of minimum wage. I wish to focus on two points, namely, occupational health and the development of tourism.

When I looked at the issues relating to labour in this year's policy address, I was disappointed to find that the Secretary had not mentioned in any way how improvement would be made to occupational health and occupational illnesses. Recently, I met with a group of patients who used to work in the construction industry in Hong Kong some years ago. Unfortunately, they were all suffering from mesothelioma because they had had frequent contact with asbestos. Due to the restrictions imposed by legal provisions, for example, the complicated provisions concerning the Pneumoconiosis Compensation Fund and their narrow scope, this group of workers — numbering at more than a dozen each year — cannot receive any compensation from the Pneumoconiosis Compensation Fund. They had toiled for Hong Kong for many years but they could not receive any reasonable compensation whatsoever. I once came into contact with three workers in a voluntary organization. Since they had all come into contact with asbestos before, they were all suffering from mesothelioma. One of them has

since died and the other two are suffering from terminal cancer. I do not know how much longer it will take before the Government helps them.

The second issue relates to occupational rehabilitation schemes. As a member of the medical profession, I come across hundreds of workers treated in public clinics for work injuries every day and they need rehabilitation because of injuries at work. However, since the Hospital Authority does not have adequate resources to cope with this and there is insufficient manpower to help these workers recover, hundreds or thousands of workers have lost the six most precious golden months — this is how we put it, meaning that the Government cannot provide adequate support to them — before they return to their original jobs. In 2003, the Government introduced a pilot scheme under which some insurance companies and employers can freely and voluntarily let their employees join this pilot scheme on occupational rehabilitation. Although the scheme was quite successful and over 78% of the workers could complete the scheme or return to work, the Government lacks the motive or intention to use this scheme to help over 60 000 workers injured each year in Hong Kong. I am extremely disappointed by this. If this matter is not dealt with properly, this group of workers often have to take sick leave frequently because they have not received any appropriate occupational and psychological counselling. At the end of two years, it will be very difficult for them to return to their original jobs. Does the Government want them to join the unemployed ranks or be reduced to Comprehensive Social Security Assistance recipients? I think the Government should devote greater efforts to this kind of win-win policies instead of being passive as it is now.

Another issue that I wish to talk about is the development of tourism in Hong Kong. The Government has spent quite a lot of money on the development of tourism, however, the effort made by Government in some sectors of the tourism industry, which is of the utmost importance to Hong Kong, is really inadequate and this includes the preservation of antiquities and monuments. As Members all know, recently, it is regrettable that such issues as zero-fare package tours have occurred, however, I do not wish to dwell on this. However, one potentially significant problem for Hong Kong is the identification of sightseeing spots that can be recommended to tourists. In fact, there are still a lot of treasures that have not been uncovered in Hong Kong. The Government proposes in the policy agenda that the former Marine Police Headquarters Compound be turned into a cultural tourist spot in 2008. In this

connection, I wish to raise one more point. This tourism development project is in fact the construction of a six-star hotel. I wonder how this development can assist tourists in general, be they overseas or local tourists, in appreciating valuable antiquities and monuments. When the Government invites tender for the project relating to the Central Police Station Historical Compound, I believe it has to learn from this lesson. If the project is simply regarded as a property development project or is designed purely with the interests of major developers in mind, and if the model of constructing a six-star hotel is adopted, as in the case of the Marine Police Headquarters Compound, I believe it will once again ruin the last few remaining tourism projects in Hong Kong.

Another subject that I wish to raise is that the tourism facilities in Aberdeen, at the waterfront at Lei Yue Mun and the open square in Tsim Sha Tsui have been under study for many years, so I believe the Government has to launch these projects immediately. Our neighbouring regions such as Macao have really done a lot in this regard. If Hong Kong does not play catch up quickly, I believe even our few remaining pillars, including tourism, will continue to be dwarfed in comparison until they lose out completely.

I so submit and hope that the Government will pay attention to the development of tourism. Thank you, Madam President.

**MR JASPER TSANG** (in Cantonese): President, do you know what the longest paragraph of the policy address this year is about? The second longest paragraph, which has 18 lines of Chinese, is about minimum wage. Another paragraph, which has 21 lines of Chinese, is paragraph 68, about positive non-interventionism.

President, at a previous stage, a controversy had been aroused in connection with the SAR Government giving up the policy of positive non-intervention. As a result, in this very concise policy address, the Chief Executive had to devote the longest paragraph to discussing this issue. In this paragraph, the Chief Executive urges members of the public to discuss the role of the Government, when and to what extent the Government should ever intervene in the market, under the rubric of "big market, small government" and public expenditure not exceeding 20% of the GDP, instead of dwelling in prolonged philosophical debates over abstract slogans or terminology.

During a Question and Answer Session, I asked the Chief Executive whether the Government itself had any principles in regard to the role of the Government, when and to what extent the Government should ever intervene in the market. Indeed, for the Government to lay down these principles, I think it will be caught in a dilemma. If the Chief Executive says that there are no principles, no established guidelines and the issues have to be discussed on an individual basis, it will slot into the criticism of Ms Audrey EU, that the Government has neither directions nor principles. If there are arguments in the community on the need of certain actions by the Government to intervene or not to intervene in the market, we will lack a common base on which we can take the gauge. You say that he is right, while he says that you are wrong. You say that it is time to intervene, while he says that it is not. What should we do? Who is right? Therefore, it is inevitable that we will slip into prolonged philosophical debates over abstract slogans or terminology again. We will then take out the signs as usual: Should there be positive intervention or non-intervention? Is it against the principle of "big market, small government"? I am afraid the controversy could never subside.

If we ask the Government to lay down a framework for us to follow, saying that this is the Government's principle, there are also certain difficulties. Such a principle could be very vague and broad. For example, when will the Government intervene? It will intervene when the market is imbalanced. To what extent should it intervene? It should intervene until the market has restored its balance, and the Government will then withdraw. This is a very abstract statement. Will it be effective? First of all, it is a most often event that the market loses its balance. Those who believe in market forces will believe that when the market loses its balance, the forces of the market itself will adjust and help the market restore balance. Thus, we can just rely on the market itself. If intervention is not in place, the market will turn from being imbalanced into balanced.

That being said, if you do not think so, let me revise it a little. That is, the Government will have to intervene when the market's function of restoring balance fails. When will this situation happen? It depends on the extent of development, or when it comes to that stage where everyone decides that the market will be unable to restore balance without government intervention. However, there will still be arguments all the same. Hence, in that eventuality, we have to argue on each and every specific policy, apparently coming back to

the so-called prolonged philosophical debates over abstract slogans or terminology again.

What about the other approach? Let us forget these abstract and general principles. I have got a list. Under situations one, two, three, four, five, six and seven, the Government should intervene, and should intervene to such an extent. I notice that in an article published by Ms Audrey EU, she pointed out that the question that I raised in the Question and Answer Session to the Chief Executive had long been raised by the Civic Party, and they thought that there had already been an answer. Ms Audrey EU quoted the remarks of Sir Philip HADDON-CAVE, as quoted by Prof TANG Shu-hung, and stated the five conditions. Under these five specific conditions, the Government can intervene. I am not going to repeat those conditions lest they cannot cover all possible scenarios. Besides, it is difficult to predict what will happen in the future. That is exactly the special feature about economic development and market changes. We cannot lay down a rigid framework beforehand and then work like dispensing medicine according to prescriptions: We should do it this way if this kind of situations arises and then the question will be solved; we should do it that way if that kind of situations arises and then the question will also be solved. If it really works like that, all our economists can be done away with. Right?

Even if we accept all the five conditions, we are still unable to solve the problem of whether a minimum wage should be prescribed. We now ask whether the cleansing and security sectors have already gone to the stage where the market is impossible to restore balance without government intervention, or where insurmountable unreasonable phenomena have emerged? The five conditions quoted by Ms Audrey EU will not solve this problem.

Insofar as the issue of minimum wage is concerned, we are now dealing it by way of a movement. If this does not work, it will be dealt with by way of legislation, and this will be a kind of intervention. Some Members from the Liberal Party have asked this question. Why can some people strongly advocate or oppose government intervention in the market by any means on the one hand — they believe very much in market forces, just like the Democratic Party and in his speech yesterday, Mr Martin LEE considered the giving up of "positive non-interventionism" by the Government as the greatest betrayal — and be so positive on the other in the intervention of regulating minimum wage by way of legislation? This does not mean that I am against legislation on minimum wage. I only think that it is not possible to lay down a rigid

framework, telling us under what circumstances will intervention be in order or under what circumstances will intervention be unnecessary, and then these specific problems can be solved.

By the same token, the new idea of education vouchers proposed in the policy address is also a kind of intervention. Yesterday, I met a group of operators of private kindergartens. They said that the system of education vouchers was a very violent act of government intervention in the market. Frankly speaking, even if we do not take the education vouchers path, the Kindergarten Fee Remission Scheme which has long been adopted is also a means of market intervention. If the fee remission scheme does not exist, many parents will not be able to send their children to those kindergartens charging school fees. Simply because of this kind of subvention schemes, certain kindergartens can survive. That is also a kind of intervention. However, we all find it desirable.

If we say that Hong Kong is the freest economy in the world, then we should have a better look. The Government has played a very large intervention role in the education sector, and private primary and secondary schools have no means to survive nowadays. Right? If the subvention scheme is now extended to kindergartens, frankly speaking, the existing independent private kindergartens will find it an enormous threat. In health care, the public sector has also taken up a dominant share in the market. Right? This is also a serious kind of intervention.

Besides, there is housing. If we say that the education voucher system for kindergartens is a good measure, then someone — Dr LI — will ask why we are not introducing health care vouchers? Well then, let us introduce health care vouchers. We should leave it to the market, and this move may liven up the private sector. Then why do we not introduce housing vouchers? We could stop building public housing, Home Ownership Scheme estates, but to distribute housing vouchers instead. We could let the private developers do it, let them do what they can do best. And the low-income households will rent flats with their housing vouchers. Judging from this concept, I find that it is very difficult to lay down a framework or set some criteria, saying that the Government can intervene in the market under these circumstances, but should not intervene under those circumstances. This is against the principle.

Furthermore, there is the film industry, in which I am particularly interested. In fact, the existing Film Development Committee (FDC) has



already put forward a proposal on how the Government can support the film industry. And the Government also acknowledges that CEPA, in particular, has brought new opportunities for the development of film industry. At the same time, we also see that the film industry has been facing a very difficult situation in recent years. Compared with the period of full bloom during the 90's when a few hundred films were made in a year, that is, the number of films produced in Hong Kong was as high as over 300, there are only a few dozen films in a year now. This year, it seems that there are only 50 films. Worst of all, during the period of full bloom, fresh directors, actors and actresses were constantly emerging. However, it does not happen anymore. It is because those small-scaled operations could hardly secure any loans, while the high-cost films will not, of course, allow participation of fresh directors, actors or actresses. Therefore, we can always see the same group of people, from directors to actors and actresses. Recently, a person from the film industry told me that all the revenue from the film industry will go to the few superstars, that is, those highly popular film stars, as everyone who wants to shoot a film can only invite them. If you find other actors or actresses, you cannot borrow any money. Right? And then you cannot start shooting the film.

Well, with the existence of such difficulties, how is the Government going to intervene? To what extent should it intervene? The FDC proposes an option of government funding. For instance, the Government will allocate \$100 million for setting up a fund, and then encourage some institutions or consortia in society to inject money for setting up a film investment fund, and to co-operate with film producers. Ms Emily LAU frowned at the idea and asked, "Haven't you got it wrong that the Government will invest in film-making?" South Korea has been very successful in this aspect. In making investments in film-making, the South Korean Government shares both the risks and the profits. If the films are successful, the money gained will be ploughed back into the fund. The operation of that fund is totally independent of the Government. If we follow the proposal of the FDC, the fund can even be managed and invested together by personnel from the financial and film industries.

Why is there such an idea? Because the existing problem is that the financing institutions are divorced from the film industry. Those film makers do not know how the bank works, while the bank also has no idea how the film industry operates. Thus, it is difficult for film makers to secure loans. They do not know what stance to take. If they do not sound out clearly that certain film stars will be playing in the film, and that the film will certainly be

profit-making with good box-office records, they basically cannot borrow any money. This is where the problem lies.

We can see that South Korea has a lot of experience of success. The Motion Picture Promotion Union of South Korea has various means to help financing the film industry. Apart from making out loans — their loan system is also better than that of Hong Kong where a rather comprehensive film financing system is absent — they can also raise a mortgage on property, and even on the copyright of a film. The amount of loan can be a high proportion of the production cost, and it can be repaid only after the whole film is made. With the encouragement of the Government, there is also a motion picture venture capital fund in South Korea. From the present information, we see that there are a lot of such funds which are booming in South Korea.

In 1996, 1997 after the financial turmoil, the economy of South Korea was in a dismal plight. During that time, the Government vigorously encouraged investments in the film industry. And there appeared a so-called picking the winner situation of which we are afraid most. Our SAR Government will frown at mention of this. However, back then, the South Korean Government offered tax concessions. Investments in film industry could enjoy tax reductions. As a result, some consortia at that time, including Hyundai and Daewoo, switched to invest in film-making. They were not afraid of losing money as they were financially very sound and had great influence. Unexpectedly, the return of their investment was very good, making 30% in profits, some even as high as 50%. Noticing that someone was successful in this business, others followed, thus attracting many other investors to the film industry, and there was pretty sufficient capital for investment in this industry. This is a very favourable condition contributing to the rapid development of the South Korean film industry during the last eight to ten years. And there are also different modes of development.

There are some things which others have already done. While we are considering whether Hong Kong is going to follow suit, what should we do? What criteria should we adopt? We will first look at the matter. In case it is against our so-called policy of positive non-intervention, we cannot do it. Or in case it is in breach of the principle of "big market, small government", we cannot do it either. If the Government lists 10 or eight criteria as required by Ms Audrey EU, and finding, after taking a glance at them, that setting up a film

investment fund is actually against one of the criteria, it will also give up. Do we really want that?

Can we borrow the wisdom of Mr DENG Xiaoping — the "cat theory"? We see that the others are doing successfully. And then we look at our own conditions. Does other people's way really apply to us? We can try it out by all means, right? We have to look at the matter itself. A cat that can catch mice is a good cat. We do not need to care what sign it is carrying or what color it is. If we engage in the so-called philosophical debates over abstract slogans or terminology as remarked by the Chief Executive, it will be meaningless. There are some things which, if we proceed with them, will make some people frown. For instance, some among us highly value the Heritage Foundation which has rated Hong Kong as the freest economy in the world. However, when people in the Heritage Foundation heard that we were to legislate on the regulation of minimum wage, they reacted like they had just swallowed a fly. Then, are we going to do it? If we are, after this debate and even though the remarks made in the policy address are very modest, the rating of Hong Kong as a free economy may be lowered come next year, as we start to set a minimum wage.

If the Government goes ahead to set up a film investment fund or whatsoever, the rating will be even worse. But does that really matter? Should the economic policies of Hong Kong be determined by these rating institutions? Therefore, why can we not listen to what Mr DENG Xiaoping said and examine the truth by practice? We should see whether we need to do certain thing today. In regard to minimum wage, we have also adopted this kind of pragmatic attitude to see if there is such a need. If it is necessary, we will set a minimum wage. Whatever is beneficial to society or to our economic development as a whole, we will do it. We should take it as the standard, instead of checking whether certain things can fit into certain framework or taking some abstract slogans or terminology as our standard. Does it mean that we can never list those conditions, never answer the questions raised by Ms Audrey EU? I do not think so.

We can extend that list continuously. If we have done something successfully, we can draw a conclusion on our experience. Knowing that under that kind of condition, the Government can exert that kind of appropriate intervention, we can record it as one of our successful experience. In the event

that there are similar situations in future, we can make reference to it and this can at least reduce disputes.

Frankly speaking, the situation of combating major speculators during the financial turmoil will seldom happen again, and we even hope that it will never happen again. However, there are some other not so extreme situations which we may have to face every day. If we have one successful experience and then write a conclusion on it, our list will then become longer, although it is still not possible to cover all the possible scenarios in the future. Therefore, in the end, should new situations and new conditions appear, we still have to handle them with the standard principle of examining the truth by practice. In my opinion, the so-called argument over "positive non-interventionism" should be addressed by a "pragmatic approach", quoting the Chief Executive.

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

Deputy President, finally, I would like to respond to Mr Martin LEE's speech on this issue yesterday. I have to seek advice from Ms Emily LAU as I have been thinking hard for a Chinese term to describe his mindset in this respect, but to no avail. I can only say that Mr Martin LEE has an obsession towards the so-called intervention by the Central Authorities. I do not know how to say it in Chinese. I have already looked it up in the dictionary, but none of the explanations can satisfy me. I find that this English word can exactly reflect his mindset.

It seemed that Mr Martin LEE was talking about economic policies. Yesterday, he published an article with the title about giving up positive non-interventionism. In other words, being positively intervened is tantamount to an invitation of intervention by the Central Authorities, and is also tantamount to an addition of an enormous Central Government on top of the principle of "big market, small government", which will intervene in the market through the SAR Government. The example cited by him is the incorporation of Hong Kong into the 11th Five-Year Plan. Earlier on, I also published an article criticizing YI Xianrong, a mainland economist, for his point of view was almost the same as that of Mr Martin LEE. The SAR Government has striven to include the economic development of Hong Kong into the National 11th Five-Year Plan. So he took it as an example of Hong Kong giving up the policy of "positive

non-intervention" which has been the basis of Hong Kong's success, which has long been effective for the past decades. I criticize YI Xianrong for he has been very ignorant about the recent economic development of Hong Kong and the Mainland. I trust Mr Martin LEE will not be that ignorant. His problem lies in his obsession.

How is the present economy of Hong Kong being included in the 11th Five-Year Plan? In the 11th Five-Year Plan, there is only a very small paragraph. And what is it all about? The Central Authorities did not set any targets for Hong Kong, still less some policy directives or planning targets. Our country has now given up the practice of formulating Five Year Plans as in the past, and has changed the term into planning. This also carries some meaning. However, since I am only a layman, I do not want to comment too much. But at least, after including Hong Kong into this Plan, the Central Authorities have not set any targets. Mr Martin LEE said that the Central Authorities were to appoint Hong Kong as three centres, namely financial centre, trading centre and shipping centre. This is absolutely not true. The SAR Government is only making a request to the Central Authorities according to its own experience, according to the development in Hong Kong over the past decades, asking the Central Authorities to support Hong Kong in maintaining the status of these few centres. In that paragraph, the Central Authorities also stated their support for Hong Kong in developing the several pillar industries just mentioned. And that is all.

Honestly speaking, should Hong Kong understand more about the National 11th Five-Year Plan? We say that we have to develop Hong Kong's tourism. We say that we have to develop Hong Kong's financial industry and logistics industry. But can we completely ignore the development north of Shenzhen River? It is definitely impossible. For what our country plans to do in the coming five years, we have to follow. Does Hong Kong have planning? Not only does a socialist system have planning, we also have planning. For instance, the Airport Authority has to submit a five-year plan to the Government, because it has to be prepared for any new development demand on air transport, no matter it is from passenger traffic or cargo traffic, in the next five years. We may have to build one more runway, or not to mention something as significant as a runway, but we may have to build a few more parking berths. That also takes time. If we start to build only when there is such a need, we will be lagging behind the trend. Therefore, we have to plan and make a forecast.

While drawing up a plan, do we know how Shenzhen Airport will develop in the next few years? How is Guangzhou Baiyun Airport going to develop? Does that need to be studied? All these have already been included in the 11th Five-Year Plan. It is specifically stated in the 11th Five-Year Plan that Baiyun Airport and Shenzhen Airport have to be extended, right? It is specifically stated in the 11th Five-Year Plan that the shipping business in the Pearl River has to be expanded. If we do not face these issues squarely, how is Hong Kong going to develop on its own?

Therefore, if we do not understand the 11th Five-Year Plan, we will limit ourselves only to Hong Kong. How are we going to develop our economy and find our direction? On the contrary, while the State is considering the development of its shipping and air transport businesses, how can we not strive to include Hong Kong into its scope of consideration? If the State develops on its own, or it even has to further liberalize its financial market now, how can we not strive to have Hong Kong covered in the State's scope of consideration? Hence, if one says that striving to have Hong Kong included in its consideration while the Mainland is drawing up planning is tantamount to passing the power of control to the Central Authorities so that they can intervene in the Hong Kong market, I cannot think of any reason other than obsession for anyone to come up with such a judgement.

Thank you, Deputy President.

**MISS CHAN YUEN-HAN** (in Cantonese): Deputy President, many economists have recently put forward various different views on setting a minimum wage and standard working hours for Hong Kong. Some Members have mentioned that even Edmund PHELPS, the latest Nobel Laureate in Economic Sciences, is against minimum wage. Very often, when I hear this very name, I immediately recall that a number of Nobel Laureates in Economic Sciences several years ago were doubtful as to whether a minimum wage would definitely affect the unemployment rate. One of them was Joseph STIGLITZ. Members can thus see that even among equally reputable Nobel Laureates, opinions will still vary with the passage of time and from person to person.

Therefore, we must look at the actual arguments relating to this issue. I once told my colleagues that people were all trying to quote "authorities", referring to the theories of local academics, overseas scholars and even Nobel

Laureates. I therefore advised my colleagues that we must also do the same. I once heard a different kind of opinion. Apart from the argument that a minimum wage would boost the unemployment rate (This is the greatest fear of grass-roots workers and they have asked us about this), we have also found some information, a research report, published by Princeton University scholars in the 1990s. The report was on the relationship between a minimum wage increase and the unemployment rate in the United States. After lengthy studies, these scholars discovered that the three minimum wage increases introduced by the Californian State Government, the Federal Government and the New Jersey State Government had not produced any negative impact on employment. Not only this, the increases were even coupled with drops in the unemployment rate. We can thus see that many different arguments can in fact be quoted of economists.

For this reason, the SAR Government or the Chief Executive should stop arguing that there are many different theories. They must stop saying that not only locally, but also in many other places of the world, there are various economic studies. I must point out that a minimum wage and standard working hours are already implemented in more than 100 countries in the world. Arguments of this kind can thus be heard frequently. That being the case, I think that if the SAR Government goes on opposing the immediate enactment of legislation on a minimum wage on the ground of such theories, it will hardly be able to defend its position. All this is just some kind of pretence.

Some people — they really like to attack us — say that the labour sector's struggle for a minimum wage is nothing but an attempt to fight for the interest of a handful of people. They even criticize us for currying favour with electors. I think this kind of accusation is really much too bad. People like us who champion for a minimum wage and standard working hours are just simple trade unionists or social activists, and we often think that when the wages of some in society can never attain the levels of CSSA rates despite all their hard work, the alarm has already been sounded and the Government must squarely address the problem. The 350 000 people we see today are not the only ones earning less than \$5,000 a month. Those with the same level of pay should number 1.3 million in Hong Kong. What is more, we can observe that the number of such people has been rising incessantly. What I mean is that as reflected by the Government's manpower projection, it is very difficult for this group of people to have any bargaining power in the employment market. All these are the statistics compiled by the Government. In the future, if people should review

pragmatically the problems in Hong Kong, they should not say simplistically that we are just fighting for the benefit of a handful of people, or just for votes. If they say so, I must describe their view as superficial.

I have come across many grass-roots people, not least because my constituency, that is, Kwun Tong, is one of the five poorest districts in Hong Kong. Very often, when I convene residents' meetings there, people will tell me that they cannot see any prospects or any hope in life. Whenever I notice anyone who cannot understand these people's plight, I will give them a piece of well-meaning advice, "You must come with me and listen to their views. Don't ever think that meeting with people in the constituency for a cup of tea or a bun will do. One must really sit down and talk with a hundred or more people before one can hear their voices." Public sentiments have already reached a point where people all want the Legislative Council to offer them protection as soon as possible — a situation similar to the case of the anti-smoking legislation.

Deputy President, I go hiking several times a week. Up there on the hills, many people are waiting for our enactment of legislation. Every time they see me, they will tell me of their many sufferings. I can therefore say that anytime we care to look around us, we will surely see lots of people longing for the immediate enactment of legislation to ensure that they can earn a subsistence wage. They are not very demanding, for what they want is just a wage level slightly higher than CSSA rates. It may be \$30 an hour, or just \$20, but they can at least earn a subsistence wage.

We have been working on this for a long time. But we are not able to help them, nor can we help them overcome their difficulties, because there is currently no law to protect them. Sometime ago, I was invited to a radio programme, and the host asked me, "Miss CHAN, why are you so steadfast in this campaign? Is it because you were once very poor?" I replied, "Yes. There was once a period of time when I must be very careful even with spending five cents. I know that some people can earn only several thousand dollars nowadays. They must likewise be very careful even with spending just 10 cents." I know that in order to survive, many people are forced to buy the kinds of food my family used to buy — plate scraps from restaurants and unwanted vegetable. Or, they may have to buy cheap goods in "dawn markets". I can fully appreciate the plight inflicted by such poverty.



Deputy President, following the financial turmoil in 1997, the Hong Kong Federation of Trade Unions observed that with the deterioration of structural unemployment in Hong Kong, an ever increasing number of workers faced difficulties in securing employment. Consequently, we put forward a series of proposals to the then SAR Government, that is, former Chief Executive TUNG Chee-hwa. We advocated that the creation of jobs and the eradication of poverty would require an employment-based economic development strategy. We advocated that legislation on a minimum wage should be enacted to protect grass-roots people. The problem of working poverty was subsequently highlighted by spates of incidents. Later on, at the end of the 1990s, working poverty aroused the concern of more and more people in society. Discussions and demonstrations ensued, revealing people's concern about working poverty and exposing the wealth gap in our society. Our Gini Coefficient is currently 0.523, which means that we now rank among those places in the world where the wealth gap problem is the most serious. The present situation of Hong Kong is indeed a disgrace. We are all aware of the problem. We are not living on Mars, so we can notice all the poor people around us. More than 300 000 people are earning just \$5,000 a month, which is way below the CSSA rates. This number is indeed very large, as it already constitutes 10% of our 3 million-strong working population.

I do not believe that anyone will ever deny having been told that around all of us, there are numerous poor people who can earn only \$3,000 or \$4,000 a month working more than 10 hours a day. I am not the only one who can notice this phenomenon. Even other Members, such as those belonging to the wealthy Liberal Party, are also aware of the situation. Whenever I come across any poor workers who are close to desperation, I will advise them to apply for CSSA. But they all refuse to do so and will just cry in my office.

Does the Secretary know how much counselling work I have done over the past few years? Most of the time during my meetings with members of the public every Saturday, I have to provide psychological counselling to them. I will encourage them to apply for CSSA because some of them are suffering from diseases and if they do not apply for CSSA, there will be no way out. However, they will invariably refuse, saying, "Miss CHAN, my daughters (or sons) will not allow me to do so. They all say that this will make them lose face in school." That being the case, how can I help them? Some people are so hard up that they do not even have any money for a meal. In such cases, we must refer them to the Social Welfare Department for emergency assistance.

This kind of poverty is exactly the same as that I experienced in my childhood. I am talking about the conditions in my childhood, in the 1960s. And, I mean what I say. I do not believe that people are unaware of this. Only that they do not attach sufficient importance to the handling of all these problems.

Deputy President, we kept telling Mr TUNG of the situation, and gradually, he began to understand. Initially, he said, "Miss CHAN, when the economy improves, we will be better off." In 1999, the economy rebounded and improved, showing positive prospects. But the unemployment rate nonetheless continued to climb, and so did the number of CSSA recipients. Seeing this, Mr TUNG realized that the situation was very serious. Later on, therefore, he announced on 1 May 2005 a set of guidelines on a minimum wage and standard working hours for government outsourcing projects — he might have to surmount many difficulties within the Government, or the demonstration of several hundred thousand people might also have exerted immense pressure on him. There was no standard contract at that time, so the Government had to repeatedly instruct those departments with outsourcing projects to follow the guidelines. But there were still numerous complaints. Later on, when Mr TSANG took over, he designed a standard contract with wage regulation. The situation hence improved a little bit. However, irregularities were still frequently "exposed" by the workers' demonstrations led by Mr WONG Kwok-hing.

At the time of the reunification, we conducted a study on working poverty in conjunction with the Baptist University. We prepared many, many reports and submitted them to the relevant authorities, telling them of the current situation. But the responses, especially those of the Secretary ..... I can say that I respect them very much because they did make many efforts, particularly after Mr TUNG's announcement that government outsourcing projects must be put under regulation. Mr TUNG once asked us why it had not been too effective, and why the wages of low-income earners in the market were still on continuous decline. I replied that all this was only natural, explaining that the measure was simply not powerful enough because while all the government outsourcing projects involved only some 10 000 to 20 000 workers, there were several hundred thousand people in the market whose wages were below the CSSA rates.

Then came the time when Mr TSANG was about to take over. We can see that since he had to run in the Chief Executive election, he had to listen to the people's opinions and he thus mentioned the subject of minimum wage in his

election platform. However, when the three of us discussed with him, he did not accept our views and was prepared to put down the term "a minimum wage" only. When we asked him to implement concrete measures, he replied, "We are a public-sector organization, so the most we can do is just to make appeals to individual government departments." I pointed out in return that Mr TUNG had already done so, but there had been no success. I observed that throughout the whole process, Secretary Stephen IP had been working very hard, making appeals to public-sector organizations, subsidized schools and non-profit-making organizations. But what was the outcome? Well, it still came to our attention that KMB had been paying \$8 an hour to workers. I wish to point out that the Government has indeed made a lot of efforts. Secretary Stephen IP and Commissioner for Labour Matthew CHEUNG, in particular, have both been exerting their utmost. People in the labour sector think that they are respectively the most hardworking Secretary and Commissioner. However, the situation has changed very little. It can be said that when there is a whipping, there may be a step forward; when there is another whipping, there may be another step forward; and, when there is no whipping, there may even be regression.

Why do we insist so much on the immediate enactment of legislation? The reason is that all the measures we now see have been adopted for a very long time, and we have already tried out all the measures we want, but there has been no change to the situation. When Mr TSANG met with the labour sector, he said that he must be given some time to do the job. We therefore agreed to give him one and a half years, which means a period up to June this year. We then started to count the time practically month by month when following up the work of Labour Advisory Board (LAB) members. They have subsequently told me, "Miss CHAN, all the discussions are futile. Both employers and employees refuse to give way." The LAB has been turned into a wrestling ring. They grumble that the Government, which chairs the LAB, has failed to take any step forward. For this reason, they have taken many actions over the past year or so. Since Mr Donald TSANG included this issue in his political platform and became the Chief Executive, the labour sector has been taking numerous actions, with different organizations organizing various activities such as campaigns, marches, sit-ins, protests and fasts. They have done practically everything except self-burning. I always say that we do not really care. And, what is our most powerful weapon anyway? Going on strike. If an enterprise is involved, I will certainly call a strike. But if workers go on strike, both sides will suffer. Therefore, a strike will not be called unless the situation is really desperate.

Following many of the strikes instigated by me, the workers concerned invariably faced reprisal. I had actually told them well beforehand that they might be fired after going on strike. I can still remember an industrial dispute involving a certain company named Playboy. At that time, I was already a Legislative Council Member. The workers and I went on strike and staged a sit-in. The employer then called the police and we were arrested. In the end, some workers were really dismissed. As a matter of fact, we had told them of such a possibility beforehand, but they still decided to go on strike. This was just the same as the Japanese tradition of hara-kiri. Workers might be dismissed, but they still decided to go on strike.

Since we had exhausted every course of action in social movements, we could only wait for one a half years. Some time later, the Secretary said, "Miss CHAN, things will not be OK in June. You must wait a bit a longer." We were willing to wait because we understood that the Government must first remove some people's objection and deal with some problems. We were willing to wait. But then, in August, the Secretary told me, "Miss CHAN, we have come up with a charter." Mr WONG Kwok-hing was away from Hong Kong for an official visit at that time. Only Mr KWONG Chi-kin and I were in Hong Kong, and we immediately rejected the idea.

We questioned the usefulness of charters. As a matter of fact, the Government already has the experience of drawing up charters. I do not want to talk about the housing charter put forward by Anthony MILLER at that time. I only wish to discuss the whole series of past incidents I mentioned just now. Many of them actually involved the formulation of charters. Secretary, how can this work? The Secretary calls upon public-sector organizations such as the MTRCL to listen to him. But how about the KMB? The KCRC? Above all, I think the SAR Government is making life very difficult for accountability officials when it asks them to do something like this. It is simply a mission impossible. Frankly speaking, I think one Cantonese colloquialism can serve as an apt description here — "deceiving a ghost into eating bean curd". I very much agree to what Mr Jasper TSANG says in one article. In this article, he comments that it is simply impossible to achieve anything in two years, so it is better to enact legislation as early as possible instead of allowing some people to go on voicing their objection. I think what he says is the truth.

Therefore, as soon as the Secretary raised this point, I could immediately understand very clearly. But we also know that the Government must handle many problems and deal with lots of contention. We are prepared to face all this and hold negotiations. And, we are also willing to hold negotiations with everybody. But there are two points to note. If I am asked what next step should be taken (because I have not taken part in any labour disputes involving enterprises), I would reply that all possible means should be exhausted — judicial reviews and calling upon the poor people to apply for CSSA (I know I will be rebuked for all this). As Members are aware, I have been chided quite often these days. I often ask myself after being chided why I should be doing something that makes me the target of rebuke. I always say to people, "I don't actually want to do this. Even if I don't do this now, I will have to do it sometime later. These people will all have to apply for CSSA." Robert CHOW has done some rough calculations for me. If there is to be an allowance of some \$1,000 per head, the Government will have to allocate some \$40 billion from its tax revenue for the purpose annually. This means that if employers do not accept a minimum wage, if they do not give workers a wage that is slightly higher than the CSSA rates, then all taxpayers in Hong Kong will have to pay.

I have actually done some thinking myself. And, I have even made known my own thoughts, in the hope that people can pause a little while when chiding me and ask themselves why CHAN Yuen-han should ever be doing something like this to injure her own credibility. My only intention is to convey the message to everybody. I know that people will certainly rebuke me. Even my mentor has scolded me for this. However, having listened to my explanation, he could only comment that my approach is very indirect, even more indirect than the co-operation between the Kuomintang and Communist Party of China. I am prepared to face criticisms, but as a social activist, I must nonetheless take all these actions to make the Government aware of the situation.

However, Mr TSANG also understands the situation. In April this year, he answered a question asked by me in the Legislative Council. Members could see that it was the only occasion on which I looked at him all the time until he finished answering my question. And, it was also the only occasion on which I could smile a bit more radiantly. Mr TSANG said to this effect at that time, "Yuen-han, I know. I understand that there are some 300 000 people in Hong Kong whose wages are below the levels of CSSA rates." The Government found the situation unacceptable, so it wanted to do something. This therefore aroused expectation on my part. This also explained why I waited from June to

August. The Secretary then said that he disagreed, but that he would continue to discuss with us. During the discussions, I realized that the Government had discovered many difficulties, largely owing to the opposition of the business sector. This explains my dissatisfaction with the Liberal Party's position on this issue all along. I must criticize them for being myopic and concerned only about the handful of their numbers, instead of the overall interest of Hong Kong. I daresay the labour sector does not want to see such a situation.

Deputy President, I am sorry. I do not mean to offend you. I know that you are kind-hearted.

Deputy President, I have always appreciated the difficulties faced by the Government. For this reason, at the latter stage of the discussions, I emphasized repeatedly that if the Government really decided to draw up a charter, it must give us a definite timeframe instead of being so vague and ambiguous before putting forward a timeframe. Therefore, my professional judgement is that in regard to the handling of the minimum wage issue, it is still much too vague for the Government to simply say that it "will set out to prepare for the introduction of legislation" — these words are used in paragraph 34 of the policy address. The content of this paragraph is quite nice, so Members may read it if they are interested. However, we are still prepared to start the negotiation process. We do not want to yell at one another outside the city walls. We want to start negotiations on the introduction of legislation for a minimum wage.

However, we also want the formulation of a clear timeframe well beforehand. After the announcement of the policy address, I once talked about this issue with the media. They asked me, "If the Government agrees to legislate for a minimum wage one year or one and a half years from now, what will CHAN Yuen-han do?" I replied that I would of course accept this, but I also said that all must be stated in very clear wordings, allowing no vagueness and ambiguity. What do I mean by "allowing no vagueness and ambiguity"? The counsel sitting on my left has told me that words like "assessment", "study" and "review" should not be used. KWONG Chi-kin has always told me that these words are very important. For this reason, I have also been very careful with my choice of words. I must tell the Government very clearly that in that case, I cannot agree with it. And, the whole thing must be done within my term of office. My term of office will end in July 2008. I have been told that it

should not be July because I will continue to receive my pay until September. In that case, just let it be September. In other words, I am obligated to make sure that all the details concerning the enactment of legislation can be fixed within my term of office.

I already made concessions at the early stage. Unfortunately, however, I heard the Chief Executive talk about conducting "a comprehensive review two years later" when announcing the policy address. Since I did not have the policy address with me at that time, I immediately jotted down his remark. And, as mentioned by Mr TAM Yiu-chung this morning, I told other Members that I would write to the Chief Executive to voice my disagreement. Sometime before, I already told the Government that I would not accept such wordings. What is meant by "two years later"? What is meant by a "comprehensive review"? All this may mean that we must wait many more years. That day, because many things came to my mind, I was very angry. At the press conference that day, I was very angry in addition to being very disappointed.

Throughout the whole campaign, we have presented to the Government many proposals, including our very first advocacy, the well-known recommendation, on introducing a uniform minimum wage level for all trades and occupations in Hong Kong. Under this proposal, if the wage of any worker does not fall on this level, he will be protected by a minimum wage irrespective of his trade or occupation. This is similar to the approach adopted by some foreign countries and China. However, noticing the very strong reaction in society and the great hesitation of the Government, I subsequently agreed to confine protection to two types of occupations only. If people want to criticize me for any volte-face, they can at most say that the volte-face is intended to get protection for these two occupations, that is, the cleansing and guarding services sectors. After the announcement of the 2004 policy address in October that year, I moved a motion. Within the Hong Kong Federation of Trade Unions (FTU), there was a different viewpoint. They thought that it was very troublesome to confine protection to only two occupations, and they questioned why a uniform minimum wage could not be introduced. I thought that it was necessary to enable society as a whole to discuss the poorest workers in a more focused manner. I thought we must focus on them. In order that negotiations could proceed, I was prepared to make a concession. I did not care whether people would criticize me for this compromise. But other people were just reluctant to make any compromise on this issue.

Therefore, I started to collect more information. I managed to find the Trade Boards Ordinance enacted in 1940. In 1996, Mr CHENG Yiu-tong objected to the Government's amendment of this Ordinance during the transition period because there was going to be a change of government. In other words, he objected to the taking of any actions at that time and requested the retention of the Ordinance. I collected all the relevant documents. Mr CHENG Yiu-tong was a Legislative Council Member at that time. I maintained that since the Government found it so difficult to persuade the business sector on legislation, it would be better to invoke the Trade Boards Ordinance again. I suggested this idea, but the Secretary replied that the Ordinance had been enacted too long ago and must not be invoked. I immediately rang him up (I had to attend a funeral that day) and asked him not to reject my proposal right away. I advised him to study it more carefully first, saying, "It can be invoked. How can you say that it can't be invoked?" The Secretary should know only too well that I did talk about this issue with him that day. Later on, noticing his response, I sent him the original document. I also sent copies to both the Office of the Chief Executive and the officials concerned sometime later. I sent the document to them all, and I wanted to tell them that we had to solve the problems. I have been very pragmatic, and I am willing to work out a practical solution. I am pragmatic — if I am to talk about pragmatism as the Government does, I must say that I am pragmatic. I wish to say that it is the Government that is not pragmatic. Just now, Mr Jasper TSANG made an oblique criticism of the issue of minimum wage not being handled pragmatically. I do not know who he was actually criticizing — the Government or the business sector. Anyway, he already expressed his views on this.

By talking about all this, I want to disclose the whole story concerning the issue. I wish to tell Members that we in the FTU, people who have been engaged in the labour movement for several decades, do know that workers are in a disadvantageous position, and so are labour organizations. Under such a situation, we must fight a very hard battle in each and every campaign on the protection of labour rights. The road is very long. Along this very long road — from the point where Mr TUNG and Chief Executive Donald TSANG started to realize the situation to the present time when that latter is prepared to take half a step — every step we take is invariably preceded by many social campaigns. We hope to make society understand us.

However, God has been nice to us. We have conducted many surveys. Some surveys were conducted in the middle of last year, not by us, but by



Oxfam, for example. In the middle of last year, a survey was conducted amidst the controversies surrounding the issue. At the beginning, many people did not support the introduction of a minimum wage, but as time passed, people started to understand that we were just fighting for a minimum wage in the cleansing and security services sectors. Later on, 58.6% of the respondents expressed the view that a minimum wage could be accepted. This was a survey conducted in the middle of last year. Some 50% to 60% of the respondents accepted the proposal on introducing a minimum wage. This is the general view of the public.

Early this year, there was also a survey on the proprietors and operators of 490 SMEs. It was discovered that more than 60.26% of the respondents supported the idea of legislating for a minimum wage. As many as 60% of the people in society support the introduction of a minimum wage, and even among the proprietors of SMEs, 60% of the respondents do not object to the idea. That being the case, what worries should the Chief Executive still have? What are the public opinions or justifications leading to his unwillingness to enact legislation immediately? Judged from the Chief Executive's reply to my question in April, I think he really feels that this issue must be handled. He also thinks that we must admit that it is not normal for anyone to earn a wage which is lower than the levels of CSSA rates. Therefore, I must ask, "Is a minimum wage really so dreadful?"

Deputy President, I happened to read an essay written by CHOW Wun-sang earlier this year. In this essay, he says that there are 1 million poor people in Hong Kong, and that the main cause of poverty is the inability of people to earn a subsistence wage despite working very hard day and night. Actually, the Government can also see all these statistics because the figures cited by me are supplied by the Government. Let us now take a look at the statistics supplied by the Census and Statistics Department. In 1994, there were some 90 000 families which earned \$4,000 a month. In 2004, there were some 190 000 such families, a rise of 100%. In 2005, as many as 351 000 employees, or one tenth of the total working population, earned less than \$5,000 a month. We may also look at some CSSA statistics. Actually, the Government has also compiled these statistics. But I still want to inform the business sector of these figures, so that it can look at the issue from the perspective of society. In 1994, only 947 low-income earners were in receipt of CSSA. This year, the number has increased by some 190% to some 180 000. This number is increasing non-stop month after month. In other words, there is

already an incessant increase in the number of low-income earners in receipt of CSSA, even without my appeal. I have just tried to tell Members the fact. If the Government does not make any payment, taxpayers will have to do so.

Let me try to look at this issue from the perspective of all these workers. As I have mentioned, even though I tell them to apply for CSSA, they are still reluctant to do so. Hong Kong people all have backbone. They want to justify their own existence by earning their own living. They also want to earn self-esteem in the process. They are having a hard time trying to support themselves. Besides workers, the Treasury is also having a hard time. The Government must really discuss all these problems properly now instead of being so evasive.

Deputy President, we have never chanted any empty slogans in this fight for a minimum wage. Each and every slogan we chant tells of a real, bitter story. But I still want to talk about the criticisms levelled at me these two days. I have these questions for the critics. What is wrong with our success in forcing the Government to change from two years to one year (in the policy address)? In what ways have I betrayed the interests of workers? Are you saying that the two-year period you ask for is better than the one year I advocate? I can at least achieve a breakthrough in this issue within one year. I wish to say to the Deputy President that while people may criticize me for any handle they like, I can never accept any criticism that I have betrayed the interests of workers. I want to ask the person who has made such a criticism whether he has considered one thing. If he thinks that a wait of two years can be accepted, why should he criticize me for betraying workers' interests after I have achieved the breakthrough in respect of the one-year period? Some say that it is very difficult to make CHAN Yuen-han cry. That person is Andrew CHENG. I am not crying because of him. I just want to know whether he has any conscience. During the course of negotiations, how did he look at the issue (*the buzzer sounded*) .....

**DEPUTY PRESIDENT** (in Cantonese): Time is up.

**MR MARTIN LEE** (in Cantonese): Deputy President, I watched on television how Mr Jasper TSANG delivered his speech, so I have hastened back to say a few words in response.

His performance was really fantastic. He is certainly well qualified to take a seat opposite us sometime later. I believe the Secretaries of Departments or Bureau Directors may all have learnt some techniques from him. He devoted a very long time to a discussion on "positive non-intervention" and "big market, small government". And, he also asked many questions. He asked, for example, "When should the Government step in?" As he went on and on, I followed him attentively, and I also asked myself what the answers should be. He did not give any answers in the whole course really. He simply went on and on. He said, "Some argue that the Government must not step in. But, is this possible? Some still insist that the Government should not. Are there any criteria? Are we supposed to adopt the criteria advocated by Ms Audrey EU?" He simply went on and on, asking many questions without giving any answers. In the end, he disclosed the answer; he actually wanted us to follow Mr DENG, that is, DENG Xiaoping's saying that practice is the criterion for testing truth. But having done some research later on, I found out that the whole saying should be "Practice is the sole criterion for testing truth".

He remarked that we can learn from others' experience, or other governments' experience. He questioned why we should not follow suit if others' experience was successful. He added that if we managed to achieve success after following suit, we could record the successful experience and draw on it in case of future problems. His approach is quite similar to the common law practice of following precedent cases, something in which all of us in the legal profession are well versed.

But who is supposed to decide whether we should follow others' examples? Who is going to decide whom we should follow? Naturally, during the DENG Xiaoping era, DENG would make all the decisions. And, when Donald TSANG is the Chief Executive, Donald TSANG will make the decision. But then, I must say that things should not work that way. Yesterday, I explained at great lengths problems with and disadvantages of being included in the 11th Five-Year Plan, and I had been caused to do so precisely by this fear. I fear that the decision was not made by Hong Kong. I fear that the decision was made and written down in the 11th Five-Year Plan by the Central Authorities. This is my only fear.

Therefore, Donald TSANG ..... No, it is not Donald TSANG but Jasper TSANG. Both of them are surnamed TSANG. Mr Jasper TSANG said that there should be no cause of any fear because the 11th Five-Year Plan does not set

down any targets. But I must say that although there are no targets, we are nonetheless required to turn Hong Kong into a centre of various activities. Jasper TSANG also remarked that there should be no cause of any fear because the idea was actually put forward by the SAR Government to the Central Authorities. I have never heard anything about this. This may be State secret. So, we have been told that it was the SAR Government itself which told the Central Authorities that Hong Kong wanted to become a centre of this or that activity. Since the Central Authorities support the SAR, it was written into the 11th Five-Year Plan. This was the first time that I heard something like that. I got all that very clearly because I wrote down everything on the spot.

I of course do not have any reasons to think that what Mr TSANG said is a lie. If it is indeed true that the Hong Kong SAR itself really told the State that it wanted to play this or that role in the plan for the next five years, and that the Central Authorities supported its request by including everything in the 11th Five-Year Plan, I believe that other places in the Mainland will all respect and obey the Central Authorities. If this is really the case in reality, all will be fine.

But I still want to ask one question. What will happen if the Central Authorities do not accede to the request? Can we still pursue the course of development we desire? That was precisely the main point in my speech yesterday. How are we going to position ourselves if the Central Authorities now say that since Shanghai has already become the financial centre of our country or even Southeast Asia, Hong Kong should not play such a role anymore? The problem is that we have asked for our inclusion in the National Five-Year Plan entirely of our accord. Here is where the problem lies. We cannot go on fighting for what we want. We can only swallow our disagreement. There cannot be any more negotiations.

Mr Jasper TSANG used one English word to criticize me. He said that I had an obsession with the Central Authorities. I also want to use the word "obsession" today. Since even Mr Jasper TSANG cannot find a Chinese equivalent for this word, there is all the more reason for me not to translate it, because I do not think that I can be better than him in this respect. I do have an obsession, Deputy President. But my obsession is not with the Central Authorities. Rather, I have an obsession with the Joint Declaration. If I do not have an obsession with the Joint Declaration, I will not have any faith in the implementation of "one country, two systems" in Hong Kong now.

Even when talking about our economic development, we have to turn to the 11th Five-Year Plan. In that case, how can we in Hong Kong continue to talk about "one country, two systems", "Hong Kong people ruling Hong Kong" and "a high degree of autonomy"? Here lies the problem. Mr Jasper TSANG will probably tell us that in the words of DENG Xiaoping, any cat that can catch mice is necessarily a good cat. But the problem now is that there are several cats which can all catch mice. These cats, however, are all following different directions. Which direction are we supposed to follow? We cannot possibly pick all the cats. Our development direction in the future will ultimately be determined by the cat owner, that is, Uncle DENG, or the Central Authorities. This is the problem. Our worry is that we in the SAR can no longer determine our future course of economic development and must turn to the Central Authorities for a decision. This may shake my obsession with even the Joint Declaration. Thank you.

**MR LEUNG YIU-CHUNG** (in Cantonese): Deputy President, as a labour sector representative, I wish to say a few words on my feelings after reading paragraph 34 of the policy address. It is mentioned that the Government considers that the pragmatic approach at this stage is to provide wage protection through non-legislative means, that the Government will launch a Wage Protection Movement for employees in the cleansing and guarding services sectors, and that corporations and contractors will be encouraged to join this Movement to ensure that employees in these two sectors will receive wages not lower than the average market rates of the relevant industries and occupations as published in the Quarterly Report of Wage and Payroll Statistics of the Census and Statistics Department. Having read all this, I must say that I am filled with various contradictory thoughts. What are these thoughts? First, as mentioned by the Secretary, this approach already represents an improvement. I can recall that in the past, whenever we raised the issue of minimum wage during our meetings with Mr TUNG, he would invariably say, "Don't even talk about it." But now, the Chief Executive has stated clearly in the policy address that this must be done. Although the approach may not be satisfactory, the issue is nonetheless mentioned. The Government has therefore made an improvement.

Second, as asked by many Members in their speeches, what are the virtues of this approach? How much concrete help can employees receive? Well, my answer is that the whole thing may probably sound and look more appealing as a result, but in the end, workers will fail to receive any concrete benefits all the

same. Deputy President, why do I say so? I may cite one simple example here. In the past six months, as many as four contractors of the Food and Environmental Hygiene Department (FEHD) managed to withhold the wages of at least six workers, escaping the notice of the department and their employees. And, they managed to do for as long as half a year. Deputy President, we are talking about the contractors of the Government. The Government talks about supervision all the time. But the wages of at least six workers were withheld. The Government claims that there will be supervision and reviews in the future, but we do doubt how effective the supervision and reviews will be. Secretary Stephen IP has just stepped outside, but at the meeting of the Panel on Manpower the day before yesterday, he urged Members to trust him, saying that the Government was truly very, very sincere this time around. However, Deputy President, the problem is not so much about our confidence or otherwise in the Government. Rather, we notice from past experience that the Government is simply not trustworthy. Time and again in the past, the Government talked about making improvements, but in all cases, it failed to deliver eventually. How can we trust it?

Deputy President, there is a very simple example. Speaking of this example, however, I really do not know who is telling the truth and who is telling lies anyway. It is reported in the press today that Mr Matthew CHEUNG has written a letter to the FTU, telling it that there will be an interim review one year later. But, Deputy President, at the meeting of the Panel on Manpower that day, we repeatedly asked how long the review would take and whether the timeframe could be shortened. We kept asking these questions, but the Government refused to give any replies. But today, we learn from the press that the Government is talking about the conduct of an interim review a year later. Deputy President, who is telling the truth? And, who is telling lies? We do not only find the whole thing vague and ambiguous (in the words of Miss CHAN Yuen-han) but also think that the situation is altogether confusing. We simply do not know what the truth should be. The policy address proposes a Wage Protection Movement and talks about the enactment of legislation two years later in case the Movement fails. But how can we believe the Government. It all boils down to the question of trust.

Deputy President, I must tell Members that at present, as many as 200 000 households are each earning less than \$4,000 a month. The situation is very serious. Workers in the cleansing and guarding services sectors aside, many employees in other sectors are also earning less than \$4,000 a month. The

Government now says that something will be done for the cleansing and guarding services sectors, but how about other sectors? Are we going to ignore them?

The introduction of a minimum wage aside, as Members may probably remember, there is still something else. What we discussed before the announcement of the policy address were not confined to the introduction of a minimum wage. We also discussed the issue of long working hours. But it is a pity that the policy address simply gives no treatment to long working hours. It does not mention any measures on handling the problem of long working hours. The Government just tells us that it will take active steps to handle the problem. Is the Government telling us that the complete lack of treatment in the policy address is already an active step? I really do not know how we can endorse this policy address.

In regard to long working hours, there have been endless grievances from many sectors. But the Government does not even want to resolve the problem. Miss CHAN Yuen-han said just now that in 1996, Mr CHENG Yiu-tong once referred to the Trade Boards Ordinance. I can remember that in 1996, at a meeting of the Panel on Manpower, I once questioned the then Commissioner for Labour Matthew CHEUNG why the Trade Boards Ordinance enacted in 1946 had never been invoked. The Trade Boards Ordinance can be divided into two major parts. As provided in the first part, if the then Governor was satisfied that the minimum rates of wages being paid to any persons employed in any trade were unreasonably low, he might establish a Trade Board to fix a minimum wage. Under the provisions of the second part, an overtime rate would also be formulated. In other words, the Ordinance is actually about the issue of long working hours which we been discussing for so long. Therefore, for many years, for nearly 10 years, I have been asking the Government why it refuses to do something by invoking this Ordinance. As a matter of fact, apart from conferring the necessary power on the Governor in the past (now the Chief Executive), this Ordinance also makes it very clear that the Chief Executive or the Governor must regularly review rates of wages. Unfortunately, over the past 10 years, our Chief Executives have never discharged this duty, have never examined whether rates of wages are reasonable.

This Ordinance was retained after the adaptation of laws following the reunification. That being the case, I am really puzzled. Its retention should mean that the Government is not only aware of its contents but also agreeable to its continued implementation. Unfortunately, however, the Government has so

far ignored this Ordinance. I am therefore very puzzled. I am of course aware of the Government's argument that the Ordinance cannot be invoked because it is not only outdated but also in contravention of the Hong Kong Bill of Rights Ordinance and the Basic Law. But, Deputy President, if the Government really wants to legislate for a minimum wage, and even if this Ordinance is really outdated and in contravention of the Basic Law and the Hong Kong Bill of Rights Ordinance, the Government can always overcome the problem by introducing some technical amendments. The problem now is that the Government is not even willing to introduce any technical amendments, and the Ordinance is simply put aside. Does our society really uphold the rule of law? There is an ordinance requiring actions, but the Government has done nothing at all. Is this right?

Miss CHAN Yuen-han quoted some survey statistics just now, pointing out that more and more people in society have come to accept the introduction of a minimum wage, and that an increasing number of people now think that long working hours have adversely affected the development of society as a whole. I remember that two or three weeks ago, when we organized a forum on the introduction of a minimum wage in the pedestrian precinct of Mong Kok, the proprietor of a small enterprise came forward and told us that despite all the difficulties, his company still supported and had implemented a minimum wage (Ms Emily LAU also heard his words, for she was present there). Is the Government aware of the overall sensibilities of society? There have actually been very great changes in social sensibilities, because many people are sincere in supporting the introduction of a minimum wage as a means of protecting grass-roots people against livelihood difficulties. Unfortunately, however, the Government simply turns a blind eye and a deaf ear to all these problems, refusing to do anything at all.

Deputy President, I actually want to tell Members that I was very angry earlier on. I could not understand why the Government should have turned a blind eye to an ordinance that had existed for so long. I consulted our legal adviser — my own legal adviser, not the Legislative Council's Legal Adviser. It was decided that the matter could actually be taken to Court, meaning that a judicial review could be sought, so as to require the Government to exercise its power and discharge its duty under the Ordinance. For this reason, my legal adviser and I proceeded to prepare many documents, and we also made many efforts to prepare for seeking a judicial review. However, since Miss CHAN



Yuen-han and several other Members announced the same intention at that time, we made no attempts to publicize our intention of initiating proceedings.

Even up to this very moment, I have not yet seen any active steps on the part of the Government, nor have I noticed any sincerity on its part in tackling the issue. Therefore, I have no alternative but to announce to the Deputy President that we shall convene a press conference this afternoon. In this press conference, we will announce our decision to apply for a judicial review, so as to require the Government to treat the Trade Boards Ordinance seriously as a means of addressing the livelihood problems faced by low-income earners. We strongly request the Government to act according to the law and review the rates of wages for low-income workers in all sectors and also their working hours. As I have explained, the Ordinance requires the Chief Executive to formulate an overtime rate. This will solve another problem of ours, that is, the problem of long working hours. Therefore, we will certainly continue with our struggle, in the hope that the Government can change its mind and enact the legislation required. We do not want to take the matter to Court and apply for a judicial review lightly. This is not desirable. But if the Government really refuses to act as requested, thus forcing us to do so, I will have no alternative. I will have to take this least desirable step.

Although the Secretary is not here today, I still hope that should a suitable occasion arise, the Deputy President can tell him that barring unforeseen circumstances, we will file a formal petition next week. However, should the Government change its mind, and if it now tells us that it will consider the enactment of legislation in the near future, I do not think that we will have to see one another in Court. Therefore, I hope that the Government can give more thoughts to the matter and offer me a concrete reply.

Deputy President, I so submit.

**MR WONG KWOK-HING** (in Cantonese): Deputy President, I wish to say a few words in response to the erroneous concepts and criticisms expressed by business-sector Members on legislating for a minimum wage.

Many employers regard the enactment of legislation on a minimum wage as a scourge. But such laws are already found in some 80 countries all over the world. All these countries have not experienced any major problems with their

economic performance and ability to attract inward investments. During the summer recess of the Legislative Council this year, a number of trade union leaders and I visited Britain and France, where a system of minimum is in place, with a view to finding out the facts about their implementation of a minimum wage.

Let me start with France. We have already seen on television the power of French trade unions in the fight for labour rights and interests. As a matter of fact, they have also achieved success in the implementation of a minimum wage.

In France, legislation on a minimum wage was enacted as far back as 1950. Currently, the minimum wage level is € 1,000 a month, and the minimum wage level is determined by a committee comprising representatives from the government, trade unions and the business sector and reviewed regularly on a half-yearly basis. Such a platform has enabled employees, employers and the government to co-operate well, in addition to facilitating the smooth operation of the whole system. In determining the minimum wage level for a year, the committee will take account of the annual economic growth rate. The purpose is to ensure that the real value of the minimum wage will not decline and affect workers' purchasing power.

Last year, for example, the annual economic growth rate of France was 4%, and the minimum wage was increased by 2%. All these facts can show us that a system of minimum wage will not scare away investors and suppress economic growth. Besides, employees, employers and the government can also reach a consensus on adjusting the minimum wage level in the committee, thus bringing forth social harmony.

In the case of Britain, the Conservative Party persistently rejected the enactment of legislation on a minimum wage when it was in power. Such legislation was enacted only after the Labour Party's ascension to power in 1997.

In Britain, the current minimum wage level for all sectors is £5.5. The Secretary-General of the largest British trade union told us that when the British Government first wanted to legislate for a minimum wage, it also faced the opposition of various consortia and the business sector. The opposition was rather similar to the opposition of the business sector in Hong Kong now. The British Government had to tell the labour sector that there was immense pressure

from the business sector. At that time, the British business sector even argued that such legislation would lead to a great disaster. If such legislation was enacted, it was argued, no one would be willing to invest in Britain. And, it was also claimed that a minimum wage would become the maximum wage and plunged many people into unemployment. We are all too familiar with these arguments by now. The arguments advanced by the business sector to oppose such legislation are essentially the same. At that time, some British consortia even exaggerated the whole thing and said that if such legislation was enacted, "all the stars will fall down from the sky". But, is this really the case in reality now? The stars have not fallen down, nor has the sky.

In Britain, the unemployment rate was as high as 12% before the introduction of a minimum wage. But last year, nine years after the introduction of a minimum wage, the overall unemployment rate dropped drastically to somewhere between 3% and 4%.

The economic conditions of Britain and France can aptly illustrate that it is only by legislating for a minimum wage system that we can establish a statutory platform for fostering negotiations between employees and employers and social harmony.

As a matter of fact, in tandem with the introduction of a minimum wage, the Government must also put in place an appropriate economic policy to provide support. For example, in the course of promoting the introduction of a minimum wage, the British Government clearly repositioned the various components of the country's economic structure. The development of high-tech and creative industries were encouraged, and such tertiary industries as the tourism and services industries were also vigorously developed. The aim was to achieve economic diversification, so as to keep up the momentum of economic growth, increase employment opportunities and improve people's lot.

Deputy President, in regard to legislating for a minimum wage, the Government is only willing to launch a Wage Protection Movement and conduct a review two years later. Following our repeated requests, the Government has further promised the FTU to conduct a review one year earlier. But it was just now dismissed by Liberal Party Chairman James TIEN as the Government's surrender to us. But as long as legislation is not enacted, low-wage workers will still face serious exploitation. Therefore, the three of us belonging to the

FTU will certainly continue to fight hard for the early enactment of legislation on a minimum wage.

I so submit.

**MR ALBERT CHAN** (in Cantonese): Deputy President, I can remember that I returned to Hong Kong for work in 1982 after finishing my studies in Canada. Over the past 20 years or so, I have witnessed many political, economic and social changes in Hong Kong. The economic and social settings of Hong Kong are quite similar to its air quality, in the sense that they have been similarly deteriorating, similarly messy. Air pollution in Hong Kong is serious, but the pollution of its economic system is even more so. This kind of invisible pollution has gradually plunged Hong Kong into a state of monopolization by plutocrats, widening the wealth gap and forcing over a million people to live below the poverty line. The harm and serious impacts of such plight are even more serious than those of air pollution.

When we look at Hong Kong's economic system, we will see clearly that there are no elements of democracy and openness, nor are there any comprehensive and effective monitoring mechanisms. A dictatorial and undemocratic system will definitely breed plutocrat monopolization, collusion between the Government and business and funnelling of benefits. As proven by the experience of all developing countries and places in the whole world, a dictatorial regime will inevitably breed acute corruption. In the case of Hong Kong, collusion between the Government and business and corruption are often rationalized, legalized and institutionalized. Top government officials will often work for large consortia immediately upon their retirement, one example being a former "No. 1 Man" of the police. This is obviously a way of institutionalizing and rationalizing the funnelling of benefits. These former government officials receive pension payments from the public coffers on the one hand and also get millions of annual salaries from large consortia on the other.

On the basis of various objective facts, we can conclude that as long as such a political system remains unchanged, the interests of the common masses will continue to be suppressed and exploited. Many people use the Gini Coefficient to measure the wealth gap in Hong Kong. In 1981, the Gini Coefficient was 0.451. In 2001, it was already as high as 0.525. We may also look at the income brackets. If we divide the incomes of Hong Kong people

into 10 brackets, we will notice that in 1981, the lowest bracket, that is, the 10% of people earning the lowest incomes, only accounted for 1.4% of the total income of all Hong Kong people. But in 2001, the rate even dropped drastically to 0.5%. On the other hand, the highest income bracket accounted for 35.2% of the total income of all Hong Kong people in 1981. But in 2001, the rate already rose to 41.2%. All these figures can show that poor people are earning increasingly less. In the past 20 years, the proportion occupied by high-income earners was all the time increasing. Such a lop-sided development is necessarily related to our political and economic systems, because the Government condones monopolization by plutocrats and allows large consortia to gain benefits through various special connections. For example, a consortium was allowed to make profits from the Cyberport project without being required to undergo any bidding process. As a result, the common masses and petty merchants are rendered very helpless and they can never compete with all those who have special connections with and access to the power that be.

We may also look at the changes in net asset values of Hong Kong's listed companies. If we do some simple calculations on their percentage increases in the past 10 years, we will notice some shocking percentage increases in the net assets of the top six listed companies. It was especially the case with the top two companies. In the case of other listed companies, such as Sung Hung Kai, Henderson, the Wharf (Holdings) Limited and Hang Lung, their total asset values increased by merely 10% to 50% in the past 10 years. If we look at the Cheung Kong group, we will notice that in 1995, the net assets value of Cheung Kong Holdings was just \$21.9 billion, but in 2005, it already rose by more than 300% to \$185.1 billion. As for Hutchison Whampoa Limited, its net assets value stood at \$58.8 billion in 1995, but in 2005, it rose to \$243.5 billion. There was an increase of 400% in a short span of just 10 years. The monopolization by all these large consortia and plutocrats is an extremely serious problem. Such a serious situation like that in Hong Kong cannot be found anywhere else in the whole world. Maybe, this can be found in the totalitarian countries of Africa and South America. The Prime Minister of Thailand was toppled earlier on by the military and public opinions. But in Hong Kong, we can do nothing at all.

The monopolization by the Cheung Kong Group even covers container terminals. It controls a total of 12 berthing places in Container Terminals 4, 6, 7 and 9. Through Cosco Hong Kong, it also controls two berthing places in Container Terminal 8. When it comes to the telecommunications industry,

apart from Hutchison Telecom, it also controls the 3G business. And, through PCCW, it controls most of the broadband networks in Hong Kong. Radio stations are another example. There are two private radio station licences in Hong Kong. The Metro Broadcast Corporation Limited is controlled by the Cheung Kong Group. In other words, it controls one of the two radio channels and one of the two radio licences.

In regard to retail businesses, the Cheung Kong Group's monopolization is even more comprehensive. The Park'n Shop monopolizes the local retail businesses. Besides, it also owns Fortress and A.S. Watson. And, through "bigbox", it also sells stationery and toners at low prices, dealing a serious blow to retail merchants. When it comes to energy, the situation is just the same, because the Cheung Kong Group owns the Hongkong Electric. As for property management, there are no open tenders for the management of the housing estates developed by it. This problem can be attributed not to this particular company alone, but also to the whole system, under which the company can simply deprive people of any choices through its management right. The telecommunications services for all these housing estates are provided by the telecommunications companies belonging to the Cheung Kong Group. The shopping arcades there are basically monopolized by retail shops and department stores which are subsidiaries of the Cheung Kong Group. If the housing properties of a certain area are developed by the Cheung Kong Group, the residents will simply have no choice at all. They will have to buy its housing properties and use the services of its management companies and telecommunications companies. They must even buy their daily necessities from it. One can say that with the exception of coffins, the Cheung Kong Group monopolizes virtually everything else.

In view of such a grave situation of cross-sector monopolization, the Government said earlier that it would examine the possibility of introducing a fair competition law and the relevant studies are still underway. The Government said that it would consider the enactment of an anti-trust law for certain sectors. I have told Secretary Stephen IP very clearly that we cannot tolerate such geographical monopolization, whereby the control of property development and management rights is used to achieve monopolization that cuts across different sectors, social strata and media, because people are simply denied choices. Why should I be barred from choosing other management companies? Why should the management company dictate which telecommunications company I should patronize? Why should the main types

of businesses in shopping arcades be determined by a handful of companies? The Government is entirely responsible for all the exploitation and oppression forced upon the people by certain consortia. This is one feature of government-business collusion and funnelling of benefits. Secretary Stephen IP may not necessarily work for any consortia after his retirement, but many of his colleagues do have the tendency of ingratiating themselves with these consortia after their retirement.

Deputy President, we frequently witness the suffering of the common masses in different districts, so I often fly into a rage in this Chamber, criticizing the Government for ignoring people's needs. There is the wealth gap problem. Low-income people are suffering immensely. There are many cases of suicide. Families are torn asunder. The people are tortured by various hardships in life. Many people in their forties and fifties suddenly realize that although they have devoted themselves to society and its prosperity for two or three decades, they have become sort of entirely useless when they are approaching 50. They cannot find any jobs, but they are ashamed to apply for CSSA, as they will be looked down upon by others.

For all these reasons, all Hong Kong people will certainly feel ashamed if the Government does not seek to eradicate the plutocratic monopoly characterizing our economic system. The Government will fail in its duty if it does not do so. Yesterday, Members belonging to the Liberal Party referred to the expression "plutocratic monopoly" in my amendment and asked me to explain the term "plutocrat". I told them in no uncertain terms that although members of the Liberal Party were very rich people, they were nonetheless not yet "qualified" to be called plutocrats. There are only a few plutocrats in Hong Kong. The one I have just mentioned is an example. One who can control different trades and industries is a plutocrat. One who has special access to the power that be is a plutocrat. I totally respect anyone who succeeds in obtaining franchises and benefits through fair competition in the market. But more often than not, the Government simply funnels benefits to certain people secretly. I suspect that the cruise terminal is yet another case involving the secret funnelling of benefits. Why do they refuse to fix the price through a formal auction? Why do they want to fix the price under a points system and then select a certain consortium in a clandestine manner?

In brief, if they suddenly introduce a policy that runs counter to the existing ones, if the Government ignores fair competition and simply sets up a

working group to do the selection under a so-called points system, the public will inevitably suspect or fear that some in the Government may once again try to funnel benefits to pave the way for their future career development.

Deputy President, I now wish to say a few words on the introduction of a minimum wage. Two of the three Members from the FTU are now present. I must say that I am disappointed and saddened because these three Members are the only ones in the pro-China camp who can earn some respect from me. Although they and I cannot join hands in the fight for democracy, I do treat them as my allies in the campaign for social democracy. What saddens me so much is that two days ago, these three Members from the FTU announced that they would support the Motion of Thanks and stop pursuing a judicial review.

I do not know how they are going to face the 1 million people who are caught in immense suffering and living below the poverty line. I do not know how they are going to face the poor masses who are still living under oppression, earning just \$7, \$11 or \$12 an hour. Before I came into this Chamber just now, a reporter told me that CHAN Yuen-han had burst into tears when she was delivering her speech. I do not know whether she was actually conscience-stricken. If they do have a conscience, even though they do not oppose the policy address, they must not vote for the Motion of Thanks either. The reason is that this policy address is obviously biased towards large consortia, seeking to perpetuate the oppression of the poor masses and continuing to ignore the wealth gap problem and plutocratic monopoly. No concrete measures whatsoever are put forward to address all these problems. Therefore, although they do not oppose the policy address, they must at least refuse to support it. They must abandon the mentality of "little scolding, great help". If they do not, they will please nobody.

Standing up for the rights of workers is necessarily a show of one's class stand. If they really uphold the founding dogmas of the FTU, they should stand by the working classes. They should show their class stand, not any support for the rich and powerful. Nor should they support this proposal because of any outside pressure — or, precisely, not any outside pressure, but just the pressure from the top leadership of the Motherland. They have now entered the core of power. A top official of the FTU, in particular, has already entered the core of power, the Executive Council. Therefore, he can no longer — I repeat — he can no longer represent the working classes in the fight for their rights. The reason is that he is already part of the establishment, one of those with vested



interests. He now has interests at stake. Therefore, if one is to stand by the working classes, one must side with the opposition unequivocally. One must remain in the opposition camp unless the labour sector can come to power. But under the present political system marked by government-business collusion and a bias towards the interests of the business sector, we will not dare to daydream, will not think that the 800-strong Election Committee will elect a Chief Executive who represents the working classes and upholds their rights and interests.

I am strongly sympathetic to the introduction of a minimum wage. Deputy President, strictly speaking, I got my first job when I was still studying — I am not talking about the causal jobs I had in Hong Kong. I was in Canada when I got my first job. I was then 17 and studying Grade 11. In my first job, I had to clear the tables of plates and dishes in a restaurant. The wage was CAN\$1.25, and I worked in this restaurant for one year. And, with this minimum wage, I managed to put myself through high school. After doing this duty for several months, I got a promotion and became a waiter. I therefore received a slightly higher wage and more tips. That helped me to finish several degrees.

The system implemented by a government is therefore very important. At that time, the ruling party in Canada was the New Democratic Party. This party also belongs to the democratic group. It has nothing to do with the Conservative Party. Nor is it anything like the Liberal Party in Hong Kong, which is biased towards the industrial and commercial sectors. Quite the contrary, it is a political party upholding the rights of the working classes, and after it had become the ruling party, it immediately introduced a minimum wage. At present, in many Canadian provinces, there is a minimum wage. In some cases, the minimum wage per hour is higher than CAN\$6, CAN\$7 or even CAN\$8. All this is necessary for the protection of workers.

When compared with many European and American countries, Hong Kong is lagging behind by decades. If people still oppose a minimum wage by resorting to various kinds of sophistry, they must be condemned. It will be a great pity if even some of those in the labour sector also give up the struggle for a minimum wage and the last stronghold of seeking a judicial review due to various political reasons and specious promises. This is time we made a choice of conscience. I call upon my friends in the FTU to return before it is too late, to uphold their stand of protecting labour rights and not to smear their own

reputation as representatives of the working classes. Thank you, Deputy President.

**MR KWONG CHI-KIN** (in Cantonese): Deputy President, I have listened very attentively to Mr Albert CHAN's speech. Over the past few days, I have heard many criticisms, especially those voiced in the media, levelled at the three Members belonging to the FTU, namely, Miss CHAN Yuen-han, Mr WONG Kwok-hing and myself. I think most of these criticisms are well-intentioned. I regard all these criticisms as well-intentioned although it certainly does not feel good to take any criticism. This is especially true in my case because I am a novice. Some friends of mine say that I am easily embarrassed and will feel uneasy even after some slight criticisms. They are right. I am not quite used to it. I think most media are well-intentioned, and I also think that there are reasons for their criticisms because everyone can base their commentaries only on publicized information.

These days, our trade union has been engaging in a rather fierce struggle with the Government. If we compare this struggle to arm wrestling, we can say that we nearly have our arm broken in the process. The queries raised by Mr Albert CHAN are largely due to his ignorance of the situation. This explains why his criticisms were so severe. Actually, Mr Albert CHAN was already very restrained in his comments. I know how he usually speaks, so I am very grateful to him for not speaking in his usual manner. Miss CHAN Yuen-han was so excited that she burst into tears. Because someone had still attacked her personally although he knew the whole truth. This we cannot accept.

(THE PRESIDENT resumed the Chair)

Mr Albert CHAN talked about "conscience". I wonder if it was due to Hong Kong people's very limited vocabulary in political discussions that suspicions about one's conscience are invariably raised. When the Secretary says that he cannot legislate for a minimum wage for the time being, I will not attack him with such words. I will criticize the Secretary and will still reason with him, so as to make him expedite the relevant work. And, I will also use strong expressions. But I just wonder whether it is necessary to question others' conscience. Members should realize that in a pluralistic society, people

will hold many different positions. Although I do not agree with the Secretary when he says that he cannot do it now, I will still appreciate his position. The Government has explained all the difficulties, so even though I do not agree with it, I must still admit that it has been working. I think if we lightly question others' conscience, it will be difficult for us to hold political discussions in any mature manner. CHAN Yuen-han has been working for the labour sector for several decades, so criticizing her of betraying workers' interests is even worse than killing her. Madam President, in the ancient times, this would mean a duel. We cannot accept any such insults to our integrity. People may criticize that what we have done is wrong or incorrect. They may criticize us and we are willing to listen with full humbleness.

Mr Albert CHAN said that we had given up seeking a judicial review. First, this is not at all accurate because we have only put the procedure on stay. I heard Mr LEUNG Yiu-chung say that a suitable case in respect of a worker had been identified. I also hope that there is sufficient information in the case he has identified to enable the smooth conduct of a judicial review. Since we cannot identify any suitable case and also because there has been an adjustment in our strategy, we have decided to suspend the whole thing for a year. If there is any such need a year later, we may still use this "tool", as mentioned by CHAN Yuen-han. People may have been influenced by press reports. The press headlines are really terrifying. The headline of *Sing Tao Daily* reads: "FTU drops struggle for legislation on minimum wage". This puts a very big label on us, accusing us of giving up the struggle for legislation on a minimum wage. How can we bear with such an accusation? The headline of *Ming Pao* reads: "FTU volte-face: no more judicial review on minimum wage". I have explained that we have just decided to suspend the process for a year. We have not decided to give up the idea. And, we have not yet identified a suitable worker anyway.

I think Hong Kong journalists are very nice anyway. They were harsh on us in the press conference and they interrogated us much more severely than a Court of law. We were subjected to severely questioning for one whole hour. But their reports were quite fair. At least, they could report our viewpoints. But I still hope that their top management can be more careful. Their news editing did not seem so satisfactory because headlines should not be written lightly. Many people will not read the whole news report and will only glance at the headline. In this way, we were wronged. We can forget the accusation that we have given up the pursuit of a judicial review because we do not want to

argue about any technical issues. But when has the FTU ever given up the struggle for a minimum wage? When has it ever said so? Are there any justifications? All is just far too unprofessional.

Mr Albert CHAN has described a judicial review as something like a fortress. But can it really be so powerful? Mr LEUNG Yiu-chung has also mentioned that if the Government is willing to reopen discussions, he may not necessarily take the matter to Court because a judicial review has many limitations and is not as effective as described by people. Assuming that our test case is supported by sufficient grounds, the counsel is superb, the Government's performance is bad — the Government has been spreading the viewpoint that KWONG Chi-kin will certainly lose. I just do not bother to respond at all — What will happen even if we win? The Government may lodge an appeal. Such cases, in particular, are unprecedented and very difficult. The Government has every reason to take the case to the Court of Final Appeal. Once it does so, the matter will not be resolved within two years. A foreign domestic helper has recently taken her case on levy to the Court of Final Appeal. Two years has passed, but the case is still being handled. Why have I suggested a judicial review? We have no way out. As mentioned by CHAN Yuen-han, we have searched the whole tool box but still failed to find any suitable tools except this one. For this reason, we have taken it for our use. Will it work? I too do not know. When did I ever say I would win? When I spoke during a radio programme, the host said, "KWONG Chi-kin, you are dead. The Government says you will surely lose." When have I ever claimed that I will win? I have only said that I have an admission ticket for a judicial review. This tool is meant to make the Government squarely address this issue. If the Government is willing to take one more step, it can continue the discussions. If it is not willing to do so, the matter can be taken to Court. What comes out of that case, win or loss, is not for us to determine.

Madam President, I think the level of Hong Kong politics and our strategy of fighting for a minimum wage are still very low. We attach no importance to strategy and often do nothing but proclaiming our positions. In response to Mr Albert CHAN's remarks, I can only say that if chanting a few slogans and stating our firm position can already result in the immediate enactment of legislation, I will certainly do so. But Mr Albert CHAN has not told us whether the Government will enact legislation immediately if we can stand firm and chant slogans in exactly his way. If yes, we may as well do so. But he has not said so. I only heard him say "stand firm" and advise us to hold fast to our position.

"Stand firm" will soon change to "stand still". I am sorry, Ms Emily LAU. I am not referring to any individual political groups. Just because by saying so, I can describe the situation more easily. "Stand firm" means "stand still". Who are you to question my position? Who are you to question CHAN Yuen-han's stance? Why should I hold myself accountable to you? Who are you to criticize that I have abandoned all the 1 million workers? We have been trade unionists for so many years. Do we need you to tell us what to do? CHAN Yuen-han has been working for the trade union for several decades. Who are you to question her integrity? Instead of working as a barrister, I have chosen to work for the trade union full-time. Who are you to question my integrity? All this shows that you have been talking nonsense. Why should we conduct such political discussions? Should we really consider whether we should discuss the adoption of different strategies? It is alright for people to criticize me. They can say that my strategy is poor and lacks punch. They can say that I should adopt a more radical approach. It is alright for people to say so. If their strategy can work out, if they can do the job well, I will admire them. But why do we not leave some leeway to explore the adoption of different strategies?

Now that the policy address has been announced, I can conclude that the labour sector has failed. In September, we launched many struggles one after another. As mentioned by CHAN Yuen-han, we have only stopped short of burning ourselves. But what have we achieved? Just a so-called Wage Protection Movement, which promises a review two years later, and which we do not find quite acceptable. Under such a situation, are there any feasible and practicable schemes? Can the declaration of positions and chanting of slogans really result in the immediate enactment of legislation? If yes, I will join people in the chanting of slogans. I will chant slogans with anyone who says that the chanting of their slogans will result in the immediate enactment of legislation. But will this work? We are not the Government. We are just a civil organization. In September, we already applied immense pressure. In this labour campaign, many different trade unions in Hong Kong mobilized all their members. On 8 September, we staged a sit-in. We held a sit-in and a procession in heavy rain. We were all soaked to the skin in torrential rain, but I was really touched that day because there was simply an endless stream of supporting trade union organizations. By rough estimation — we could not actually do any estimation because all paper sheets were soaked, making it impossible for us to make any records — more than 1 000 people took part in the sit-in. People in the labour sector are honestly very lovable. Everybody just

came out in support. Some organizations were even more radical than us. They fasted. This is alright. As long as the campaign can be taken forward, even other actions of a more radical nature can be accepted. The only point is that we are playing different roles.

It is alright for us to continue to stand firm and reject the Government's proposals after their announcement in the policy address. But this can only satisfy our desire to declare our positions. How can this help the early enactment of legislation on a minimum wage? People like us who are engaged in politics are not supposed to do things for the mere sake of vainglory. I also know how to win people's applause by coming forward to chant slogans. The approach we have adopted may look like a compromise or concession in the eyes of others. But when we look at it from a different perspective, we will notice that we will be able to regroup and reorganize our forces. What have we done wrong? You can at most criticize me for incompetence. Who are you, and what right do you have, to question my integrity? Do you know how hard we have worked behind the scene? Mr Albert CHAN, what have you done? I am sorry, Mr Albert CHAN, I do not mean to criticize you. I actually want to criticize somebody else. But I think I had better not do so because Miss CHAN Yuen-han has already made it so very clear.

Madam President, Members can all feel the pressure exerted on us over the past few days. But I do not think that our personal feeling should matter so much. We can all withstand pressure. I think our EQ is quite high. Just go ahead with your criticisms. I know such action will lead people to chide us. I am prepared for that. As for the criticisms made by the media, we are in fact all ears. We are also grateful to the reporters concerned for their leniency. They could have criticized us much more severely. It is alright for people to have queries about us. But looking back at our campaign and strategy, I must say that the three of us from the FTU have always been very pragmatic in our struggle for legislation on a minimum wage. The struggle for a minimum wage did not start just today. When we joined the Legislative Council two years ago, we already raised the issue. I believe that it was in fact a bit dangerous for us to raise the issue at that time. But I was just a novice who was not fearful of anything or aware of any danger. It was fortunate that there were no severe queries and no one questioned our integrity and conscience or criticized us for abandoning the stronghold.

When CHAN Yuen-han spoke in the last debate on legislating for a minimum wage, she remarked that it was the first time we did not adhere to the mainstream position of the labour sector. The mainstream position of the labour sector is that legislation should be enacted to introduce a minimum wage across the board. It is said that legislation should be enacted immediately. It must be correct to chant such a slogan. If I am concerned only about my personal interests, about my so-called conscience and about holding fast to the so-called stronghold, I will also chant such a slogan. But what is the use of chanting this slogan? Members may search the relevant literature of the Legislative Council to find out the number of times that this topic has been debated. This is just a "routine" topic year after year. But has there been any progress? Therefore, we have decided to adopt a more pragmatic attitude by first concentrating on the cleansing and security services sectors. There is now a two-year timeframe, so I suppose we have already made some progress. At least, the Government has also recognized that something must be done for the cleansing and security services sectors. The only problem is that not enough has been done and the pace is not fast enough. But even this is a capital crime. Others may ask, "Why surrender? Why not enact a piece of comprehensive legislation? Why so furtive, just like a coward?" Therefore, people will still put labels on us all the same. It was fortunate that we did not encounter such a situation last time, so we have managed to take forward the campaign to this present stage.

But now we have found it necessary to adjust our strategy slightly. The labour sector has lost the battle of achieving its goal in the policy address. How are we going to carry on our struggle? The expressions used in the policy address are very clever. I think that the Government must have been aided by some masters. The negotiations with the labour sector were likewise very bad. There were some "secretive tactics". The policy address now proposes to conduct a review two years later. "Two years later" is a very clever expression. It will mean October 2008, as mentioned by CHAN Yuen-han. By that time, we will no longer be in office.

In politics, and in the context of the labour movement in Hong Kong, two years is in fact a very long time. On 8 September, we managed to assemble more than 1 000 participants, but had we said that our goal was the enactment of legislation two years later, could we have attracted such a large number of workers? The trade unions would simply ignore us. Two years later? In that case, they may think, why not just take a break of one year first? Therefore,

our strategy was to fight for the reopening of negotiations first. It was a very difficult process. We had to scream and shout as if we were fighting a war. We employed every available tool to get the Government to reopen negotiations. We have now succeeded in getting a concession from the Government. It has promised to conduct an interim review a year later. Some journalists have questioned us, "KWONG Chi-kin, you are such a fool. How can you be sure that the Government is really serious?" I of course would not take the Government's word for it in that way. But the Government said it would conduct an interim review a year later. We have therefore set down an operational target and we will do all that we can to identify suitable cases in the coming year.

I have every faith in the Wage Protection Movement put forward by the Secretary. What I mean is that I have every faith that he is doomed to failure. The Government asked us if we could give it more time. We said "yes", but we also told it that we did not want to wait two years, and that we could put up with only one year. The Government said that the labour sector had been holding empty talks all these year without achieving any concrete results. It asked us whether it was really impossible for us to wait one more year. Are people going to criticize us again for the wait of one year? We can wait one year, so let us bear with it for one more year. Actually, the best solution should be the immediate enactment of legislation. But we are not competent enough and we cannot make it. But with this operational target of one year, the situation will be very different. Members can see that our trade unions have come again for petitions. When I saw the executives of the cleansing trade union, they shook my hand very forcefully, showing great resolve. In the one year to come, we will be able to carry on the struggle and consolidate all forces for the purpose of collecting low-income cases and supplying evidence, statistics and cases to the Government. The Government knows very well that the Movement will not succeed. But since it still wants to take this step, we may as well let it do so. We only need to provide cases and figures. How can such a movement succeed? There are so many caretakers in stand-alone buildings, and some of them even do not have any Owners' Corporations. Permanent Secretary Matthew CHEUNG is very sincere, saying that he will assign working teams to follow up on the matter. Having met with him only once, I already told reporters that he had chosen the difficult course instead of the easy one. How can he succeed in that case? But since the Government has still decided to go ahead in spite of obvious difficulties, we may as well let it do so. But it will certainly fail. We now have to wait one year only. We must struggle hard to



turn the interim review into the final review. The outcome is really very unsatisfactory. Even Mr James TIEN is worried about such a development.

Madam President, the labour sector has never had any secret agenda. We have always kept all cards open, stating clearly what we intend to do. The Government can no longer ward off the offensive. Secretary, you do not really have to conduct any review. Just go back and start the discussions immediately. Just enact legislation expeditiously. If you refuse, you will find it very hard to withstand the massive offensive in the coming one year. I am just trying to persuade the Secretary. We tried something more violent before. But it did not work. The Government is not afraid of us because we are very limited in power.

The discussions over the past two years have been much more in-depth in nature and these are no longer mere academic discussions. I have taken part in many forums and seminars. Academics and media workers all like to advance many theories to justify their support for or objection to a minimum wage. I am not at all interested in their theories. I am too lazy to read, so how can I understand all such difficult theories, some of which are even advanced by Nobel Laureates. I only wish to ask one question. I dare not say I am invincible. But no one has ever managed to answer this question. The question is: What will happen if wages cannot attain the levels of CSSA rates? No one can answer this question. When this happens, people will naturally choose not to work. According to economics, men are rational and will do things that are beneficial to them. If work does not give them any benefits and applying for CSSA does, they will do the latter. The criticisms levelled at CHAN Yuen-han are all unfair. Her appeal is just based on the laws of economics. People all long for good things, so if wages are lower than CSSA rates, all normal — no, I should use the word "abnormal", for I may demean those with backbone if I do not — and "rational economic beings" will apply for CSSA. But Hong Kong people are all very lovable. They would rather work and suffer than applying for CSSA.

I think the discussions on this are all very focused. The Government is very afraid of the slogan chanted by CHAN Yuen-han just now. I have talked with many of my friends in the Government. The Government is actually very worried because if everyone applies for CSSA, the Government will face very heavy financial pressure. However, Hong Kong people are very lovable really. Low-income workers have chosen to endure all the hardships. But how long

can they still endure the hardships, Secretary? I hope that they can endure for one more year. I hope that legislation can be enacted after the interim review. In case they can not survive for one more year and all of them apply for CSSA, the Government will be unable to cope. Actually, throughout the campaign, we have been employing a very specific strategy. As mentioned by Miss CHAN Yuen-han, workers may line up for CSSA. However, Hong Kong people do not quite accept this idea because it is too radical, so radical that even low-income workers do not approve of it. It is therefore not operationally feasible and we have been criticized for this reason. CHAN Yuen-han has many supporters. All these supporters are very poor people. But even these people have criticized her. They are in fact qualified for CSSA, but they still prefer working for a low income. At this very stage, people still do not accept this strategy, thinking that they must never do so. As a result, we can only adopt a different approach.

We have managed to secure a review one year later, but is this an admirable feat? I dare not say it is. From the perspective of trade unionism, this should be regarded as concrete progress. We need not believe the Government. Why should we bother about what it says? As long as there is a timeframe of one year and a target, we can start working. In concrete terms, our aim is to shorten the period from two years to one. If the interim review indicates that the situation is already very poor, there will be no point for workers to suffer any longer. Why should we waste any more time in that case? If everybody is caught in immense suffering, if there are many supporting cases, if all are seething with grievances, why should we go on waiting? The Government will probably make a wise decision in the light of the actual situation.

The Government may look down upon the power of the labour sector, thinking that we are not capable of doing anything, and that we will just talk without doing anything. The labour sector must therefore show its own worth. We must muster all forces to take forward the campaign. Mr LEE Cheuk-yan's argument was most unconvincing, as he argued that the conduct of a review two years later would provide a gap through which people could rush. But the conduct of a review one year later will also provide a gap, right? The conduct of a review one year later will lead to a bigger gap. CHAN Yuen-han described this as a bridgehead stronghold. Why do we not try to take this stronghold? Is it not much better for us to take this stronghold? We must occupy the high

ground for this mass movements, not any moral high ground. What is the use of engaging in empty talks all the time?

Madam President, there is an excellent article in the press today. The article I want to recommend to Members is an essay published in *Ming Pao* today, written by a person pen-named LI Sin-chi. The essay is entitled "Democratic Party sets eye on long term and decides to let Bow-tie go this time". My friends in the Democratic Party need not worry because I am not going to criticize them. I am just trying to share with Members an excellent analysis I have read. What is this essay all about? It says that the Democratic Party will abstain from voting on the Motion of Thanks. It does not sound right because there is not much progress in democratization. It should therefore vote against the motion. They are named the Democratic Party and they have not changed their name yet. Since there is no progress in democratization, they should vote against the motion. Why have they decided to abstain instead? I think they are really very clever and pragmatic because as Members all know, they have achieved a great deal in getting subsidy for early childhood education and the introduction of education vouchers. The education sector has done far better than the labour sector, and it has caused the Government to make a big change in its position. The article therefore says — I am not going to read it aloud anyway because we have to establish a basis of mutual trust and respect with the Government. I am afraid that quoting from the article may do damage. Let me perhaps do it in the indirect way. As Members know, the Chief Executive is quite a character, which is why they have decided to accommodate him in this way. Abstention is better than casting a negative vote after all. Madam President, let me say it in the words of the Democratic Party, "By giving a concession to Bow-tie this time around, we will still be able to talk to him in the future and continue to extract policy concessions from him." They are really very wise. After getting what they want, they have still sought to retain some strategic flexibility, instead of being stubborn and continuing to struggle without making known their principles. I do not mean to tease the Democratic Party, but I must say that we representatives of the labour sector must learn from the education sector. Honestly, I do admire Mr CHEUNG Man-kwong completely for his immense wisdom. Members can see how bitterly he has been "fighting" Secretary Prof Arthur LI. His style is even reminiscent of the parliamentary style in Taiwan. Only that there has not yet been any physical exchange of punches. There have just been verbal conflicts. However, after the "fight", they will hold discussions and not only this, they have even achieved some results. They are really something! What has the labour sector achieved after

proclaiming its position over and over again? Is there any other strategies that are more pragmatic and more conducive to the promotion of the campaign?

Madam President, I wish to reiterate that I find all the criticisms made by the mass media and other people well-intentioned. We will listen to them, accept their advice and conduct reviews. But I still wish to ask why it is so impossible for us to work out strategies that are more flexible. The first round has obviously been lost. How can we do better in the second round? Is there any flexibility in strategies?

Madam President, there is another wonderful commentary today — the editorial of the *Headline* daily today. There are many criticisms of us, but it is very difficult to find a more impartial commentary. Madam President, I quote from the editorial as follows: "After bargaining with the Government for days and obtaining a concession from it, the three Legislative Council Members belonging to the Federation of Trade Unions have announced that they will suspend the procedure of applying for a judicial review and vote for the Motion of Thanks. The three Members' volte-face has led political parties and members of the public to criticize them for showing a wavering position. All people can express their opinions freely, but in the world of politics, it is perfectly natural to strike political deals, to change one's position in order to maximize the benefits of all. This is only sensible and pragmatic. Legislative Council Members have put before the Government very high asking prices. They have deliberately projected an image of false hostility, tried to dial up the pressure and even vowed to launch a mass movement. Their only aim is to cow the other side into making concessions, compromises. After that, each side will look for a 'face-saver'. This is only natural." Madam President, the only thing in this editorial that I do not like is the expression "face-saver". We do not need to look for a "face-saver", because we are sincere in taking the campaign forward. However, the editorial I have quoted also asks whether this is a pragmatic approach. I hope that everyone (especially Members) can give more consideration to strategies when exploring ways of promoting the campaign. It is hoped that there can be room for us to explore different strategies. We should refrain from lightly questioning others' integrity and conscience.

Thank you, Madam President.

**MR LEE WING-TAT** (in Cantonese): President, as the Chairman of the Democratic Party, I have to briefly thank KWONG Chi-kin, though I have to sincerely thank CHEUNG Man-kwong and the Democratic Party for their approach this time. So far, we have not said anything about opposing the policy address. It has been our usual practice to comment on the policy address after its publication. On behalf of the Democratic Party, I stated last week that we had yet to decide how to vote. The decision was not made until yesterday morning.

In brief, the policy address has not done anything in bringing forth a democratic political system. President, it has failed to account for a number of key issues. However, we as a political party have made a number of suggestions to the Government, particularly with respect to two key issues. Regarding the first one, early childhood education, the Government has almost unconditionally accepted the proposal of providing a funding of \$2.3 billion. As regards the second one, namely, the replacement of existing lorries with environmentally-friendly lorries, hundreds of millions of dollars will be involved.

In my opinion, the policy address has not performed remarkably in every aspect. However, if we still raise objection despite the Government's acceptance of our suggestions regarding the key issues — no negotiations between us have been conducted — we as a political party cannot consider ourselves to be maintaining communication and dialogue with the Government.

President, I guess I had better come back to the issue of minimum wage. However, I will not say anything about integrity, conscience, and so on. I certainly am aware that, over the past couple of days, the three friends from the FTU have been subject to a lot of pressure for they have been criticized by a number of newspapers for volte-face. As Members should be aware, they have been suffering from much injustice. I have known them for quite some time. In particular, I have known Miss CHAN Yuen-han for a long period of time. Why do the democratic camp and the public have doubts? Their doubts are actually not unfounded, for the FTU is the largest of the trade unions in Hong Kong. Workers' interests have always been put in the number one position in the speeches made by Miss CHAN, Mr WONG Kwok-hing or Mr KWONG Chi-kin. We still recall that Miss CHAN had been asked on numerous occasions of the reason why she did not form a party. Compromise is called for in forming a party. The Democratic Party thus knows it very well that it can

never be the forerunner. We cannot say that the minimum wage should be set at \$35. As we know our calculations, we want to get the sums right when proposing a minimum wage — we are still in the process of calculating and have no idea whether \$30 is feasible.

People have been expecting the FTU, which has all along refused to form a party, to put workers' interest in the number one position. Such a stance should not be changed. No wonder this so-called unchanged position and the marked policy shift have attracted criticisms from a number of newspapers and veterans of the democratic camp. Had the Democratic Party taken the same action, it would not have attracted any criticisms for we have yet taken such radical actions. In this respect, I have no disappointment at all with any Members. I merely feel that I have regrets over three aspects —regrets that a lot of problems have been reflected in the course of striving for a minimum wage.

The first regret concerns the popular saying that workers' interest is extremely important. However, why is it that workers' interest is often neglected? I personally feel that workers' interest is often sacrificed in any consideration of political interest. Why? As Members are aware, given the Government's determination to achieve strong governance and the Central Government's overwhelming emphasis on stability, anything that will affect the governance by the Government has to be stopped. Therefore, when Mr James TIEN visited Beijing to meet with Vice President Mr ZENG Qinghong (I am not sure whether it is true for I learned it from the newspaper), the former was told by the latter to render great support to the Government. James TIEN has impressed Beijing that they often support the Government. So do the DAB and The Alliance. Why are they not allowed to form a ruling coalition? He shut up after raising the proposal the first day, realizing that there was no response.

Insofar as a minimum wage is concerned, I feel that workers' interest has been sacrificed, though I will certainly deny if I am asked whether there is anything going on behind the scenes. However, there are various signs indicating that this is not simply an issue of minimum wage. Instead, the Government's prestige in governance is at stake. When the issue has developed to such a stage, many in the Government, the Central People's Government Liaison Office or the Hong Kong and Macao Affairs Office will keep their mouths shut. Therefore, the issue concerns more than the Chief Executive election. My first regret is that workers' interest has been scarified.

Insofar as my second regret is concerned, the three Members of the FTU have given us the apparent impression that they have succumbed to political pressure. In particular, after the publication of the policy address, Miss CHAN Yuen-han made her position very clear in a press conference that, should the Government refuse to legislate for a minimum wage, she would seek judicial review, encourage the poor to apply for CSSA, and even launch a campaign to besiege the Government. In view of such a change at this stage, she cannot blame other Members of the democratic camp for criticizing her.

Insofar as the policy address is concerned, the Democratic Party has not said anything like that. We have not said that we would mobilize 300 people to the streets to besiege the Government should it fail to develop a democratic political system. As the words spoken by a politician are readily believed to be true, the politician cannot blame others for such a great reaction if, despite their lofty claim, they change in the end.

President, Miss CHAN earlier told the Government not to force her to take the last step, or she would mobilize the workers to go on strike. Though Miss CHAN and I belong to different political parties, I would like to advise her not to carry those words on her lips, for they will be extremely difficult to honour if excessively big promises are made. This explains why much of hot temperament has disappeared in recent years. Although I am criticizing someone at the moment, I am speaking in a calm manner. People build up trust in you by observing your words and deeds. They will question why you have often threatened to stage a strike and yet ultimately fail to do so. Therefore, I will advise Miss CHAN, as her friend, not to frequently mention those words unless she really will put her words into actions. Even if she really has to stage a strike, she should not say it beforehand. Only when the exploitation of workers' rights has become totally unacceptable such that workers cannot even maintain a basic living should such weapons as strikes be employed. Furthermore, careful consideration and planning must first be carried out instead of lightly contemplating a strike on the ground that a problem is not yet fixed.

Insofar as my third regret is concerned, President, workers' interest has been sacrificed for the sake of strong governance. Many of our friends used to criticize us as "elderly supporters of democracy" — Mr Martin LEE has asked us not to treat everything as conspiracy, or accuse the Central Government of interfering in politics whenever politics is mentioned. I find myself more and

more convinced by Martin LEE. There is no political interference at present. According to some academics, the Central People's Government Liaison Office has lately invited many people to meals and organizing study delegations, and many professionals have also visited Beijing recently. We in the Democratic Party are not on the list. The Civic Party is apparently not on the list too — Sorry, the same goes to our allies. We are definitely not on the list. Members should know that this is political work. We once thought that there was interference in political work. It occurred to me later that attacks on the Government had to be minimized for the sake of maintaining the Government's stability — whether the attacks came from the democracy camp, the DAB, the Liberal Party, or even the FTU. The attacks have to be stopped should they become too fierce, or else "Grandpa" will interfere.

I feel very sorry for the workers in Hong Kong for the Government has chosen to interfere in workers' affairs and even found someone to do so on its behalf. This is why I have to extend my sincere gratitude to Ms LI Fung-ying here for her remark that she will not vote in support of the motion. I wonder if Ms LI has received any phone calls. My mobile phone is vibrating at the moment — the call is definitely not from the Central People's Government Liaison Office. Sometimes, I will develop a feeling of heartfelt respect for certain Members. Ms LI certainly deserves my respect, as everyone does have stress. Though Ms LI and I do not share the same political views, I think that she will surely feel the stress. And yet she has been so courageous as to openly declare that she will not vote in support of the policy address, instead of leaving the Chamber in silence after casting an abstention vote. I wonder if she will receive more phone calls for the praises I sang of her. Sorry.

Albert CHAN was criticized by KWONG Chi-kin just now. Members should know that I do not always agree with Albert CHAN, but still I have to say a few words for him. The criticism made by KWONG Chi-kin is not entirely fair. I understand that politics is all about wrestling. The feeling that we have no power in our hands should be readily understood. However, as pointed out by us earlier, the labour movement had been pushed by political groups or trade unions to the climax that they were even prepared to break away from the Government for the sake of striving for workers' interest and, all of a sudden, there was a change in attitude in just three days. Members should really not blame Albert CHAN, LEE Cheuk-yan or Andrew CHENG for their fierce attacks.



When he mentioned earlier that the matter could be put on hold for a year, he seemed to be suggesting that his fight had been successful. Actually, I find it unnecessary to argue on such issues as putting the matter on hold for one or two years before legislating or conducting a review in two years, as we do not have to resort to legislation in every issue. Furthermore, I cannot envisage how serious the problem will become, even if it is put on hold for a year. Can the three votes of support buy one year, so to speak? If the Chief Executive says that he will legislate if he receives three votes, including nominations for his running in the Chief Executive election, I will "praise" them for their fight has gone to such an extreme and their change in position will give rise to yet another negative reaction.

President, it is really unnecessary for KWONG Chi-kin to criticize the democratic camp for chanting slogans. Members may sometimes pinpoint certain targets and then take a position, vent their feelings or chant slogans. His comments are an embarrassment to all, since of all the Members in this Council, WONG Kwok-hing will always make the fiercest attacks and take the toughest position, a fact known to 60 Members and government officials. WONG Kwok-hing is also the one who goes to the extreme whenever he makes a comment. If KWONG Chi-kin should criticize Albert CHAN, why does he not criticize his own allies — no, I mean the allies of his own workers' union? Actually, everyone knows that WONG Kwok-hing will go to the extreme whenever he makes a comment. However, I will not criticize WONG Kwok-hing because he is a unionist. I always have the feeling that trade unions should be different from political parties. I know my own role. I think it is right for non-government bodies and green groups to scold me, lest they must be extremely conservative and adopting a middle-of-the-road approach if they do not scold me. Trade unions should move further ahead. It is not surprising for Albert CHAN to chant slogans, given that he as a member of the League of Social Democrats is supposed to be a leftist fighting for workers' interest. Why should Albert CHAN be criticized in that manner? Criticizing Albert CHAN is like condemning WONG Kwok-hing. Hence, WONG Kwok-hing should not go to the extreme when he speaks in panel meetings in future — if he acts in that way, others will question whether he really thinks in that way, right?

Working in trade unions is a strenuous task. This is particularly so in Hong Kong and when the trade unions being served are not independent. Therefore, I quite understand my three friends. But since the matter has happened, we can only make concerted efforts to press the Government into

conducting a review and enacting legislation expeditiously for the benefit of workers. Let me repeat that we must not allow the deprivation of a high degree of autonomy, as in the case of our political system and the rule of law. We must not allow the policies on people's livelihood and society to come under pressure for the sake of maintaining stability of the Government and because "Grandpa" does not want to see Donald TSANG constantly attacked by the political parties and trade unions on his side.

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, the part allowing Members to speak in this debate session will end here. Council will now be suspended for 10 minutes. Designated public officers will speak when Council resumes.

2.30 pm

Meeting suspended.

2.40 pm

Council then resumed.

**PRESIDENT** (in Cantonese): Council now resumes to continue with the second debate session. Five designated public officers will now speak in this session. On the basis of 15 minutes' speaking time for each officer, they have up to 75 minutes in total for their speeches.

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, Honourable Members, in this debate session,

Members did not spend a lot of time on financial issues. But I still cherish this opportunity, for it enables me to explain to Members the development of our financial markets, the Government's policies in this respect, and also the Government's views in the long term.

Hong Kong is a major international financial centre in the Asian Pacific Region, and the financial services industry is an important pillar of the Hong Kong economy. The first three quarters of 2006 saw very encouraging performance of the stock market in Hong Kong. The Hong Kong stock market now has a total market capitalization of some HK\$11,000 billion, which is eight times the Gross Domestic Product last year and represents an increase of about 35% over last year's market capitalization of about HK\$8,200 billion in the end of 2005. Insofar as the daily turnover is concerned, Members may have learned from financial news that it was about HK\$18.2 billion daily in the first three quarters of 2005 and now, it has increased by more than 70% to over HK\$30 billion. In respect of fund management activities, the Securities and Futures Commission (SFC) conducted a survey showing that last year, combined fund management business totalled some HK\$4,500 billion, an increase of 25% over 2004; and an accumulated growth of 54% was registered over the past two years. In the banking industry, as at end August 2006, external banking transactions of the local banking system totalled US\$918 billion, which is the third in Asia. In the insurance industry, Hong Kong is also the place with the highest concentration of insurers in Asia. Certainly, a flourishing financial services industry also benefits many professions, including accountancy, legal and the actuary.

Looking into 2006-2007, we will continue to implement various measures to enhance Hong Kong's position as a major international financial centre and the premier capital formation and investment platform for the Mainland.

Let me briefly explain our work in these areas. Firstly, as the Chief Executive said in the policy address, we would broaden the source of enterprises seeking listing in Hong Kong, in order to encourage quality overseas enterprises to list in Hong Kong. In recent years, the Mainland has been the main source of large-scale listing and capital financing activities in Hong Kong. While Hong Kong will remain as the major capital formation centre of the Mainland, our local securities market does have the conditions to also become a capital formation centre for Asian or other international companies. As far as I know, some large-scale companies registered in other places have recently expressed an

interest in listing in Hong Kong. But given the relevant restrictions in the existing listing rules, at the Economic Summit on "China's 11th Five-Year Plan and the Development of Hong Kong", a Focus Group on Financial Services was established to look into ways to attract quality overseas companies to list in Hong Kong, with a view to enhancing Hong Kong's position as an international financial centre.

Studies are also being conducted on furthering the development of foreign exchange, futures and commodities trading in line with the rapid economic development in the Mainland. To this end, we will actively conduct studies on the feasibility of introducing various types of commodity futures and Renminbi derivative products in Hong Kong.

As I mentioned just now, the insurance industry has a very large market in Hong Kong. There are close to 180 world-class and local insurance companies operating in Hong Kong. We hope to enhance the development of the insurance and reinsurance industry, and we will endeavour to attract to Hong Kong some of the offshore securities investment business of mainland insurance agencies. Over the last five years, the insurance business in the Mainland has doubled, and following continued economic development in the Mainland, there will be huge room for the insurance market to grow. Added to this is a very keen demand for reinsurance in the mainland insurance market. The internationalized insurance and reinsurance industry of Hong Kong has sufficient ability to meet this demand in the Mainland, and it will provide support to the development of the financial markets in the Mainland and enhance the alignment with the international market. We are making a lot of efforts to conduct studies in this regard. We hope that the capital market in Hong Kong can attract more offshore financial investment business of mainland insurance agencies. In this connection, the policies of the country are very clear.

Another task, which I also mentioned earlier on, is to promote the asset management business. As I said earlier, the annual growth rate is over 20%, which is very good indeed. But we absolutely must not feel complacent. We must continue to develop into a major asset management centre in Asia. In the past year, as many Members also mentioned, we abolished the estate duty and provided profits tax exemption for offshore funds, in order to attract offshore capital to flow into Hong Kong and encourage existing funds to continue with their investments in Hong Kong. Continued efforts will be made to improve

various matching measures, with a view to facilitating development in this aspect.

On the other hand, we must also enhance the development of the bond market. Progress has been made in this endeavour since the issue of the \$20 billion-worth bonds and securitization of the five tunnels and one bridge by the Government in 2004. But we still have to make a great effort before a new platform can be developed. The Hong Kong Monetary Authority (HKMA) has recently completed the review of the local bond market. The HKMA plans to further improve the various arrangements, including the market-making system, the issuance programme and the trading platform under the Exchange Fund Bills and Notes Programme. Besides, according to the proposals made by the SAR Government earlier, the State Council is actively studying the issuance of financial bonds in Hong Kong by mainland financial institutions. If a breakthrough can be achieved in this regard, I believe it would help the development of the local bond market immensely.

Moreover, we must endeavour to foster Pan-Pearl River Delta Region co-operation, thereby promoting Hong Kong as a capital formation and investment platform in the region. In March this year, we successfully organized the "Pan-Pearl River Delta Region Financial Services Forum" in Hong Kong in which 600 people participated. Some 300 participants came from the Mainland and about 300 were local financial talents. I think these forums are very useful, for they enable friends in the Mainland to understand the strengths of the financial system in Hong Kong and the services that we can provide to them. Furthermore, in September, I led a delegation of over 100 members of the financial services industry to Hunan to carry out similar promotional and publicity work. I think these promotional activities, together with the forthcoming Asian Financial Forum in Hong Kong — in fact, I do not quite agree with Miss TAM Heung-man's earlier remarks that these efforts do not seem to be very useful. In fact, they are very useful because firstly, they enable friends in the Mainland and the international community to understand what this financial centre of Hong Kong is capable of doing now and thus serving publicity purposes. No matter how good a job you have done, it is still useless if no publicity is conducted overseas.

Dr David LI mentioned this morning the need to further expand the Renminbi business. As I said earlier on, we have carried out work in this area, and I hope to explain to Members when there is any further development. The

State Council is now looking into this business, and if this proposal comes to fruition, it will certainly further strengthen Hong Kong's status as an international financial centre.

We will also improve the quality of our market at various levels. Why is it necessary to improve market quality? It is because we would like investors to invest in our market. If we do not persistently improve the quality of our market, we might lag behind other markets. In this connection, we are carrying out work in many areas, including the establishment of the Financial Reporting Council (FRC) as soon as possible, as mentioned by Miss TAM Heung-man earlier. The preparations for the establishment of the FRC are now in full swing, including the appointment of the Chairman and members of the FRC, selection of the Chief Executive Office, and so on. We hope that the FRC can come into operation early next year.

In addition, we hope to introduce the Securities and Futures (Amendment) Bill to the Legislative Council in this Legislative Session to give statutory backing to the listing requirements, with a view to further upgrading market quality. Besides, the Mandatory Provident Fund Schemes (Amendment) Bill will also be introduced.

We will implement the New Basel Capital Accord or Basel II. The HKMA has completed the drafting of the Banking (Capital) Rules and Banking (Disclosure) Rules, which will be tabled to the Legislative Council for negative vetting very soon.

On the proposal of setting up an insurance authority, I already mentioned this proposal to the Panel on Financial Affairs a long time ago. With regard to work in this area, we will consult the various parties concerned this year, and employees of the Office of the Commissioner of Insurance will also be consulted on the staff arrangement later. Consultants will be commissioned to study such issues as the governance structure, administrative arrangement and funding of the future insurance authority and to facilitate their implementation.

With the support of the Legislative Council, we have embarked on the rewriting of the Companies Ordinance. A dedicated team has been set up to take forward phase I of the rewrite exercise. Four advisory groups, comprising members of the commercial sector, the relevant professions and the academia, have also been set up to give advice to the Government on this issue. Two of

these advisory groups already came into operation in October, and we hope to conduct public consultation in the first quarter of 2007. In this connection, the first public consultation will involve accounting and auditing provisions.

Certainly, we have made a lot of effort to protect the interest of investors. The measures that we have implemented include the Deposit Protection Scheme which Members may have noticed recently.

In view of the problem with the professional conduct of a number of securities firms discovered earlier, the SFC has stepped up operations in this regard, in order to protect the clients of the securities firms. The Action Plan of the SFC will focus on three areas: Continuing the rigorous supervision of brokers; educating investors and encouraging the use of Investor Participant accounts; and enhancing greater collaboration with auditors to use circularization more effectively, in order to uncover irregularities and breaches of the law.

In the debate earlier, Mrs Selina CHOW made some remarks about brokers, and I wish to give a response here. Mr CHIM Pui-chung also mentioned briefly the concern about brokers last night. I would like to say here that, as I said earlier, the turnover of the stock market is increasing. Taking into account this factor, despite a downward trend in the market share of small brokers, their business actually will not drop, as cautioned by some Members, due to the growth of the market. Let me cite some examples. The total income of brokerage firms in category C has increased from a quarterly average of HK\$630 million in 2002 to HK\$1.57 billion in the second quarter of this year. Certainly, they may not be happy with this rate of increase, and they may hope for an even higher increase. So, every company has to formulate their own strategy. I think the services provided to investors by small and medium investment companies offer unique merits and attraction. But they must strive for continuous improvement, in order to secure their footing in the market. A couple of days ago, I learned from the press that employees of a medium brokerage firm had been paid a generous amount of bonus, and this company is known for charging an especially low commission rate. So, different firms can adopt different strategies, and we cannot say that this has to do with government policy. In fact, it has been the Government's policy to encourage expansion of the market, so that all brokers and investment banks can have a share of it. This is what we wish to see. Of course, we always have a lot of contacts with the brokers, irrespective of their size, to listen to their views.

Finally, I wish to say that Hong Kong, located at the heart of Asia, leverages on the Motherland while engaging itself globally. As long as we can enhance our existing advantages, including improvement of the regulatory systems, facilitating the development of the market, and seizing the opportunities provided by our country's planning and development, I believe the financial services industry of Hong Kong will have very broad prospects for development in future.

Thank you, Madam President.

**SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY** (in Cantonese): Madam President, first of all, I sincerely thank Members for putting forward many valuable opinions on issues relating to commerce, industry and technology.

Before I respond to the views expressed by Members earlier, I would like to briefly explain the results and progress made by the Commerce, Industry and Technology Bureau in pursuance of the policies and measures mentioned in the policy address last year.

In respect of promoting industrialization of scientific researches, five Research and Development (R&D) Centres were set up in April this year, focusing on technology areas covering automotive parts and accessory systems, logistics and supply chain management technologies, textile and clothing, nanotechnology and advanced materials, and information and communications technologies. The Innovation and Technology Fund has earmarked \$2.3 billion to support the operation and R&D projects of the R&D Centres in the next five years. I hope that through the co-operation of the industrial and commercial sectors, universities, the Hong Kong Applied Science and Technology Research Institute and the Hong Kong Productivity Council, the R&D Centres can promote the industrialization of scientific researches in Hong Kong, thereby increasing the value of products of Hong Kong enterprises operating locally or in the Mainland, and enhancing their competitiveness in the international community.

Second, enhancing collaboration between the Mainland and Hong Kong in science and technology. In April, the second meeting of the "Mainland/Hong Kong Science and Technology Co-operation Committee" was held with the



Ministry of Science and Technology. It was agreed that co-operation between Hong Kong and the Mainland should be continuously enhanced through four working groups in four technology areas, namely, radio frequency identification technologies, automotive parts and accessory systems, integrated circuit design and Chinese medicine. Moreover, it was decided that a large-scale exhibition on technological achievements will be organized in Hong Kong during the National Science and Technology Week to be held in May next year to facilitate technological exchange and co-operation between Hong Kong and the Mainland.

In respect of Guangdong-Hong Kong co-operation, since the launch of the "Guangdong/Hong Kong Technology Co-operation Funding Scheme" by the Governments of Guangdong and Hong Kong in 2004, a total funding of \$660 million has been allocated to support about 200 R&D projects. A new round of the Scheme just closed in end September, and 330 (Appendix 1) applications in total were received by both sides. Vetting of the applications is underway and is expected to complete by the end of this year.

Third, the proposal of establishing a Communications Authority. Public consultation on the proposal to merge the Broadcasting Authority and the Telecommunications Authority into a Communications Authority was completed in the middle of this year. The proposed establishment of the Communications Authority can more effectively and speedily respond to the sustained development of the broadcasting, telecommunications and Internet industries under a trend of convergence of the media and technology. The public and the industries are in general supportive of this proposal. We are carefully considering the views put forward by all sectors of the community, and we plan to introduce a bill to the Legislative Council in this Session on the establishment of the Communications Authority. I am very glad to hear Mr Ronny TONG say in his speech earlier that he supported this proposal in principle.

Fourth, combating unsolicited electronic messages. In response to the nuisance caused by unsolicited electronic messages to members of the public, the Unsolicited Electronic Messages Bill was introduced to the Legislative Council in July to regulate electronic messages of a commercial nature. I am glad to know that the Bills Committee chaired by Mr Howard YOUNG has commenced the deliberation of the Bill. We hope to work closely with Members in order to have the Bill enacted within this Session.

Fifth, copyright protection. The bill to amend the Copyright Ordinance was tabled to the Legislative Council in March this year to enhance copyright protection and improve the copyright exemption system. With enhanced copyright protection, investors and the works of authors and composers will be protected, and by improving the exemption system, we will facilitate the circulation of information and knowledge. We will continue to work closely with the Bills Committee chaired by Mr SIN Chung-kai, in the hope that the bill can be enacted in this Legislative Session.

I have explained briefly the progress of our work in five areas. In the meantime, we have also made good progress in other areas. For instance, the consultation paper on 2007 Digital 21 Strategy was published just last week, and the consultation paper on Proposed Spectrum Policy Framework was published yesterday. This is proof that we will, as usual, continue to fulfill the policy pledges of the Government.

Apart from making continuous efforts to take forward these policy measures, the Chief Executive also stressed in this year's policy address that the Government will actively create favourable conditions in the coming year to upgrade our local economic infrastructure, gearing it to support independently innovative and high value-added industries. The new and ongoing initiatives of the Commerce, Industry and Technology Bureau in the coming year are set out in detail in the paper provided to the Legislative Council, and we have explained them to Members in the relevant panels. With the limited time that I have here, I would like to respond to some of the specific views expressed by Members earlier.

First, film development. First of all, I thank Mr Jasper TSANG for his opinions on the Government's policy to support film development and the undertaking made in the policy address of seriously considering helping small and medium sized film makers to resolve their problems in financing. I also appreciate his in-depth understanding of the practices adopted by South Korea which contributed to the success of their film development in recent years.

In the next few months, we will hold discussions with members of the Hong Kong Film Development Council and listen to the views of Members of the Legislative Council and the general public. I must reiterate that any proposal to support the film industry must be consistent with two principles in order to have the support of the Government. The first is to ensure that public funds are well

spent; second, the measure should be conducive not only to the development of the film industry into an important creative industry which is deeply rooted in Hong Kong and has its own advantages and which we very much support sentimentally, but also to the overall economic development of Hong Kong.

Second, I would like to talk about assisting small and medium enterprises (SMEs). I fully agree that SMEs are the backbone of economic development in Hong Kong. In fact, the Government has clear policies to support the development of SMEs. For example, we will continuously help SMEs secure financing, expand export markets and enhance their overall competitiveness through the \$2.2 billion SME funding schemes. As at the end of September this year, the Trade and Industry Department approved over 127 800 applications under the funding schemes, involving about \$9.3 billion in government guarantees and grants. We will review the operation of the schemes from time to time, and we will discuss in detail with the Small and Medium Enterprises Committee on the feasibility of extending the SME Loan Guarantee Scheme.

Many Members mentioned the difficulties faced by SMEs operating factories or doing business in the Mainland. According to our statistics, there are over 80 000 local SMEs operating factories in the Pearl River Delta Region. Although the production lines of these SMEs have been relocated to the Mainland, their highest echelon of decision making as well as much of their logistics support still remain in Hong Kong. These do not only bring employment opportunities and capital to Hong Kong, but also provide support to Hong Kong in maintaining its status as an international financial, trading and logistics centre. In the Focus Group on Trade and Business set up at the Economic Summit on "China's 11th Five-Year Plan and the Development of Hong Kong", we will study in detail how support will be provided to the SMEs to help them solve the problems that they are facing and to help them pursue continuous development, because their development and the overall economic development of Hong Kong are entirely complementary.

Third, promoting design. I am very glad that many Members have spoken in support of the Government's proposal to seek approval for \$100 million in funding to support the operation of the Hong Kong Design Centre (HKDC) for a period of five years. To promote independent innovation in the economy, the industrial and commercial sectors must develop new products, new services or new brand names. To this end, good design is indispensable. Therefore, it is entirely in the overall interest of the community if the

Government increases investment on infrastructure and manpower development in this respect. A major task of the HKDC in the future is to plan the establishment of an Innocentre to be opened in November this year and to provide it with support. The Innocentre will be developed as a one-stop base for promoting design. It will organize a diversity of design-related activities, including exhibitions, conferences, and so on, to encourage industries to apply design to their products and services and also promote a design and creative culture to the public.

Many Members also suggested the development of brand names, and I thank Members for making a lot of valuable input. I fully agree that developing brand names can help increase the value of the products of enterprises and enhance the competitiveness of their products. I very much agree that it is important to develop original brand names. Insofar as the promotion of brand names is concerned, the Government will play the role of a facilitator in the coming year and increase the vigour of measures promoting brand names. In this connection, the Focus Group on Trade and Business set up at the Economic Summit on "China's 11th Five-Year Plan and the Development of Hong Kong" has included this as a major topic of discussion, and also set up a task force to conduct in-depth studies on this issue and make recommendations for incorporation into the Action Plan later. I also agree that the Hong Kong Trade Development Council should also increase the strength of measures for promoting brand names.

Fifth, I would like to say a few words on the processing trade. A number of Members, including Mr Andrew LEUNG and other Members who keep a keen interest in this, such as Mr WONG Ting-kwong, Mr CHAN Kam-lam and Mr Jeffrey LAM, are well versed in this issue. They hold that the new policy measures on processing trade adopted by the Central Government recently will affect the operation of Hong Kong companies with factories engaging in processing with supplied materials in the Mainland. In fact, the SAR Government is aware of this. We are very concerned about this, and we will provide assistance. In more concrete terms, the SAR Economic and Trade Office in Guangdong has embarked on follow-up work, and it will hold further meetings with Hong Kong businessmen operating in the Mainland and also the relevant departments within a short time. The Commerce, Industry and Technology Bureau has also reflected to the Ministry of Commerce the concern and worries of the SAR Government and the business sector, hoping to identify ways to eliminate or minimize the impact of any new policy on Hong Kong

businessmen. In this connection, I can assure Members that we will certainly liaise closely with the business community, in the hope that good progress can be achieved in this respect.

With regard to information technology (IT), Mr SIN Chung-kai has put forward many professional opinions. While I may not agree with all his comments on certain government measures, but due to the time constraint, I think there will certainly be opportunities for me to discuss this with him at the relevant panels in the future. However, I basically agree that although the Government has done a lot of work, ongoing effort is still necessary in many areas, in order to support the development of the local IT industry both in Hong Kong and in the Mainland. Hong Kong is one of the places with the most advanced IT application in the Asian Pacific Region and even in the world. We must endeavour to maintain our existing advantages, while at the same time seizing every opportunity to strive for development continuously. Therefore, in the coming year, we will co-operate with the IT industry in respect of infrastructure, training of talents and CEPA, with a view to developing business opportunities continuously.

With these remarks, Madam President, I urge Members to support the original motion and oppose the amendment. Thank you.

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in Cantonese): Madam President, I would like to highlight a number of points in relation to economic and regional co-operation between the Mainland and Hong Kong, and respond to Members on issues in one or two areas.

Last year, with the support of the Legislative Council, we set up the Mainland Affairs Liaison Office (MALO) responsible for formulating overall strategies and directions regarding co-operation between the Hong Kong Special Administrative Region (SAR) and the Mainland, promoting co-operation between Hong Kong and mainland provinces/regions, and keeping an overview of the work of the Beijing Office and Hong Kong Economic and Trade Offices (ETOs) in the Mainland. We have enhanced the representation of the SAR Government in the Mainland as two new ETOs in Shanghai and Chengdu commenced operation in September this year.

I understand that many Members in this Chamber are greatly concerned about how we handle cases of Hong Kong people seeking assistance in the Mainland. The Beijing Office and the ETO in Guangdong (GDETO) have been providing assistance to Hong Kong people living or working in the Mainland. The Constitutional Affairs Bureau, the GDETO and the Beijing Office handled a total of 681 cases in 2005 and another 600 cases in the first three quarters of 2006. To strengthen the relevant services, immigration officers have been deployed to the GDETO since April this year to provide assistance to Hong Kong residents in distress in the Mainland. Cases outside the geographical coverage of the GDETO will continue to be taken up by colleagues in the Beijing Office.

We have handled many types of cases over a period of time in the past. For instance, the GDETO handled a case in connection with a serious traffic accident in Fujian Province in April, and in the same month, it provided assistance to Hong Kong people who returned from the Solomon Islands in evacuation operations and made arrangements for them to return to Hong Kong. In June, the Beijing Office sent representatives to Hubei to handle a traffic accident. These are just a few examples.

Speaking of cases of Hong Kong people seeking assistance, I would like to say that earlier on, we had the opportunity to go to Guangdong where we visited offices set up by the Hong Kong Federation of Trade Unions in Guangdong Province. These offices are set up to provide assistance to Hong Kong people, and they have very actively carried out work in this respect. I believe they will have the support of Hong Kong residents.

With regard to distress cases, I wish to mention in particular that recently, colleagues of the GDETO visited the family surnamed NIP in Shenzhen. Members may recall that a boy and his younger sister had encountered some difficulties in pursuing studies in Shenzhen. After the visit by colleagues of the GDETO and co-ordination by the MALO, Social Welfare Department, Housing Department and Education and Manpower Bureau, assistance was provided to this family in October to apply for compassionate housing and Comprehensive Social Security Assistance, and arrangements were also made for their children to receive secondary education in Hong Kong. This is a relatively new *modus operandi*, as it involved overall co-ordination by the GDETO and MALO with the relevant government departments in providing assistance to Hong Kong people in need as far as possible within the ambit of the SAR Government.

Both Mr Andrew LEUNG and Mr Abraham SHEK mentioned cross-boundary and large-scale infrastructure and control point development. In this regard, I would like to reiterate to Members that the SAR Government takes a very positive attitude towards the construction of the Regional Express Line, the development of the Liantang Control Point, the development of the Western Corridor and the following up of the Hong Kong-Zhuhai-Macao Bridge (HZMB), and the utmost effort will be made to take forward these projects.

In respect of the HZMB, the Hong Kong-Zhuhai-Macao Bridge Advance Work Co-ordination Group (AWCG) set up by the Governments of Hong Kong, Guangdong and Macao has reached an agreement on the alignment and landing points of the HZMB. The feasibility study of the HZMB has also been substantially completed. The remaining issues that we are further studying include the provision of boundary crossing facilities and financing arrangements.

On the provision of boundary crossing facilities, the AWCG has agreed to adopt the mode of "separate locations of boundary crossing facilities", and has commissioned the China Highway Planning and Design Institute (HPDI) to study the detailed arrangements for and possible locations of the boundary crossing facilities. The AWCG has also commissioned the HPDI to conduct studies on the financing arrangements for the HZMB. After the relevant proposals have been agreed by the AWCG, the feasibility study report will be finalized and submitted to the Central Government. Once approval is granted, the design and construction work of the HZMB will commence.

Finally, I wish to further respond to the remarks made by Mr Martin LEE yesterday and today about the relationship between "big market, small government" and "one country, two systems". Earlier on, Mr Jasper TSANG also commented on these remarks. I think since Mr TSANG and Mr LEE could not find the Chinese equivalent of "obsession", we may try to explain it using a semantic approach.

I think Mr Martin LEE may have suffered a serious disease which makes him "mistake the reflection of a bow in the cup as a snake". That is, there is no snake in the cup but there is a snake in his heart. If he keeps on scaring himself like this, he would fall ill. However, this is only a disease of the "mind", because under the Basic Law, there are "one country, two systems", "Hong Kong people ruling Hong Kong", and "a high degree of autonomy". As a

special administrative region, Hong Kong can enjoy "a high degree of autonomy" in various aspects, and this is fully protected.

In fact, the Central Authorities have all along supported Hong Kong in maintaining its status as and developing into an international centre of financial services, trade and shipping. This is all provided for in the Basic Law, and this is part of the original systems of Hong Kong to be maintained.

Under Article 109 of the Basic Law, the Government of the Hong Kong Special Administrative Region shall provide an appropriate economic and legal environment for the maintenance of the status of Hong Kong as an international financial centre.

Under Article 115 of the Basic Law, the Hong Kong Special Administrative Region shall pursue the policy of free trade and safeguard the free movement of goods, intangible assets and capital.

Under Article 128 of the Basic Law, the Government of the Hong Kong Special Administrative Region shall provide conditions and take measures for the maintenance of the status of Hong Kong as a centre of international and regional aviation.

In fact, Mr Martin LEE had been a member of the Basic Law Drafting Committee for many years, and he must know only too well that these are part of the long-term principles and policies of the Central Authorities towards Hong Kong. These are national policies that are not going to change. Therefore, Hong Kong's international status in these aspects can certainly be maintained, and what we must do is to make continuous efforts to further develop our status as a centre in these domains.

Moreover, the remarks made by Mr Martin LEE yesterday and today cannot fully reflect the Democratic Party's policy on economic co-operation between Hong Kong and the Mainland. I understand that in this Chamber, the Democratic Party has supported the Individual Visit Scheme, the implementation of CEPA and the taking forward of cross-boundary and large-scale infrastructure projects. The Democratic Party also supported the proposal put forward by us last year of establishing ETOs in Chengdu and Shanghai.



So, we all understand that it is necessary for Hong Kong and the Mainland, as neighbours, to continuously develop more control points, bridges and other infrastructure. If Hong Kong can have a better understanding of the planning and infrastructure in the Mainland, which will facilitate closer ties and mutual support with the Mainland, it would not affect Hong Kong's status as an international trading, financial and shipping centre, but would further give play to Hong Kong's free economy and also enhance the flow of people, the flow of goods and freight, the flow of capital and the flow of information between Hong Kong and the Mainland.

Hong Kong has 7 million people to feed. We must continue to live, to work and to do business. I believe, and I hope, Mr Martin LEE will not propose to turn Hong Kong into an "isolated village". I do not believe that the Shenzhen River between Hong Kong and the Mainland would entirely cut off Hong Kong and the Mainland from each other. On the contrary, we should make an ongoing effort to actively strive for and fully leverage on the latitude for continuous development under "one country, two systems". On the one hand, we must maintain "two systems" and on the other, we must work for closer ties as well as more economic and regional development and co-operation between Hong Kong and the Mainland under "one country".

Madam President, I so submit.

**SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR** (in Cantonese): Madam President, first of all, I must thank Members for speaking on economic development and labour issues. Before I respond to Members' views, I would like to review with Members the results of our work over the past year. In respect of tourism, for instance, a number of tourist attractions have been completed, including the Disneyland, the Hong Kong Wetland Park and Ngong Ping 360. Together with the five newly announced cities under the Individual Visit Scheme, 49 mainland cities in total are now covered under the Scheme. Continued growth has been recorded in visitor arrivals with an increase of 9.5% in the first nine months of this year over the same period of last year.

On aviation services, an agreement has been reached with nine aviation partners on the extension of traffic rights and the aviation network of Hong Kong. In respect of aviation arrangement between Hong Kong and the

Mainland, significant achievements have been made this year as the capacity constraints have been removed for most of the routes and 11 new routes have been added to enhance Hong Kong's position as a major gateway to and from the Mainland. We have lowered the anchorage dues and the port facilities and light dues for vessels, in order to attract more ocean-going vessels to use the Hong Kong port. We have also introduced an Annual Tonnage Fee Reduction Scheme for vessels, and made available 15 hectares of land as port back-up land for the logistics industry to enhance the operational efficiency of port facilities.

With regard to competition policy, we have completed the review report on competition policy and a consultation paper will be published to consult the public. On employment services, the Labour Department has organized some 70 job fairs of various scales this year, and achieved job placement for over 90 000 workers in the first nine months of this year, an increase of about 10% over the same period of last year. We will continue with rigorous enforcement against wage offences, especially in the catering and construction sectors. The maximum penalty for wage offences under the Employment Ordinance has been increased, with effect from March this year, to a fine of \$350,000 and imprisonment for three years. In the first nine months of this year, the number of convicted summonses on wage offences increased by 23% over the same period in 2005. We have also endeavoured to tackle the problem at source by punishing employers defaulting wage payments. As a result, the number of applications received under the Protection of Wages on Insolvency Fund has continued to drop. In the first nine months of this year, the number of applicants for the Fund has substantially dropped over 30% than the corresponding period of last year, and the number of applicants from the catering sector has even dropped almost 70%.

Madam President, I have spoken on these at length only to highlight that we have made substantive progress in various aspects over the past year. Now, I will explain our position on several major policy areas.

In the debate earlier, some Members put forward many valuable opinions on economic development, labour issues, and so on. But given the time constraint, I am sorry that I may not be able to respond to them one by one today. Mr WONG Ting-kwong, for instance, mentioned the development of the airport; Ms Audrey EU mentioned the protection of consumer rights; Mr Fred LI mentioned the issue of energy and our negotiations with the two power companies on the Scheme of Control; Ms Miriam LAU mentioned the admission of mainland drivers and the imposition of a fairway maintenance fee on vessels,

and Dr KWOK Ka-ki mentioned occupational health. While I have not the time to respond to these issues one by one today, I am glad to explain to Members our work and position. Madam President, I will now talk about a number of issues of the utmost concern to Members.

Perhaps I should start with labour issues. On the labour front, Members are most concerned about the need to enact legislation on minimum wage. After balancing the views of all sides and carefully considering the economic conditions of Hong Kong, the Government considers that at the present stage, the pragmatic approach is to achieve wage protection through non-legislative means by encouragement and voluntary participation.

The Government will, in collaboration with the business community and the labour sector, implement a Wage Protection Movement for cleansing workers and security guards, while actively encouraging participation from businesses, so that these workers will be paid wages not lower than the average market rate for the relevant industry/occupation published in the latest Census and Statistics Department's Quarterly Report of Wages and Payroll Statistics. To put it simply, these workers will enjoy protection comparable to that given to workers in the same jobs employed under service contracts outsourced by the Government.

I must emphasize that the Wage Protection Movement is a positive and pragmatic proposal, and that the Government has taken a realistic attitude to handle this issue which has far reaching consequences to members of the community. The Wage Protection Movement symbolizes a major step forward in our work to achieve protection for grass-roots workers. Many Members consider it a very difficult task to take forward the Movement. Indeed, not one single task that has been carried out by us is easy. Why do we still seek to take it forward even when it is so difficult? This fully reflects our resolve and sincerity, and I wish to tell Members that it is not necessarily the case that we would avoid doing all difficult tasks.

Mr KWONG Chi-kin said earlier that this Movement would be a doomed failure. I know that Mr KWONG had said this in good faith, and I understand that he was not saying it to me. He was actually saying it to the business sector. He was trying to boost the spirit of the business community and inspire their will to prove that nothing is unachievable in this world. As long as they have the determination, they can certainly accomplish the task, and this can also prove

that they have good social enterprise spirit. I believe we can see this happen very soon.

The participation and support of the industrial and commercial sectors is the key to the success of this Movement. We fully understand this, and the Government will certainly throw full weight behind it. The Labour Department will promote wage protection through a package of measures including promotion, publicity, public education, contract regulation and enforcement. Enterprises participating in the Movement and their contractors for cleansing and security services will be required to sign with cleansing workers and security guards written employment contracts specifying wages, working hours and arrangements for overtime work compensation, so that the Labour Department will be able to conciliate labour disputes and take enforcement action more effectively, thereby ensuring wage protection for employees.

We are working closely with business chambers and employers' organizations and discussing with them the details of the Movement. A number of employers' organizations have expressly indicated that they would actively participate in and support the Movement. The Labour Department is carrying out preparatory work for the relevant publicity and promotional activities.

Members may have misgivings about whether employers will participate in the Movement, whether they will earnestly implement the arrangements relating to wages, and how cases of employers not fulfilling their undertaking will be effectively handled. In this connection, the Chief Executive has expressly undertaken to conduct a comprehensive review two years after the implementation of the Movement, which means October 2008, not three or four years later. This undertaking and the timetable are clear and realistic. I wish to emphasize again that if the review finds that the Movement has failed to yield satisfactory results, we will set out to prepare for the introduction of legislation for a minimum wage in the cleansing and guarding services sectors.

I hope that Mr LEE Cheuk-yan will listen clearly — although he is not in the Chamber now — that when we said that we would "set out" to prepare for legislation, we mean actually working on it, rather than backing off as he had said. This has fully demonstrated the Government's determination and sincerity in protecting grass-roots workers.

In the policy address the Chief Executive said that the effectiveness of the Wage Protection Movement would be monitored through the Labour Advisory Board (LAB). The LAB is a proven tripartite mechanism consisting of representatives from employers, employees and the Government which deals with labour issues, and it is most appropriate for the LAB to assume this role. The LAB will review the progress of the Movement from time to time. An interim review of the Movement will be conducted one year after its implementation, that is, in October 2007, so that the labour sector and the business community can have a clearer picture of the progress of the Movement one year into its implementation. As for the criteria for evaluating its effectiveness and the other details concerned, they will be discussed and decided by the LAB.

I believe Members may have noticed that this is the first time over the years that a clear, specific and realistic timetable is provided by the Government for legislation on minimum wage. This can be considered a major breakthrough.

Perhaps let me now turn to economic development. In respect of tourism, some Members said in the debate that the number of mainland visitors during this year's golden week had dropped, expressing concern about whether Hong Kong has become less attractive to visitors. I must point out that in fact, the number of inbound visitors in the first nine months of this year has continued to rise steadily, showing an increase of 9.5% over the same period of last year. Mainland visitors remain a major source of visitors to us, accounting for 55% of the total visitor arrivals and showing a steady increase of 11%, whereas the number of visitors from other non-mainland markets has also grown quite considerably by as much as 7.7%, and among these markets, the Middle East is particularly outstanding as an increase of over 20% has been registered, while visitors from Southeast Asian markets have also increased by 12%.

Like Members, I am also very concerned about the quality of travel agents and their attitude towards customers. We all know that there is no free lunch in the world and certainly, there is no such favour as free dinner, free accommodation or free sightseeing tours, and the price for these is forced purchases at high prices. Certainly, nobody would consider this acceptable. To provide greater protection for mainland visitors, we are carrying out work in various aspects. We have co-operated with the China National Tourism Administration (CNTA) in promoting "honest and quality tourism" and "smart

consumption"; we have stepped up publicity both in the Mainland and in Hong Kong on visitors' consumer rights in Hong Kong, such as the "14 Days 100 Percent Refund Guarantee" and the Quality Tourism Services Scheme launched by Hong Kong Tourism Board (HKTB), as well as the channels for lodging complaints. These measures are very helpful to protecting the consumer rights of tourists, and the "14 Days 100 Percent Refund Guarantee" is even unique to Hong Kong. The Consumer Council and the HKTB will step up efforts in this respect, in order to provide mainland tourists with more information on their visit to Hong Kong, and more promotional, publicity and education campaigns will also be launched in the Mainland. We have strengthened the notification mechanism with the CNTA, in order to effectively follow up complaints relating to tour groups from the Mainland. In respect of regulation, we are in the course of discussing with the Travel Industry Council of Hong Kong (TIC) how improvement can be made to the mechanism for punishing travel agents in breach of rules or regulations, including the imposition of a fine, suspension or termination of the membership of travel agents, and so on. Moreover, we will review the structure, resources and powers of the TIC to ascertain the need for enhancement and improvement. We are also making arrangements for meetings to be held with tourist guides, travel agents and the relevant organizations, in order to discuss with them how the problem of "zero-fare" tours can be handled more effectively. I hope Members will agree that what we should do now is to enhance and improve the existing mechanism, rather than scrapping the TIC as suggested by some Members. I think this proposal is entirely not constructive. I wish to point out that the existing Travel Agents Ordinance was amended and endorsed by the Legislative Council in 2002, with the objective of including local tourism business into the scope of regulation of the Ordinance. The Government had at that time conducted extensive consultation on the amendment bill. Members supported a self-regulatory mechanism for travel agents and proposed that the proportion of independent directors be increased for enhanced transparency and effectiveness in the operation of the TIC. The TIC subsequently increased the proportion of independent directors in accordance with the proposal. Our first and foremost task now is to work in concert with the TIC to review and improve its mechanism for exercising monitoring and imposing punishment, with a view to making the mechanism more effective.

We have actively worked to develop more business opportunities for the tourism industry in Hong Kong, especially local travel agents. We have been forging closer co-operation with the Mainland at various levels, such as fostering

our co-operation with Guangdong, the Pan Pearl River Delta (PRD) Region, as well as various provinces and municipalities. An example is encouraging interaction in visitor flow and compiling "multi-destination itineraries" that tap the tourism resources in the Mainland and Hong Kong, and making concerted efforts to promote tourism to overseas visitors and hence widen and deepen the sources of visitors to Hong Kong.

To make Hong Kong more appealing to tourists, the Government has spared no effort in developing new tourism facilities while making improvement to the existing facilities. The new tourism projects completed in recent years, such as the Hong Kong Wetland Park, the Disneyland and Ngong Ping 360 are tourist attractions suitable for family visitors, and this is conducive to Hong Kong in developing into a premiere centre of family tourism. The percentage of family visitors travelling with their children has increased from 19.5% in the first half of last year to 36% in the first half of this year.

Moreover, the number of business visitors staying overnight in Hong Kong in the first half of this year has also increased by almost 10% compared with the corresponding period last year, whereas that of overnight family visitors has also increased by 24.3%.

Here, I would also like to say something on the cruise terminal. The development of a new cruise terminal will help Hong Kong capture the growth of the cruise industry in the Asia Pacific Region and sustain its development as a regional cruise hub. The Government will develop new cruise terminal facilities at Kai Tak by way of fair and open tender. The successful bidder certainly has to pay a premium; it has to carry out site formation works at its own cost and also design, build and operate these world-class berthing and ancillary facilities, including the development of two alongside berths for mega cruise liners with a displacement of 100 000 tonnes.

The development of the new cruise terminal can brook no delay. We will make the utmost effort and seize every single minute and second. We plan to proceed to the tendering process in the later half of next year after the Outline Zoning Plan for Kai Tak Development is approved, and award tender in around the second quarter of 2008 after completion of the relevant statutory procedures for the development of the cruise terminal. The first berth at Kai Tak is estimated to be commissioned in 2012, subject to the implementation timetable of

the successful bidder. I hope that Mr Albert CHAN has listened to what I have just said — he is not in the Chamber now. This is absolutely not "black box operation", but a process of fair and open tender.

In respect of port development and logistics, we will continue to co-operate closely with the industry to upgrade the competitiveness of our port and the logistics industry. Madam President, in concrete terms, we will continue to introduce effective measures to attract more vessels to use our port in Hong Kong, such as streamlining the procedures for vessels entering the Hong Kong port, introducing multiple entry permits for vessels and lowering the permit fees. The relevant legislation has already been gazetted and tabled at the Legislative Council this month. These relevant measures will be put into practice upon completion of the legislative procedures.

Moreover, we will actively provide more port back-up land for the logistics industry. We have already provided a number of sites measuring about 15 hectares in Tai Po and Tsing Yi and also adjacent to container terminals for use by the industry for a period ranging from two to seven years. We are currently conducting traffic impact assessment on sites in the vicinity of the Kwai Tsing container terminals, with a view to granting these sites for longer-term use by the logistics industry. On the other hand, the Government will review with the industry the planning of land use in the proximity of the container terminals to facilitate the development of land for logistics use and relevant purposes.

Continuous efforts will be made to carry on with the Port Cargo Forecast which commenced last year as well as the ecology study on Northwest Lantau, in order to determine the most suitable time for the construction of Container Terminal 10 and assess the feasibility of building Container Terminal 10 having regard to environmental factors. The information will be helpful to us in reviewing proposals on port development.

Furthermore, we will conduct studies on enhancing the river trade transport network to link up with river trade operation in the PRD, such as that along both banks of the Pearl River, with a view to achieving seamless convergence between river trade vessels and ocean-going vessels. We will further improve the vessel registration services in Hong Kong, in order to upgrade their competitiveness.



I am also very much concerned about the shortage of talents in the maritime and logistics industries. We will provide a Maritime Scholarship to actively train local talents in these fields. In addition, with the assistance of the Hong Kong Productivity Council, a training programme will be organized to equip employees in the logistics industry with the techniques in e-logistics application. We will continue to provide the relevant training programmes in collaboration with the training institutions.

Madam President, I have already spoken for more than 15 minutes, and I would like to stop here. I hope Members will understand that we will make continuous efforts for economic development and in respect of labour issues. Thank you, Madam President.

**FINANCIAL SECRETARY** (in Cantonese): Madam President, the Chief Executive's policy address has upheld the SAR Government's philosophy of governance of being "proactive, pragmatic, always people first", saying that, "In the coming year, the top of my policy agenda will be economic development, wealth creation, improving people's livelihood and enhancing the quality of life". These remarks have briefly summed up the main points of the Government's initiatives in the economic aspect. I would like to further elaborate the Government's direction of work in promoting economic development and upgrading Hong Kong's competitiveness.

The economy of Hong Kong has revived strongly since 2003. During the past two years, the average annual growth rate has been 8%, and the first half of this year also saw a growth of 6.6%. This has been the greatest growth rate that Hong Kong has ever seen in the past 20 years.

Now, our overall economy has completely revived from the depression of 2003. The unemployment rate has steadily dropped from 8.6% in 2003 to the present 4.7%, which is the new record low in more than five years. During this period of time, nearly 310 000 new job openings have been created. The consumer confidence of the people has been boosted remarkably. The Hang Seng Index has surged to more than double that of 2003 to a level that is nearly a historic high, and the market capitalization has also risen substantially by 200% to over \$11,000 billion. Besides, the Government's finance has achieved fiscal balance three years ahead of the original schedule, having reversed the deficit position recorded after the Asian financial turmoil.

In recent months, the momentum of Hong Kong's economic development has remained good. While the economy of the Mainland continues to expand rapidly, the interest rates in the international market as well as the recent trend of oil prices are all favourable for Hong Kong's economic development. As far as my prediction is concerned, it should be possible for our growth rate of this year to reach the upper end of our forecast which was 4% to 5%. However, we shall monitor the situation closely to see whether the external economic trend may bring about any uncertain factors to the economy of Hong Kong.

In recent years, Hong Kong has kept on strengthening its competitive edges in the financial, trading, logistics and shipping industries. In the past three years, the Gross Domestic Product (GDP) of Hong Kong has increased by 23% in real terms. During the same period, the growth rate of the financial industry is 60%, whereas the export/import trading and transport and go down industries have reported a combined growth of 42%. All these industries are in the ongoing process of restructuring and value-adding. The financial industry, for example, has made rapid development in wealth management in recent years, and new financial products and services are launched one after the other. The logistics and trading industries have also kept developing in the direction of high value-added logistics services in order to enhance the effectiveness of the management of the supply chain.

The Hong Kong economy is gradually restructuring in a focused manner towards the financial industry as well as a series of other service industries. This is a correct direction of development of a modern international cosmopolitan city, and it is also the result driven by market forces. These changes have enhanced our competitiveness, and the people have also witnessed improvements in their incomes and living standards.

The economic performance of Hong Kong during the past few years has been very encouraging, and this can be attributed to the flexibility and resilience of the Hong Kong economy and the joint efforts of Hong Kong people, and on the other hand, we have also benefited from the robust global economic environment and the rapid expansion of the mainland economy. With the support of the Central Government, Hong Kong and the Mainland have along engaged in economic and trade co-operation that is mutually complementary and reciprocally beneficial to multiple participants.

These reciprocal benefits are actually manifested in a number of forms. Hong Kong is the largest external investor in the Mainland, accounting for 40% of the aggregate direct inward investment in the Mainland. At the same time, the Mainland is the largest external investor in Hong Kong, accounting for 30% of the aggregate direct inward investment in Hong Kong.

Moreover, the SAR Government and the Central Government entered into an agreement in June this year for a new round of liberalization measures under CEPA. At present, the trading of zero-tariff goods has been fully liberalized in both Hong Kong and the Mainland, which enhances the competitiveness of Hong Kong products in the Mainland. With regard to the trade in services, service providers from 27 different trades and professions have been given access to the mainland market on preferential terms. We will continue to listen to the industry opinions through different channels and convey their aspirations to the Central Government, so as to ensure the effective implementation of CEPA.

The economy of our country has entered a crucial stage of development. The pace of industrialization, marketization, urbanization and internationalization keeps quickening as reforms continue to intensify. The scale of the economy is also expanding at a very rapid rate. All these developments have brought with them new opportunities as well as tough challenges to Hong Kong. As China engages in more and more frequent commercial interactions with different countries around the world, Hong Kong can provide a quality two-way platform to mainland enterprises in our capacity as an international financial and commercial centre because our professional talents and services are on par with the advanced standards in the world.

In order to maintain our competitiveness and make greater contribution to the development of the country, we must strengthen our pillar industries where we have an edge. The Economic Summit on China's 11th Five-Year Plan and the Development of Hong Kong was held in September against this background. Subsequent to the Summit, the various Focus Groups are now working very hard, and from what I have seen, some preliminary proposals are quite encouraging.

The financial services industry is where our greatest competitive edge lies in the economy of Hong Kong. It will also be the focal point for all different industries in the future. The financial services industry of Hong Kong has made

very brilliant achievements. For example, Hong Kong ranked first in Asia last year in terms of the amount of capital raised through the stock market. The general market capitalization of Hong Kong ranks eighth in the world and second in Asia.

While the financial services industry of Hong Kong can contribute immensely to the reform and development of the country, the reform of the financial industry in the Mainland has brought unprecedented opportunities to Hong Kong as well. We must strive to attract financial institutions, enterprises and capital from the Mainland to make use of Hong Kong as a platform for raising capital, making investments and risk management. While our financial institutions and financial tools are trying to "access" the Mainland, we are also strengthening Hong Kong's position as a gateway for mainland capital and financial institutions to "reach out to the world". In strengthening Hong Kong's position as a financial centre, we are bringing into full play our advantage of "leveraging on the Motherland and engaging ourselves globally".

Internationalization is not only our edge but also the cornerstone of Hong Kong as a financial centre. We will explore how we can expand the pool of listed companies and encourage quality overseas companies to use Hong Kong as a platform for getting their companies listed. In addition, as stated in the policy address, we are planning to host an Asian Financial Forum late March next year to promote co-operation in financial areas and to expand the room for further development.

Hong Kong can maintain a high degree of competitiveness mainly because the Government has been playing a facilitating role in formulating matching economic policies. While Hong Kong keeps undergoing economic restructuring, we have to accept market competition and the market principle of survival of the fittest. On the other hand, the Government has to review the policy and regulatory framework regularly and in a timely fashion. Investments in infrastructure are necessary to provide a market environment conducive to the development of emerging industries with a view to taking our economy forward. This is what we call "the market leads and the government facilitates" in the formulation of economic policies.

During the past year or more, we have abolished the estate duty in order to facilitate the development of the assets management business. We have also

strengthened our communication with the relevant government departments in the Mainland to enable Hong Kong to play a more important role in the national financial system. In addition, the Government has been actively promoting CEPA and Pan-Pearl River Delta co-operation to provide Hong Kong with greater room of development and to amass the energy of the market with a view to making greater contribution to the economic development of the country. These are examples of "the government facilitates".

With regard to the competition policy, the Government has always adopted the approach of fair competition with a view to enhancing economic effectiveness and facilitating free trade to the benefit of consumers. This is an important element in maintaining the competitiveness of Hong Kong. Since the inception of the Competition Policy Advisory Group, of which I am the Chairman, we have examined more than 120 cases; different government departments have also adopted more than 80 measures of promoting competition in accordance with the guideline of the Advisory Group.

In addition, in order to perfect further the competition policy of Hong Kong, I appointed an independent review committee last year to review the effectiveness of the competition policy of the Hong Kong Government. In late June this year, the review committee concluded the review and recommended that Hong Kong should enact a new competition law that applies to all trades and industries and the formation of a Competition Commission which will be given suitable powers to enforce the new legislation. In this regard, a consultation document is being drafted and it is estimated that a consultation exercise on the recommendations of the review committee will commence by the end of the year.

Madam President, we should make hay while the sun shines. A suitable sense of crisis is not only important, but also essential. We can see the opportunities brought about by the reform and opening of the Mainland. In fact, we are fairly familiar with these opportunities, and we have mentioned where these opportunities lie on various occasions. With regard to the challenges, I believe the discerning people of Hong Kong are well aware of these challenges, too. This is because the majority of Hong Kong people must have visited the Mainland personally, regardless of whether they are visiting their relatives, doing business, travelling or taking part in other activities. They are able to witness the many developments that have taken place in various municipalities and provinces of the Mainland. They have gained a general

understanding that the Mainland is progressing at a very rapid rate; that the Mainland can accomplish a great number of projects in the course of a five-year plan, which Hong Kong may not be able to accomplish even in two five-year plans. Therefore, many Hong Kong people harbour a certain degree of anxiety in general, which is normal and understandable. Every time when a question on Hong Kong's competitiveness or if Hong Kong will be marginalized is raised, heated discussions will invariably ensue in society. This shows that many people in Hong Kong have a certain degree of anxiety deep in their minds. Therefore, I would like to make an appeal and tender a piece of advice here, that we must have a sense of crisis. We must identify the challenges and work together to overcome them through our joint efforts; otherwise, these dangers will become more and more realistic. With the globalization of the economy, the modernization of the Mainland and the rapid progress made by the Mainland in science and technology, Hong Kong must keep moving ahead, or else, it will be left behind.

Madam Chairman, the economy of Hong Kong is moving ahead in great strides. We have to stay close to market trends and implement policy initiatives to facilitate the development of the economy. The Chief Executive has given an outline of the direction for our economic development in a pragmatic and practical manner, complete with a number of specific measures for enhancing the competitiveness of Hong Kong. With these remarks, I implore Members to support this year's policy address and oppose the amendments proposed by Mr LEE Cheuk-yan and Mr Albert CHAN to the Motion of Thanks. I so submit.

Thank you.

**PRESIDENT** (in Cantonese): This is the end of the second session, and the third debate session will commence now. The policy area for this session is "education, home affairs and manpower planning".

**MRS SOPHIE LEUNG** (in Cantonese): President, I would like to express my views on the relations between social harmony and education.

Before discussing this topic, I would like to read out a letter between two women who endured considerable hardships in the '50s and the '60s. The letter, written by Ms SIU Fong-fong, is extracted from a book entitled *From Dawn to*

*Dusk* by Ms KOO Mei. I suppose people of our age will know that the two artistes were subject to a lot of hardships when they were young. Ms KOO's book reads: "Dear Lark, I was especially pleased when I received your fax. I was so touched as if I had received a letter from home.....probably because you were particularly nice to me when I was filming in Taiwan more than 40 years ago. Since then, you have left in my heart a feeling of warmth. I now find that the warmth buried deep in the heart of a child grows stronger and stronger as she grows older. Perhaps we encounter coldness more than warmth on our path of life, and so we would not let this tiny bit of 'light' go once we got hold of it.....". This was the letter from Ms SIU. Ms KOO wrote this in her book: "I was all tears at reading these words of true feelings. Her childhood, and my adolescence, had been buried by the merciless years. The bit of 'light' tightly grasped in our hands could only be found in the last remains of the day." These words precisely demonstrate the fragility of many a young and tender heart.

In my opinion, care and attention are the key nutrients fostering children's development, and parents are the key providers of these nutrients. This year's policy address has got its direction right for it has taken a further step by focusing on family harmony, community and neighbourhood and launching engineering at social harmony in the subtleties.

Strengthening the role of family begins with parenting education and marks the first step to family harmony. As the situation now stands, while emphasis is constantly placed on upgrading the quality of school education, parents have gradually and unconsciously handed the important task of educating the next generation to teachers, principals, schools, and even social workers. Moreover, their care for children has gradually turned into indulgence. Or they are at a loss as to what they should do or they dare not deal with the matter personally. It is unhealthy that parents only play a very passive role when their children encounter developmental problems. This has not only given rise to many adolescent problems, parents have also become increasingly helpless.

The Liberal Party has always believed that parents are the ideal educators of our next generation. It is also the bounden duty of parents to do so. Between 2003 and 2004, several enthusiasts, including Mr CHOW Yung and Prof YEUNG Ka-ching, and I spent a lot of energy and time exploring the mode of parenting education in the community. It was found that parenting education had mostly failed to induce parents to engage themselves from the perspective of care and teach their children by practising what they preached. Instead, they

were merely taught not to shatter the delicate minds of their children. To achieve quality parenting, physical and psychological needs in development must be taken into joint consideration. Strictness and care must co-exist and exercised simultaneously. It is therefore necessary to reposition parenting education by empowering the parents and enabling them to gain a new understanding of their role and functions in the course of parenting, cease to rely on principals, teachers or social workers, and realize that they should not shift their responsibilities to the community. In this process, we eventually conducted two rounds of seminars on "quality parenting" with huge success. The outcome of the seminars was forwarded to the Women's Commission for follow-up.

On the other hand, parenting education should be geared towards fostering harmony in the community as a whole by, for instance, enabling schools to play a key role as a platform for parents' involvement in education and combining the joint participation of other interested people in the district to promote parents' involvement in parenting education in an interactive and two-way model and, amid an atmosphere of mutual assistance and benefit, and to enable parents to restore their confidence in and responsibility of parenting again. Failure on the part of the education sector and members of the community to develop room for co-operation in parenting education will only increase the burden of schools and teachers, who are already extremely exhausted. Hence, they will only get half the results with double the effort, and our next generation will ultimately suffer. At the same time, teachers will be held partially liable for failure to develop room for co-operation. They should indeed consider this carefully.

Some parent-school co-operation projects involving participation by various sectors of the community and carrying special significance in mobilization and planning have already commenced in some small communities, and their experience is worthy reference. The "Extraordinary After-school Care Project" supported by the Community Investment and Inclusion Fund, which has been mentioned by me in this Chamber, is a good example. Under the Project, some women's organizations in communities work in collaboration with primary schools, and suitable schoolchildren will be selected by the schools to participate in the Project. While parents will receive training provided by community organizations, they will also work with university students to teach schoolchildren living skills, to help them resolve learning difficulties, and to enhance their interest in learning. Besides considerable effort has also been made in after-school care. Trained parents can, besides contributing their time,



also contribute to their own children and even repay society while encouraging more parents to participate. Similar models can also enhance ties between community organizations, schools and parents and therefore create a multi-win situation. I believe there are many more examples like these, which are worth our promotion.

Being part of adult education, parenting education should seek to boost the capacity of parents by strengthening the mode of mutual assistance and learning and upgrade the quality of their children's education. Establishing mutual help networks for parents, nurturing women to provide timely and suitable assistance for their families, thereby equipping parents with a certain level of earning capacity and enabling them to build up self-confidence and dignity, might provide an opportunity for poverty-stricken families to get off the hook and become self-reliant. President, when I was serving on the Women's Commission, many leaders of women's organizations asked me how I taught my children, as they had no idea at all how to do it. I found it most ironic that, despite their ability to work in the community, they seemed to know nothing about how to deal with their own children. Why? I always have the feeling that we used to treat children education as an extremely difficult task, and there is a consensus in society that it is very difficult to educate children. Coupled with the various allegations about what education should do or lacks, parents believe it to be true that the deficiency in education should be blamed, without asking themselves what they as parents are capable of doing. As a result, their confidence in promoting education themselves gradually diminishes.

Actually, if collaboration of this kind can be enhanced through mutual help networks to enable parents to share their parenting experience to enlighten other parents to nurture their children with positive values, such a mode of mutual support and mutual enlightenment can better help parents and reduce the feeling of helplessness among many adversity families, as well as changing the attitude of parents or students with poor motivation in learning. In the long run, social cohesion can be enhanced even better.

All the modes of parenting education proposed above actually revolve around the direction of social development of the 21st century, that is, we must update our way of thinking and abandon the mentality of help reception. It is essential for both students and parents to abandon this mentality. Teachers and school management must also update their way of thinking and refrain from treating their schools as their own territories. Instead, they should bring in people from all strata of the community to jointly explore the true philosophy of

education in the hope of upgrading oneself with the attitude of self-reliance and self-improvement. At the same time, teachers, parents and students must abandon the service-oriented mode. Instead, they should introduce ways of collaboration by combining all strengths and resources to empower parents and build up their capacities in their course of participation, thereby upgrading their quality and capacities of parenting.

Besides parenting education, I would also like to raise a point concerning higher-level education, which deserves our consideration. In the past two decades, society has placed excessive emphasis on academic and skills training, to the neglect of the learning process and mentality of students. At the same time, the building of the character and way of thinking of students has been overlooked, too. Hong Kong's success lies in our continued innovation, flexibility in coping with changes, and our extraordinary strong capacities against adversity. For our success to continue, these entrepreneurial elements of the entrepreneurial spirit must pass on from generation to generation. The entrepreneurial spirit, or ES, emphasizes the individual spirit of respecting and enjoying one's work, stand fast at one's post, and lay a foundation for one's future development with determination. The ES concept has started gaining popularity in the international community, and is being promoted by a lot of nations. It was this entrepreneurial spirit that contributed to Hong Kong's past developments and achievements. The entrepreneurial spirit actually originated from Hong Kong. The nurturing of this spirit cannot rely solely on schools and teachers. Instead, it relies on co-operation between the community as a whole and various strata in promoting the establishment of a platform for collaboration among the Government, businessmen and people to nurture a new generation with the entrepreneurial spirit through interaction and exchange. This is the prerequisite for the establishment of society.

President, I so submit.

**MR CHEUNG MAN-KWONG** (in Cantonese): President, on the eve of the delivery of the policy address, I put forward three major demands concerning education to Donald TSANG and Secretary Prof Arthur LI on different occasions: to subsidize early childhood education and upgrade the qualifications of kindergarten teachers (KG teachers); halt the policy of culling schools and implement small-class teaching (SCT); and subsidize associate programmes to remove the bottlenecks in universities.

The three major demands represent the wishes expressed by 10 000 teachers in a petition early this year. Given their extremely heavy workload, teachers would not have taken to the streets were it not imperative for them to do so. It was absolutely unusual for 10 000 people to assemble at the Queen's Pier braving wind and rain in chilling weather when the New Year was fast approaching. Besides the indiscreet remark made by Mrs LAW, the teachers opposed the alienation and changed nature of the education reform, and the rashness and grievances of education. They were deeply hurt for their receptability had not been taken into account throughout the six years of education reform.

Nevertheless, let us not look back at the past. The greatest wishes of teachers are stability in teaching work, dignity of self, and enjoyment of family life. These are also the most honest and down-to-earth aspirations of anyone who is contented with his lot. Yet, teachers are denied stability, dignity and family life. How can they restrain themselves from standing up and taking to the streets when they are overwhelmed by heavy workloads and grievances?

I once indicated to the Government my yearning for peace after the turbulent education reform. In this year's policy address, the Government has resolutely committed \$2 billion to early childhood education. This is the dream the early childhood education sector has been striving for 15 years. I still remember I joined the policy address debate for the first time 15 years ago in this Council — I found the speech script besides me last night — it reads: "99% of children of school age are receiving kindergarten education; the vast majority of kindergarten teachers have to bear with a slender salary; and many kindergartens have to struggle for survival in adverse circumstances. Despite all these, the Government has not offered any help and completely disregarded pre-primary education. In the past two years, the provision for pre-primary education only represented 0.75% of the total education expenditure. This is not only pitiable but also lamentable. Such is the misery of education in Hong Kong." The Secretary for Education and Manpower back then refused to provide subsidy for early childhood education on the ground that it was not indispensable. Today, early childhood education is brought under the scope of subsidy and becomes the starting point of basic education. It is encouraging that spring, albeit late, has come.

Now, 15 years after that debate, kindergarten education remain education's weakest component. This year, kindergartens merely account for 2.7% of education expenditure. At present, 60% of KG teachers have yet to

acquire diploma qualifications, far below the expectation of the community. The burden of parents is also heavy because of the lack of government assistance. With the fall in student population in recent years, kindergartens have to struggle hard for survival, schools have continued to close down, and there is a massive drain of KG teachers. A trained KG teacher can even be paid \$3,500, representing a mere 20% of the pay proposed by the Government. Hit by job instability and difficulty in making a living, where can KG teachers find their dignity and prospect? These are the fundamental causes leading to KG teachers' persistent turmoil.

Hence, I support Donald TSANG and Secretary Prof Arthur LI to subsidize early childhood education. Besides a reduction in the amount of school fees payable by parents, whether the Government can grasp the opportunity to ensure trained KG teachers are paid according to the pay scale is definitely a focus of attention of the early childhood education sector. It has been the thrust of their struggle for the past 15 years too. During its recent meetings with the early childhood education sector, the Government indicated that the salary of KG teachers under the voucher system should be determined by the market. This implies that the salary of trained principals and KG teachers will still be unprotected. This represents a retrogressive step in the subsidization policy and will not help KG teachers become professionals. Despite the request of KG teachers for launching a signature campaign, we still hope to open a dialogue with the Education and Manpower Bureau in the hope that the Government can take back its words. I definitely do not wish to organize another rally of KG teachers to take to the streets to continue their struggle that has lasted 15 years without fruition. With KG teachers' professionalism and income stability before me, I will not give up.

President, the subsidy offered under the voucher scheme is limited to non-profit-making kindergartens charging fees not more than \$24,000. According to the Government's estimate, 90% of the children will eventually be benefited if some independent kindergartens become non-profit-making. This will cost the Government \$2 billion or so per annum. This is also the blind spot of the voucher system: Some parents, not necessary middle-class people, will not be subsidized if they choose independent kindergartens for their children. According to the Education and Manpower Bureau, public money cannot be used to subsidize these kindergartens because they can make a 10% permitted profit. However, the existing fee remission scheme provides subsidy according to the income or financial condition of the parents, without regard to the nature of the

kindergartens. Similarly, the voucher system, to be launched shortly, will provide kindergartens with a one-off development allowance of \$500 per student, subject to a ceiling of \$135,000, or training assistance of \$60,000 for each independent KG teachers over a period of two years, regardless of the nature of the kindergartens. We can thus see that the argument of not subsidizing independent kindergartens to avoid collusion between business and the Government is self-contradictory and, therefore, untenable.

Therefore, I hope the Secretary can put himself into someone's shoes and refrain from getting agitated and adding fuel to the fire by refusing to offer subsidy, thus hurting principals and KG teachers who have been toiling in silence for the sake of education for no reasons. Moreover, parents have done nothing wrong in making choices. So, why should the innocent be hurt? The Education and Manpower Bureau should, on the contrary, adjust the voucher scheme by bringing independent kindergartens under the scope of subsidy. Of course, I will propose some requirements for the subsidy: Besides the handling of profits, independent kindergartens must be regulated in the same way as non-profit-making kindergartens in terms of quality of education, teachers' qualifications, pay, financial supervision and auditing, to ensure reasonable use of public money. In doing so, parents with different preferences can also receive subsidy in the form of vouchers so that more children can be benefited. With additional resources, the overall quality of kindergartens can be upgraded for the well-being of the next generation.

President, I support bringing the qualifications of KG teachers up to diploma level. What is more, I hope the qualifications of KG teachers can be gradually upgraded to degree level. At present, the qualifications of KG teachers have not only lagged behind that of the world but have also been surpassed by Macao. Given the lessons learned from the education reform, I hope the continued studies of KG teachers can be treated with more flexibility, lenience and sympathy, by taking account of their need to run around and their hardships and the receptability of schools and teachers, and avoiding a repeat of the mistake committed in connection with the continued studies of primary and secondary teachers. It is even more crucial that the new subsidy system must be linked with the qualifications and pay of KG teachers for the purpose of establishing the professional status of KG teachers, motivating the pursuit of further studies, and steadily upgrading the quality of early childhood education.

President, early childhood education aside, I still have to ask the Government to suspend its school-culling policy and implement SCT. The greatest mistake of the six-year education reform is committed by the policy of "building schools on the one hand and culling them on the other". Breaking the hearts of many principals and teachers and being the root cause of the alienation and changed nature of the education reform, the policy represents the bitterest page in the history of local education. I demand that the school-culling policy be halted immediately, quality SCT be implemented gradually, and education resources be redistributed. While the funds saved as a result of the declining numbers of primary and secondary students can be used to launch the "3-3-4" academic reform, it must also be appropriately deployed to areas in urgent need to, for instance, provide subsidy for kindergartens and associate programmes or for the implementation of SCT.

After the granting of subsidy to kindergartens, the associate programmes have now become the weakest component of education. Upon the Government's excessive publicity and the successive completion of teaching complexes with loans, associate programmes will experience a serious problem of supply exceeding demand. Let us imagine this. 30 000 or even more associate students will graduate every year. Their academic level is not clearly guaranteed, and their qualifications are not extensively recognized by the community. There is no significant difference between them and matriculated students in terms of job opportunities. Insofar as pursuing further studies is concerned, they face the narrowest bottleneck in universities. Furthermore, they have to repay the loans owed to the Government. When the ranks of associate students grow bigger and bigger, conflicts and grievances will intensify. The bomb hidden in higher education must be defused.

For the sake of developing the four-year university system and coping with overseas students, massive construction has to be undertaken within the next decade, and so it is difficult to substantially expand the number of places. What can be done in the face of tens of thousands of associate graduates yearning for university studies? The Government should therefore adopt a two-pronged approach by, on the one hand, continuing to expand a suitable number of university bridging places and, on the other, considering to expand the loan scheme for associate students to allow them to opt for overseas studies to fulfil their wishes of pursuing university studies and obtaining university degrees. From an educational or financial angle, local university students actually require more overseas learning experience. The dilemma resulted from the bottleneck

experienced by associate students has, on the contrary, become the starting point for overseas studies. This proposal should be welcomed by parents and will create a win-win situation for education and students.

President, after six years of turmoil caused by the education reform, a conciliation is called for in the education sector. I hope the Government can resolve the disputes arising from the school-based management legislation by a wiser means and rebuild mutual trust with school sponsoring bodies. It is not the best solution to bring the matter to Court or resort to high-handedness. I wonder if the Government holds any intention of conciliation to dispel misunderstandings and make a gesture of friendship to school sponsoring bodies. I also wonder if education can break away from resentment to make everyone and every family happy.

President, I so submit.

**MR MA LIK** (in Cantonese): President, the Chief Executive has proposed in this year's policy address to, starting from the year 2007-2008, provide kindergarten students aged three to six with subsidy, in the form of an "education voucher", of an annual sum of \$130,000, to be increased to \$16,000 over a period of four years. Of all the new policies proposed in the policy address, I believe this one has attracted more attention and discussion in society partly because of the great deal of rational discussions stirred up as a result of the introduction of the voucher. According to the Government's thinking, the voucher applies only to local non-profit-making kindergartens that charge fees not more than \$24,000. The doubt cast by some market theory fundamentalists about the authenticity of the voucher has thus given rise to much dispute. From the practical point of view, parents of children studying or going to study in private kindergartens are unhappy that they cannot benefit from the proposal. Some middle-class families have even criticized that, despite their share in paying tax, they have no share in public welfare. The private and individual kindergarten sector is also unhappy with the fact that they are not given due attention and even expresses worry that their viability might be affected.

The DAB has long believed that the distribution of resources is unsatisfactory and unbalanced under our education policy, with little resources devoted to basic education. In particular, only a tiny portion of resources has been taken up by early childhood education. There is indeed enormous room

for the quality of early childhood education and teacher qualifications to be upgraded. In our opinion, further upgrading basic education and laying a good foundation for students at a young age will help upgrade the quality of education as a whole. This explains why we have been requesting the Government to provide more subsidies for early childhood education and ultimately bring early childhood education into the scope of free education while vigorously improving the treatment received by kindergarten teachers (KG teachers) and upgrading the standard of their qualifications. We believe this can even be treated as a proactive population policy to encourage the people to give birth. Many middle-class families will make careful calculation before considering giving birth should the birth of a child means an excessive burden to them. In a survey conducted by the DAB on parents of schoolchildren, 75% of the respondents considered the Government's commitment to early childhood education inadequate; 50% considered early childhood education expenses posed an enormous burden on family finances; more than 40% expressed dissatisfaction with the current quality of early childhood education; and 90% considered it necessary for early childhood education to be included in the scope of government subsidy.

Hence, we consider the proposal in the policy address to provide school fee subsidy for parents and studies subsidy for KG teachers a big step forward in policy that merits our support. I dare not say the "education voucher" adopted by the Government is a perfect name, as we can judge from overseas experience that a system which is entirely based on the concept of "education voucher" conceived by economics gurus practically does not exist. To a certain extent, there are restrictions in application, such as requirements on the levels of school fees, the financial conditions of students' families, and so on. In Hong Kong, profit-making has long been considered the dividing line in primary and secondary education. Only non-profit-making schools are offered subsidy and these schools actually refer to those using all their operating revenue, after deducting expenses, on school development. The same applies to kindergartens, too. According to the Government's present thinking of issuing the education voucher, only non-profit-making kindergartens are eligible, subject to their enhancing their transparency and meeting the quality requirements. At present, however, the Government has been providing non-profit-making kindergartens with a wide range of financial support in the form of reimbursement of rent, rates and Government rent, and granting of financial allowances. The combined amount of allowances granted accounts for more than 20% of the total expenditure of the kindergartens receiving subsidy.



Although the Government's offer of subsidy solely to non-profit-making kindergartens is nothing new, should commercially-run kindergartens similarly receive a subsidy under the new "education voucher" proposal? This is contentious policy-wise. At present, there are criticisms in society that commercially-run kindergartens are excluded under the Government's voucher scheme. However, even more criticisms may be heard should public money be used to subsidize the operation of private business by giving commercially-run kindergartens the "voucher".

According to the Government's estimate, by the year 2011-2012, eligible non-profit-making kindergartens will benefit 90% of school children. We believe some high-standard private independent kindergartens charging high fees still have a value of existence and room for development under the market environment. As for other private independent kindergartens, the Government should, under the present circumstances, adopt more concrete measures to encourage and help them to operate in a non-profit-making manner. Actually, private independent kindergartens also face a tough business environment, and they have also made a great deal of investments. The new policy will have a definite impact on their operation and development plans. We hope the Government can seriously heed the views of the sector and jointly explore a reasonable transitional arrangement.

In our opinion, fee subsidy is only one of the initiatives for improving early childhood education. Coupled with proper quality surveillance by the Government, we should also begin from other aspects. The task of upgrading teacher qualifications for early childhood education will not be taken lightly. Without reasonable pay, early childhood education talents cannot be retained. Last year, the Government indicated in this Council that it would actively consider the sector's proposal of setting a pay scale for KG teachers. Given that the Government has agreed to upgrade the qualifications of KG teachers to diploma level, it should fulfil its promise made to this Council last year by expeditiously formulating a pay scale for KG teachers, encourage them to pursue studies and upgrade their academic qualifications.

President, the DAB has always held that Hong Kong has to, and has the conditions to develop the education industry and attract non-local students to study in Hong Kong. We have also compiled a topical report and submitted it to Secretary Prof Arthur LI. In our opinion, the further development of our

education industry can be facilitated by such means as further expanding the quotas on the admission of non-local students by UGC-funded institutions, streamlining the immigration procedure for non-local students intending to come to Hong Kong for studies, speeding up the vetting and approval process, and progressively expanding the types of programmes. Furthermore, we hope the Government can suitably relax its approach and exercise greater flexibility in dealing with overseas students taking up part-time jobs and remaining in Hong Kong to work upon graduation. At present, the shortage of dormitory facilities in local institutions particularly warrants our attention. It has recently been reported that some activities rooms in the dormitories of individual universities have to be converted into cubicles for overseas students. Should this situation continue with no solution in sight, enrolment will definitely suffer, thus making it difficult to develop the education industry in Hong Kong. In the long run, the Government must assist the institutions in expanding their dormitory facilities. The Government should also consider suitably providing overseas students with rental assistance to resolve the short-term problem of inadequate supply. In the meantime, we hold that a dual-track mode of operation can be adopted in developing the education industry in Hong Kong by allowing the private sector to play a key role as well, though assistance in financing and land must be offered by the Government. We hope the Government can encourage the universities in Hong Kong to collaborate with some prestigious universities in Europe and the United States by, for instance, operating a subsidiary in Hong Kong or enhancing research and collaboration. We believe the competitive edge of the local higher education industry can be enhanced, thus attracting overseas and mainland students to come to Hong Kong for studies. It is the hope of the DAB that the Government can expeditiously formulate strategies and specific measures in the several aspects mentioned above to prevent Hong Kong from lagging behind its rivals in the region.

I so submit.

**MR TOMMY CHEUNG** (in Cantonese): Madam President, the Liberal Party and I have been striving for a voucher system for early childhood education for years. We are very pleased that the Chief Executive has finally adopted the proposal in the policy address to affirm the needs of early childhood education and alleviate the burden on parents, especially middle-class parents. Such a beneficent measure deserves our praises.

I understand but disagree with the remark made by the Secretary for Education and Manpower, that the voucher system should be limited to parents of students attending non-profit-making kindergartens to avoid subsidizing commercial activities with public money.

As long as the authorities are clear about their own objectives, that the voucher system is implemented to affirm the needs of early childhood education, all parents of kindergarten students should, on the premise of social harmony, be given the genuine right to choose so that they can freely select the kindergartens they considered suitable for their children — whether they be private independent kindergartens charging a fee of \$100,000 per annum or non-profit-making kindergartens charging several thousand dollars per annum — rather than leaving 10% of parents out of the voucher system.

To fully implement the "money goes with the students" principle, the Liberal Party holds that the voucher should benefit parents of students attending either non-profit-making or private independent kindergartens. The ceiling on school fees should even be lifted so that half-day kindergartens charging \$24,000 per annum or full-day kindergartens charging \$48,000 can be benefited as well.

However, to avoid posing an indefinite burden on public money, the Liberal Party agrees that the ceiling on the amount of annual subsidy per student should remain unchanged, from \$13,000 in the next school year to \$16,000 in the 2011-2012 school year.

According to the authorities concerned, the recurrent expenditure incurred will reach approximately \$2 billion, given that the limited voucher system as proposed will be applicable to 90% of the kindergartens across the territory. Such being the case, we believe the extra expenditure that may be incurred by the Government per annum will increase by a mere 10%, or \$200 million, if all the kindergarten students in Hong Kong are brought under the system.

Actually, the authorities need not worry too much about being accused of abusing public money to subsidize profit-making activities. Under the Government's profit control, private independent kindergartens and non-profit-making kindergartens are allowed a profit of 10% and 5% respectively. It is impossible for shareholders of kindergartens to make

exorbitant profits for profits in excess must be ploughed back into the kindergartens for development purposes.

In response to the remark made by the Secretary for Education and Manpower that many private independent kindergartens are not running properly, I would like to point out that kindergartens have entered an era of eliminating the weak following a dropping birth rate. Many kindergartens of poorer quality, be they private independent kindergartens or non-profit-making kindergartens, are in imminent danger of closure when they have no support from parents.

Therefore, the authorities should not be passing any sweeping judgement. Some private independent kindergartens are very popular among parents for their high quality. Undeniably, private independent kindergartens are under greater pressure in terms of costs because rates and rent concessions are offered to non-profit-making kindergartens only. Hence, the competitive edge of private independent kindergartens is being undermined in some measure. The exclusion of these kindergartens from receiving subsidy under the voucher system will only further stifle their viability. The Government has thus unknowingly interfered in the operation of the market, thereby violating the principle of fair competition.

I understand that a task force will from time to time inspect non-profit-making kindergartens. However, no or inadequate manpower is available to carry out inspections of private independent kindergartens. It is therefore difficult to say whether the accusation that 80% of the private independent kindergartens have failed to meet the standards reflects the truth.

If some private independent kindergartens have really failed to meet the standards and encountered such problems as unsatisfactory teachers' qualifications and poor management, thus jeopardizing the interest of students, there is even a greater need to bring these kindergartens back onto the right track by subjecting them to inspection and monitoring to ensure that they meet the standards before they are granted the subsidy. This will encourage all kindergartens to participate in healthy competition and in turn upgrade their level of teaching and transparency.

The authorities have in recent years vigorously upgraded the quality of kindergarten teachers by requiring all kindergarten teachers to obtain Certificate

in Education (CE) in several years' time. Despite the launching of free CE programmes by various major institutes with government subsidy, many kindergarten teachers are forced to privately enrol in similar programmes not financed by the Government owing to limited places and the lengthy waiting period for enrolment.

From the perspective of training kindergarten teachers, the voucher subsidy can actually encourage kindergartens to arrange for their teachers to enrol in paid CE programmes to upgrade the standard of qualifications of the teachers in their kindergartens. Without the subsidy, private independent kindergartens will naturally lack incentives to arrange for their teachers to pursue studies because of financial constraints. In other words, teachers unable to pay the tuition fees on their own will have no opportunities to enrol in the CE programmes in the hope of upgrading themselves to meet the qualifications required by the Government. Why should the teachers of private independent kindergartens be exploited in this manner and treated unfairly?

It must be understood that there is a direct relationship between teachers' qualifications and the voucher subsidy. With improvements in teachers' qualifications, the quality of teaching in schools will be upgraded and, ultimately, our next generation will be benefited.

To sum up, the teaching quality of private independent and non-profit-making educational institutions must be taken into joint consideration. The authorities have to be held liable if it is said that the standards of private independent kindergartens vary greatly. I would like to advise the authorities to look squarely at the dissatisfaction of middle-class parents and private independent kindergartens, readily accept good advice, and bring private independent kindergartens into the voucher system.

President, I so submit.

**DR YEUNG SUM** (in Cantonese): Madam President, as the policy address has made no mention of legislation on a minimum wage, nor is there a timetable for universal suffrage, the first reaction of the Democratic Party was to cast a negative vote. After reading a great deal of information about the policy address, however, we find that the Government has positively responded to the aspirations of the Democratic Party in two aspects. First, regarding

environmental protection, the Government will provide subsidy to vehicle owners to enable them to replace their old vehicles with more environmentally-friendly vehicles. Furthermore, the Government even considers linking the emissions requirements for the two power companies with their rate of return under the profit control scheme. Madam President, Secretary, as regards the second point, the Chief Executive is prepared to provide a subsidy of \$2 billion for kindergartens. After discussion, our political party has finally decided to give up voting. We disagree because there is no mention of universal suffrage and legislating on a minimum wage in the policy address. However, we do not want to object mainly because the Government has already made responses in respect of early childhood education and environmental protection.

Madam President, I have at hand a copy of the brief notes sent by the Government for me when I ran in the 1991 election, in which the "double-seat" system was implemented on Hong Kong Island. My platform comprised eight points. The fourth one is about improving child care services and fighting for subsidy for early childhood education. Having become Members of the Legislative Council in 1991, CHEUNG Man-kwong and I have put our platforms into implementation through campaigning to the Government for subsidy for early childhood education. After a long wait of 15 years, the Government has finally promised to provide early childhood education with further subsidy. However, it is a pity that the Government has used the wording "voucher system". I told CHEUNG Man-kwong while the Chief Executive was delivering his speech that the voucher should not be interpreted in that way, if the Chief Executive was referring to the voucher proposed by Milton FRIEDMAN after winning the Nobel Prize in 1978. Yes, that sort of voucher was subsidized by the government, but it carried two features: first, use of the competition in the market; and second, to give parents full choices. It is a pity that under the Hong Kong-style voucher system — or a "bogus voucher system" — parents basically have the right to choose but are subject to the condition that private independent kindergartens charging an annual fee of more than \$24,000 will not be qualified. This is different from the voucher system generally understood in the academia.

The Hong Kong-style voucher system, though called by some people a disguised voucher system, is indeed very helpful to operators of government-subsidized early childhood education — up to 90% according to the Government. On the basis of a monthly school fee of more than \$1,000, a

subsidy of \$13,000 would mean \$3,000 for teacher training, and \$10,000 for students. Basically, the assistance is enormous. Unfortunately, however, the Government has lost sight of other considerations, as the voucher is after all not genuine. The saying that parents have choices is only half of the truth. Parents of families with relatively low income are no doubt given choices. They may choose their favourite kindergartens from among the Government's subsidized kindergartens for their children. However, middle-class families are left with no choice, for their children are mostly studying in private independent kindergartens. The impact on them is therefore enormous. My office has received a lot of complaints from members of the middle class living on Hong Kong Island. President, mortgage payments asides, education expenses of their children have also placed a substantial burden on them. Such being the case, could the Secretary re-examine the issue to see if the voucher system can be fully opened up to become the voucher system generally understood by the academia?

The voucher system was implemented in Britain by the Conservative Party as early as 1996. However, one year after its implementation, it was abolished after the Labour Party had ascended to power in 1997, and early childhood education was brought into the ambit of free education. I read some documents at that time and found that the Conservative Party was criticized for its implementation of the voucher system in 1996. The criticisms included: first, insofar as the freedom of sending children to school was concerned, only well-off constituents were being taken care of; second, the amount of subsidy was inadequate, and so parents had to make up for the shortfall — it was very strange that many parents complained because school fees were higher than the amount of subsidy; third, the voucher system merely offered short-term, not long-term, assistance to schools. In view of the extensive criticisms, Tony BLAIR simply abolished the voucher system across the board after ascending to power and brought early childhood education into the ambit of free education.

If the Secretary maintains that the voucher system should not be fully opened up, he may consider the request made by the Democratic Party in the Budget debate last year concerning the offer of subsidies by the Financial Secretary on school fees payable by students across the territory. Insofar as the voucher system is concerned, students failing to obtain the voucher may be offered a subsidy of \$10,000 per annum, or a total of \$30,000 over a period of three years, when they receive early childhood education. The amount of subsidy will be extremely helpful to middle-class families, for they have to pay

tax and cope with the burden borne by them in their daily life and in meeting education expenses.

Mrs Fanny LAW pointed out the other day in newspapers that a Court in Florida, the United States, had ruled that the voucher system being implemented was unconstitutional. Out of curiosity, I searched the information and found that the Constitution of Florida specifies this requirement, and I quote: "Requiring the state by law for a uniform, efficient, safe, secure, and high quality system of free public schools that allows students to obtain a high quality education". So there is this constitutional requirement on Floridan public schools of a uniform, efficient, safe, secure, and high quality system of schools. This is the Court's ruling: "the occurrence of a diversified education system as a result of the allocation of public money originally earmarked for public schools to private schools is not in line with the uniform public education system specified in the Constitution." The judgement related by Mrs Fanny LAW was extensively covered by the media.

Let me repeat that there is no such constitutional requirement in Hong Kong. Therefore, one must not say that it is unconstitutional to implement the voucher system on a comprehensive scale. The Secretary once said to me: "YEUNG Sum, you are not expecting the Government to subsidize someone to do business, are you?" He has even stated confidently that the Hong Kong-style voucher system should not cover private independent kindergartens. On Wednesday, I met with a deputation of more than 30 people from private independent kindergartens as well as subsidized kindergartens. I was told by some principals of private independent kindergartens that some of their students were not from the middle class. Instead, they were receiving subsidy under the Kindergarten Fee Remission Scheme. In other words, in offering subsidy to needy families to send their children to school, the Government does not specify whether the school should be a private independent kindergarten or subsidized kindergarten. This is point number one.

Second, some resources have actually been put aside under the so-called alternative voucher system proposed by the Government. For each student, \$500 will go to subsidizing his or her kindergarten to improve school facilities, such as purchase of computers. There is no differentiation as to whether the kindergarten should be a private independent kindergarten or subsidized kindergarten. Although the Secretary appeared to speak with great confidence and righteousness, there are loopholes in the existing policy and arrangements. I wonder if it is because preparations were not done properly that the implementation of the policy has given rise to conflicts and loopholes.



In view of the great reverberations in the community, the Secretary should indeed take a close look at the matter. I know the Secretary will definitely tell us that, according to the Inland Revenue Department, many private independent kindergartens have started applying for change of status into subsidized kindergartens. Anyhow, I hope the Secretary can note the grievances harboured in the hearts of the middle class. As it is said that the voucher system is meant to give parents choices, why are middle-class families singled out and denied the choices? I hope the Secretary will not leave out this matter of principle and lose sight of other considerations such that such a well-intentioned policy of the Government will end up drawing wide criticisms.

Madam President, I have originally thought that principals or teachers of subsidized kindergartens would probably feel very pleased. However, the information provided by teachers reveals that they are extremely worried about their pay system. Madam President, regarding the pay system for subsidized kindergartens, the Government has implemented a proposal for years whereby kindergarten teachers will receive certain pay protection upon their switching of jobs, return to Hong Kong upon completion of their studies or attainment of certain academic qualifications. However, the Government is now saying that the Hong Kong-style voucher system is market-oriented. Therefore, the pay system proposed by the Government is no longer required. Schools should then determine on their own the pay for their teachers. While the voucher system has virtually offered immense assistance to lower-income families in sending their children to kindergartens and made enrolment easier, it has surprisingly caused severe impact on kindergarten teachers.

I have been serving the social welfare sector for quite some time. Madam President, the implementation of the lump sum grant arrangement years ago to delink the salaries of social workers from the civil service pay system gave rise to a significant phenomenon. There is no system at all regarding the amount of additional salaries receivable through studies, job switching or promotion. The school authorities may simply decide on their own as different rules apply in different places.

Madam President, according to my observation, a stable pay system is marked by four key elements or characteristics. First, the progress of pay increases must be clear in the sense that one should know the number of years it will take or the academic qualifications required for getting a pay rise; second, the system must make it easy for teachers to make their study plans with the

knowledge of which salary point can be reached with the attainment of certain academic qualifications upon graduation; third, given the obvious peg between the pay system and academic qualifications and experience, teachers will be encouraged and motivated to further their studies; and fourth, such a clear qualifications framework facilitates the promotion and transfer of teachers. Even upon switching of jobs, teachers will know that their increments can be retained and there will not be a sudden dramatic drop in salary when they switch to another school. As part of the social worker profession, I consider a stable salary structure very important. We will also get a clearer picture of further studies, job switching and the qualifications framework.

If we look farther ahead, Madam President, the Democratic Party simply hopes that early childhood education can be brought into the ambit of free education. In doing so, not only can the quality of early childhood education be further upgraded, kindergarten teachers can also become more professional. Consequently, early childhood education will be taken even more seriously. According to the findings of many researches on education, education should be seen as an investment in human resources. If the investment can be made at the stage of early childhood education, students will be benefited greatly in terms of learning motives, curiosity, and language competence. Furthermore, with the transformation of Hong Kong into a knowledge-based society, this will lay a good development foundation. Can the voucher system be fully opened up first if early childhood education cannot be included in the ambit of free education for the time being? If the voucher system can still not be fully opened up after a period of time, can early childhood education be included in the ambit of free education to tie in with our nine-year free education?

Generally speaking, I personally think that the Government is sincere in proposing the voucher system, though I feel that preparations have been inadequate. The Government has lost sight of some considerations since middle-class families have been neglected, though some lower-income families have been taken care of. As regards areas for improvement, I hope the Government and the Secretary can really look squarely at the response of the middle class. I believe attention must be paid to this area. Furthermore, I have found that an immediate effect has been produced by the implementation of the policy. Many parents who have enrolled their children in private independent kindergartens have started arranging for their children to switch to kindergartens covered by the voucher system just because some principals were slightly hesitant when asked if their kindergartens would be eligible for the

voucher. This shows that there are already signs of a drain of teachers and students in private independent kindergartens. Hence, I hope the Secretary can reconsider, in addition to opening up the voucher system to middle-class families, re-establishing a pay structure for kindergarten teachers and subsidized kindergartens.

Lastly, I wish to say a few words on small-class teaching (SCT), and this is what I hope the Government can seriously consider. With the decline in the size of the population, there are great variations in the standards of students subsequent to the reduction by the Education and Manpower Bureau of the number of school bands from five to three. I believe the implementation of SCT will to a certain extent upgrade the quality of education and reverse the trend of school closures, which has badly hit teachers' morale and affected students in deciding whether they should join the teaching profession. I am a bit worried about this because students find the prospects of the teaching profession uncertain.

Our neighbours, such as Taiwan, Macao and Shanghai, have implemented SCT one after another. According to a great deal of studies conducted in Hong Kong, the quality of education can be upgraded through the implementation of SCT. The Financial Secretary has also recently commented that the Government will consider introducing a Goods and Services Tax if SCT is to be implemented for it would cost the Government \$2.3 billion to implement SCT. Is it possible for the Government, with its improving finances, devote more resources to manpower investment so that a good foundation can be laid in early childhood education?

To conclude, I hope the Government can further improve the so-called disguised voucher system by opening it up fully, and establish a pay system for kindergarten teachers. I believe all this will greatly help early childhood education. In the long run, early childhood education should be brought into the ambit of free education. Thank you, Madam President.

**MR BERNARD CHAN:** Madam President, I would like to make some points about the Government's proposal on kindergarten vouchers.

I believe this plan deserves support. Pre-school education and activities are vital for children's development in such areas as language, mathematical and social skills. Vouchers will help a large number of young children attend

better-quality, affordable kindergartens. It will be good for them and in the long run it will benefit the whole community.

There is one serious objection to this plan, and that is, that profit-making kindergartens will not be able to take part. I can understand this. Ideally, parents should be able to use vouchers at any sort of kindergarten. However, there is a unique problem here. Many profit-making kindergartens do not meet government standards. This is also true for some non-profit ones as well, but not as many.

Under the Government's proposals, public money will be committed to upgrading kindergartens. The money will be spent on physical facilities and on improving teaching and management skills. So public money will increase the quality of our more affordable kindergartens. And profit-making kindergartens will be eligible to take part in this, provided they convert to non-profit status. But I do not think the public would accept taxpayers' money being used to upgrade private, profit-making businesses. Maybe there are some profit-making kindergartens the owners of which are willing to invest their own money to upgrade. If there are any, they could argue that the voucher system is unfair to them.

But the fact is that this policy will benefit most families, especially those on lower incomes and those with several small children. This will directly give parents in such families some extra spending power on their kids' pre-school education. These vouchers will empower parents by giving them more choices. And that will increase competition among kindergartens.

The whole principle of vouchers is quite a radical idea. And I think the Chief Executive should be congratulated for proposing a bold policy like this. It is a principle that can be applied in other areas in education and in other public services. The idea of vouchers, of course, goes back to the economist Milton FRIEDMAN, who criticized Hong Kong recently. I think he would like this part of the policy address.

Madam President, I think I should also declare my interest that I may be likely to be able to have a chance to use these vouchers, in case I have forgotten to mention earlier. Thank you, Madam President.

**MR ALBERT HO** (in Cantonese): President, when the representatives of the Democratic Party met with the Chief Executive earlier to express our views on the upcoming policy address, we presented to the Chief Executive a report on a study conducted by the Democratic Party on public policies. The theme of the report is establishment of a truly accountable government. For a government to be truly accountable, democratization is absolutely necessary. Furthermore, an extremely important proposal is raised in the report concerning ways to enhance the representativeness, accountability and transparency of appointed and statutory bodies. I will sum up our proposal into several points here.

First, we request the Government to make reference to the practice of some advanced nations in setting up committees for scrutinizing the appointment of public officers or committees on public offices. These committees will be responsible mainly for formulating criteria in a fair and independent manner for the appointment of public officers. Here, the so-called public officers refer to members of advisory and statutory bodies (ASBs). The committees will establish criteria and procedures, including those governing open recruitments and strict compliance with the "six-six principle", to prevent problems considered by us to have existed in Hong Kong, namely difference in affinity with political parties, cronyism and nepotism, and even prevent some statutory bodies from becoming clubs for retired senior government officials. We hope these situations can be prevented completely for the avoidance of public misgivings and criticisms.

Second, we hope the system governing the declaration of interest can be enhanced for the avoidance of conflicts of interest and other potential conflicts. We hope to draw the attention of Secretary Dr Patrick HO to the fact that many non-profit-making organizations must seek approval from the Registrar of Companies in formulating or amending their articles of association. Very often, their articles of association contain a provision specifying that members of the management of the companies are not allowed to sign any contracts with the companies for profit-making. This requirement is certainly very strict. However, I really do not understand why requirements like this one do not apply to statutory organizations, whereas non-profit-making private organizations are governed by such a clear and strict requirement. We can see that the Kowloon-Canton Railway Corporation (KCRC), MTR Corporation Limited — perhaps the KCRC is more appropriate — Airport Authority, Housing Authority and other public organizations are not subject to requirements like this. Members of the management and Boards of Governors can enter into contracts

with the organizations to which they belong for making professional profits or other profits. We consider it necessary for the Government to review the issues in this area to achieve consistency in criteria.

Besides, we consider it necessary for more consistent requirements to be imposed on the *modus operandi* of these ASBs. Of course, I am not calling for an entirely uniform approach. Yet the Government should by all means impose requirements in an open and accountable manner by, for instance, requiring these organizations to make their meetings or minutes of meetings open to the public by all possible means. The secretariats of these organizations should also operate independently and be subject to adequate supervision by the organizations themselves. There must be no ambiguity as to who should play the supervisory role just because some members of the organizations are civil servants seconded from the Government. Should that be the case, no one can tell clearly whether the organizations or the departments responsible for the appointment or deployment of the civil servants should be held accountable when problems arise. This is why I hope the Secretary can conduct a comprehensive study in these aspects in the coming year. The Democratic Party will raise more questions or propose more motion debates in due course. I hope the Secretary can give us a more concrete and positive response by then. Thank you, President.

**MR ALBERT CHAN** (in Cantonese): President, I would like to thank Secretary Prof Arthur LI for the construction of some schools should have originally been halted under the Government's education initiatives but the Government has, under the request of all sides, finally accepted good advice and approved the resumption of the construction of some primary and secondary schools. Many schools and parents originally thought that they would be affected in an unreasonable manner because of the Government's support for the policy change. Now the Government is considered to have done a good deed by changing its original plan so that the school expansion and redevelopment programmes can go ahead.

As regards the kindergarten voucher system, I hope the Secretary can make some fine tuning. The relevant views were reflected in the last meeting held by the panel. I hope the policy, which was originally good, will not be strongly criticized by the public because of some minor technical problems.

Insofar as sports are concerned, I have criticized the Government in this Chamber on numerous occasions already. Regarding sports development, especially the efforts made by the National Sports Associations (NSAs) in assisting and promoting the development of sports, there are numerous cases of insiders being led by outsiders. Furthermore, the NSAs, operating like members' associations, have seen no concrete improvement for years. Despite the Government's plan to vigorously develop hardware for sports facilities this year, I would like to tell the Secretary that modernized and spectacular facilities and exorbitant administrative fees will not bring us world-class athletes. On the contrary, software support is crucial. Furthermore, the funding must be spent on the athletes. The Government must not pay an annual administrative fee of several million dollars to senior executives, whereas an athlete is paid only several thousand dollars a month. Such a situation should absolutely not occur in sports development. As long as the situation remains unchanged, even if the local sports community is provided with spectacular and expensive facilities, the standard of local sports will only lag behind the world standard.

President, I would like to briefly respond to several questions raised by Mr KWONG Chi-kin earlier. One of the questions concerns the position and principle regarding the fight for workers' interest. I would like to quote some historical instances. In the past, many people stood by their position, yet not a few changed their stance in the end. I would like to quote WANG Jingwei as an example. When he was young, he made up his mind to sacrifice for the sake of the revolution. He was even prepared to assassinate the caretaker prince, though he ended up being arrested. He was praised by the people at that time for these brave words of his: "The speedy axe of the executioner would not cause my young head to be severed in vain". At the age of 23, he risked losing his life to kill his enemies and yet, at the age of 57, he was condemned a traitor. So, is it still possible for one to hold fast to his conviction after dozens of years? Perhaps I am an existentialist. I take here and now very seriously, because nothing can be truer and more real than the present moment.

When it comes to what workers and organizations can do, Members may refer back to the labour movements in the past and the activities of the leftist workers' unions in the '50s, such as a strike staged by Hong Kong seamen in 1922, a resistance movement participated by 100 000 workers, and a massive strike staged in Guangdong, Hong Kong and Macao in 1925. All these were massive labour movements launched for workers by the working class,

particularly the leftist workers' unions at that time. The importance of labour movements must not be forgotten just because one has become a Member of this Council or because a union leader has joined the Executive Council. I hope my friends from workers' unions can refer to the history of workers' unions and remember their root.

**MS AUDREY EU** (in Cantonese): With the education policy being treated as part of the manpower policy, education was totally absent in the policy address last year. Based on this extremely low starting point, the progress made by this year's policy address is tremendous with the introduction of two major initiatives, namely cherishing the family and upgrading gifted education.

Upgrading the quality of early childhood education, increasing the subsidy for early childhood education fees and alleviating the burden on parents are indeed the consensus of this Council. Therefore, unlike Mr MA Lik, I will not describe it as an example of success of an individual political party. As it is a consensus, why would such a great controversy be stirred up when the "Pre-primary Education Voucher Scheme" was proposed? Actually, the media share a similar view with this Council. I shall now review some editorials. *Ming Pao* reads: "The affordability of parents, rather than the nature of kindergartens, should be used for differentiation purposes, in order to quieten down the disputes arising from the voucher scheme". *Oriental Daily* reads, "Inequality rather than want is the cause of trouble; the voucher scheme will lead to division". *The Sun Daily* says: "The voucher scheme causes division and the distribution of candies is doing more harm than good". *Hong Kong Economic Journal* says: "The policy, without a principle, invites criticisms from all sides". During the meeting held by the Panel on Education the other day, the Secretary should have heard a lot of Members expressing the hope that the scheme could be fine tuned. However, the Government explained that it did not wish to subsidize profit-making kindergartens with public money. There is actually no direct relationship between the mode of registration of kindergartens and their standard. Nor is profit-making a heinous crime. I hope the Government can accord equal treatment to both profit-making and non-profit-making kindergartens, as long as they receive the same quality evaluation and maintain the same degree of transparency, by extending the scope of subsidy to benefit all parents and trust their choices to truly enable the "money to go with the students" and upgrade the quality of education through competition.



The Civic Party welcomes the policy address' proposal to build an Academy for Gifted Education and enhance the performance of high achievers. However, we all the more hope that the Government can offer remedial programmes in addition to enhancement programmes, and actively respond to a number of initiatives proposed by the Civic Party on education.

The views expressed by the Civic Party during our meeting with the Chief Executive this year in connection with the policy address have been set out in detail in our papers and website. Our proposals include early childhood education, upgrading language standards, improving the quality of associate degree holders, increasing resources for the development of scientific research, helping ethnic minorities receive education, and so on.

As regards tertiary education, the Civic Party welcomes the point raised in the policy agenda that Hong Kong is to be developed into a hub for higher education to attract overseas high achievers. Yet, we would like also to point out that Hong Kong's human resources development has failed to cope with the needs of society. Prof SIU Fung-har, Helen of the Anthropology Department, Yale University and Prof WONG Yue-chim, Richard, Deputy Vice-Chancellor of the University of Hong Kong once made a comparison between two international financial cities, namely Hong Kong and New York. With 30% of its population being degree holders, New York has a higher ratio than Hong Kong. The two professors also pointed out that, should no changes be made to education and immigration policies by the Hong Kong Government, Hong Kong will still not be able to catch up with New York or London even if Hong Kong further develops for 30 more years. In the long run, the Government should raise the admission rate of universities.

As for primary and secondary education, we have repeatedly indicated that there is a general demand in the education sector for small-class teaching (SCT) in the hope that teachers can better cope with the growing student diversity subsequent to the changes in the number of Secondary School Places allocation bands from five to three. Actually, many teachers share the view that SCT enables teachers to provide more appropriate and relevant attention in accordance with the learning needs of different students to realize the goal of quality education. As the number of school-age children continues to fall, extra expenditure on the implementation of SCT will also decrease year after year. According to the data provided by an educational group recently, if the amount of subsidy provided by the Education and Manpower Bureau for Direct Subsidy

Scheme (DSS) schools is used as the basis for calculation, an additional expenditure of a mere \$500 million per annum will be required for the implementation of SCT. This represents a nearly five-time difference from the \$2.4 billion estimated by the Education and Manpower Bureau. We hope the Government can respond to the general demand of the education sector and implement SCT in the interest of students.

Insofar as alleviating teachers' workload is concerned, although the Government has splashed \$1.7 billion to implement a series of measures to alleviate workloads by streamlining school-based assessment, territory-wide system assessment, external assessment and the administrative procedures for the Quality Education Fund, excessive assessment remains the real source of pressure for teachers. Reducing administrative work might not be able to alleviate the pressure on teachers. Let me cite a survey conducted by Education Convergence and Hong Kong Elementary Education Research Society in April this year as an example. According to the survey, more than 90% of the teachers in Hong Kong feel that the territory-wide system assessment brings stress to them, and more than 80% of the respondents agree that the territory-wide system assessment interferes in normal teaching and increases examination stress on students. Actually, the Government and the policy address have so far failed to actively respond to the major sources of stress on teachers, such as the policy of reducing the number of classes and closing down schools, school-based assessment, territory-wide system assessment, and so on.

The mention of cherishing the family in the policy address is welcomed by the Civic Party. However, we hope that parenting education is more than marriage counselling and advocacy for parental responsibility as stated in paragraph 38 of the policy address. Cherishing and consolidating the family cannot rely solely on chanting slogans or educating parents. Practicable family-friendly policies must be introduced as complementary measures. Therefore, it is beyond the portfolio of Secretary Dr Patrick HO. Secretary Stephen IP and other government departments must provide support by, for instance, introducing flexi-time arrangements for employees or arrangements for employees to work from home, providing job-sharing, and so on. We hope the Government can, as stated in the policy address, actively examine and promote these new initiatives to enable us to upgrade our quality of living and truly enjoy family life. Thank you, President.

**MISS CHOY SO-YUK** (in Cantonese): President, I would state the position of the DAB on the policy address in respect of home affairs.

President, subsequent to the Albert House incident, the closure of Harmony Property Services (Agency) Limited covered in today's newspapers reveals a problem not mentioned in the policy address but is closely related to the daily life of the 7 million people across the territory. The problem, namely building management, must be addressed promptly. President, although the Building Management (Amendment) Bill is being scrutinized by this Council, the amendments are piecemeal and far from comprehensive. A number of issues of principle, such as implementing a licensing regime for property management companies and establishing a Building Affairs Tribunal, have not been dealt with. Hence, the Bill, even if passed, will definitely fail to pre-empt the occurrence of such incidents as the Albert House incident and the Harmony Property incident, thus plunging innocent small property owners into trouble.

It is very difficult to understand why property management companies collecting management fees of more than a million dollars a month can be exempted from all licensing control, and are merely required to register under the Companies Ordinance like any other companies, whereas building attendants have to obtain a licence. The Government is therefore trying to exert its control on the individuals but not the big companies. It may be self-regulation that the Government wants to see in the sector, but does it really work? The answer can be readily found in the recent incidents. As I will propose a motion for debate on 8 November, please allow me to leave a detailed discussion to that day.

We were very pleased when we heard the Secretary for Home Affairs reveal in a policy address briefing a plan to allocate nearly \$9 billion over the next five years to provide district recreation and sports facilities because, judging from the amount of funding, the plan is quite ambitious and the Government seems to be quite keen to promote sports activities. However, it was later found that no new funding would be provided. They were only plans having been discussed for a long time rearranged and repackaged. The development projects were mostly projects left behind by the two former Municipal Councils, planned a decade ago. Hence, we were eventually let down. Anyhow, the shortage of community facilities has reached an intolerable state. We hope the Chief Executive can, before the election next year, bring good news to all the communities in Hong Kong. We also hope that new funds will be provided for

the construction of new community halls and recreational facilities for various communities.

President, the DAB greatly supports the Government to, besides boosting elite education, formulate plans to explore sports events with potentials for focused development. Furthermore, the DAB hopes that more local sports, such as dragon boat racing, can be included. This is because dragon boat racing not only represents a most charismatic Chinese traditional culture, it can also attract enthusiastic participation of foreigners, which is quite exceptional. Thanks to the promotion by all sides, dragon boat racing has attracted more and more attention from the international sports community and developed rapidly in recent years. For instance, a mainland dragon boat team from Xiqiao, Guangxi won the first prize in international competitions year after year because of its great attention to dragon boat training and the planned development of the sport. Dali Town in Guangdong has even been designated by the General Administration of Sport as the training base for the Chinese Dragon Boat Association.

Although a flying dragon is used as a symbol of Hong Kong, it is ironic that the development of dragon boat racing, like other sports, is made to chart its own course. Furthermore, more than 10 000 amateur dragon boat athletes are treated by the Government as if they do not exist. Without adequate support, dragon boat racing simply cannot give play to its potential. No wonder the performance of Hong Kong teams has always been fair in the annual international dragon boat invitation tournaments. The territory's international dragon boat invitation tournament held at Shing Mun River this year was also plagued by such problems as poor venue and inadequate publicity and government support, and the organizer was for some time even caught in financial straits. As a result, the international event, supposed to draw a large audience, wasted a good opportunity to publicize Hong Kong due to poor attendance by both local spectators and overseas tourists. What is more, this is not consistent with the SAR Government's strategic goal of hosting international sports events. While dragon boat racing was one of the events held in the last Macao East Asian Games, Hong Kong has chosen not to include the event into the East Asian Games to be held in 2009. Given the Government's failure to seriously treat a sport where we have an edge by staging international competitions, its development has become increasingly worse.

In the opinion of the DAB, the present dilemma can be resolved from several aspects. Most obviously, the Government may start by providing more dragon boat training grounds, as there is only one training ground at Shing Mun River in Hong Kong now. By developing permanent training grounds, the Government can provide young people with one more meaningful option of group sports. At the same time, it offers a good opportunity for training elite athletes. Unlike other sports necessitating expensive sites and construction fees, building a dragon boat training centre is extremely easy, for what is required is only some minor maritime works plus the construction of a basic changing and shower room. The authorities should offer free training programmes, support the basic facilities for dragon boat teams not belonging to the Government, and encourage the Hong Kong Dragon Boat Association to organize tournaments in Hong Kong.

President, in response to the global project of the United Nations Educational, Scientific and Cultural Organization to preserve "world memories", the Government has proposed in this year's Policy Agenda to launch a Hong Kong Memory project on the systematic collection and preservation of Hong Kong's historical and cultural data. However, this is merely window-dressing. The desperate reality faced by historical buildings in Hong Kong can still not be hidden. On the contrary, the Government's failure to "do what it preaches" is a bit ironic.

Hong Kong is a rare "world-class city" in the world where antiquities and monuments are nearly extinct. Would the Government not feel sorry for its approval for, or its act of, destroying monuments year after year?

Actually, the Government already stated years ago that it would review its policy on antiquities and monuments and the discussion in the community has dragged on for a considerable period of time. However, the authorities are still marching on the same spot. The Government has not only acted passively in its protection of historical buildings, it is actually standing still. Such examples abound. One example is the 100-year-old Tsung Pak Long Hakka Walled Village in Sheung Shui, with houses, ancestral halls and leaning towers built on a 50 000 sq ft site. However, the Village has seen cracking and spalling in some of its walls and canopies, water leakage in rainy seasons, and its wooden doors, wooden beams, and the like being eaten up by termites. The local residents do realize the historical value of the walled village and hope that redevelopment or

repairs can be carried out. In this connection, the residents have even taken the initiative to enquire with the Antiquities and Monuments Office (AMO) to find out if the walled village is considered protected buildings. Unfortunately, the AMO is as old as an old building in its handling of historical buildings. As we all know, the repairs cannot be delayed for too long, as the buildings might collapse if repairs works are not promptly carried out. However, the Government has been responding extremely slowly. I do hope the Government's senile pace and passive mentality can be consigned to the museum.

Another example is the removal of the Star Ferry Pier to make way for the Central Reclamation Phase III. Carrying much of the memory of many Hong Kong people, the Star Ferry clock tower is not only a landmark in the heart of Central, but also a favourite spot for tourists. Tourists visiting Hong Kong will definitely see the clock tower when they cross the Victoria Harbour by ferry. Yet such a tiny and lovely clock tower is under the threat of demolition. Although the clock tower is only 50 years old, landmarks of historical value and carrying collective memory are getting fewer and fewer in Hong Kong, not to mention that the clock tower occupies such a tiny footprint and will not affect any planning of the Government. Why would the Government be so cold-hearted as to tear it down? Should the Government disregard other people's opinions and insist on tearing the clock tower down, it will be tantamount to destroying a most attractive historical heritage and tourism asset. Not only does it lack an awareness of protecting Hong Kong monuments, it should even be treated as the culprit of destroying historical heritage.

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, this debate session for Members' speeches shall end here. Council will now be suspended for 10 minutes to allow public officers to consider their speaking order.

5.21 pm

Meeting suspended.

5.31 pm

Council then resumed.

**PRESIDENT** (in Cantonese): A quorum is not present. Will the Clerk please ring the bell.

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

**PRESIDENT** (in Cantonese): A quorum is now present. This Council now resumes to continue with the third debate session. Two public officers will speak in this session. They have up to 45 minutes in total for their speeches, but the first one cannot speak for more than 30 minutes.

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): President, today, having heard Members' views on the Chief Executive's policy address 2006, I would like to make the following responses in relation to the ambit of the Home Affairs Bureau (the Bureau).

A total of 10 Members have spoken in this session. Among them, three have made comments and enquiries relating to the policy areas of the Bureau.

Mr Albert HO raised queries concerning advisory and statutory bodies (ASBs) and the creation of the post of an independent commissioner and a monitoring committee to monitor the appointment of members to ASBs. In fact, under the accountability system, various principal officials are responsible for formulating and implementing the policies for the ASBs under their management and they are accountable for the appointment of members to the relevant bodies. In addition, some statutory bodies have to appoint their members in accordance with the relevant legislation. We do not consider it

necessary to put in place an independent commissioner and a monitoring committee to monitor the appointment of members to ASBs. The present systems of advisory councils and ASBs are mutually complementary and proven.

Furthermore, Mr Albert HO also said that members of ASBs might face conflicts of interests. ASBs play a very important role in the process of formulating and implementing public policies. Members of these bodies should offer fair and impartial advice and the decisions they make should be completely in line with public interest. We already have a mechanism to handle any possible conflict of interest that members of ASBs may face.

At present, we have two different systems for declaration of interest: a one-tier reporting system and a two-tier system. Under the one-tier reporting system, relevant interests are declared at the meeting during which a matter is discussed and determined; and under the two-tier system, in addition to the declaration of relevant interests at a meeting, members' interests are disclosed upon appointment and recorded in a register.

The overall compliance with the guidelines for the declaration of interest is satisfactory. Almost all ASBs have a system for their members to declare interest. We have already reminded the relevant bureaux and departments to introduce a reporting system for newly established committees and frequently review the reporting system adopted for their committees.

We will actively study Mr Albert HO's suggestion and follow up the matter in the Panel on Home Affairs.

Apart from that, Miss CHOY so-yuk also raised questions concerning the regulation of property management companies. The Home Affairs Department (HAD) has already started to conduct a phased study on the issue of regulating property management companies in order to get hold of more relevant information. In the first phase of the study, the HAD will collect information on three issues and conduct analyses, including the operation and general situation of the local property management sector, the approach and general situation relating to the regulation of the property management sector by authorities overseas and the experience of regulating other industries in Hong Kong. When results from the first phase of the study are ready, the HAD will consider carrying out the second phase of the study to evaluate the need to set up a regulatory regime in the light of the results.



Miss CHOY So-yuk is very concerned about our review of the built heritage conservation policy. We are now reviewing our existing built heritage conservation policy, so as to improve the current historical buildings conservation system. The review covers a host of complicated issues involving a number of government departments, including the assessment criteria, enabling legislation for the conservation of heritage and antiquities, the adaptive re-use of conserved heritage and financial incentives to encourage private property owners to conserve built heritage. In the review, we will actively consider views from the community and relevant groups, as well as making reference to the current international practice in this regard. We are in the process of studying a series of improvement measures, such as the proposal to set up a statutory heritage trust fund for the adaptive re-use of conserved government historical buildings and reviewing the criteria for assessing heritage, so as to amend the existing relevant legislation.

Both Miss CHOY So-yuk and Mr Albert CHAN are very much concerned about the sports development policy in Hong Kong. Hong Kong will host the 2008 Olympic and Paralympic Equestrian Events. The 2008 Beijing Olympics will be the first Olympics to be held on Chinese soil. Hong Kong has the honour to be one of the co-host cities. Hong Kong will also host the East Asian Games in 2009. Through the organization of these two Games, we can raise Hong Kong's international profile on sports.

In order to promote the development of sports in Hong Kong and to promote a strong sporting culture in the community, the Government will commit more resources to promoting sports for all, sports excellence and turning Hong Kong into a sports events capital.

In order to raise the level of community participation in sports for physical well-being, from next year onwards, we will provide an additional recurrent subvention of \$30 million to the National Sports Associations (NSAs) to support their activities. We will further enhance the "School Sports Programme" to achieve the objective of "one student, one sport". We will also ensure that these resources can be effectively used on our athletes and community activities. We will encourage close co-operation among the NSAs, District Councils and local groups to attract residents in the respective districts to do more exercise and develop sport facilities and sports with local characteristics. For example, Miss CHOY So-yuk mentioned dragon boat racing. In fact, dragon boat racing already has deep roots in the community. Each year, dragon boat races are held

in various districts in the Dragon Boat Festival. They have already become festive events with national characteristics. The International Dragon Boat Races are sports programmes organized by the NSAs. Members will recall that several years ago, the International Dragon Boat Races were also co-ordinated by the Government, as a result, the races received more resources and it was possible to continue to organize them. We will actively discuss with the NSAs responsible for organizing the International Dragon Boat Races and collaborate with them.

In addition, we will also develop a football academy in Tseung Kwan O and establish a training and competition base for BMX cycling at Gin Drinkers Bay in Kwai Chung. We also plan to allocate a fund amounting to nearly \$9 billion in the next five years for the construction of local leisure and sports facilities in order to popularize sport and facilitate sustained development.

In order to provide comprehensive support to elite sports development and to encourage more young people with sports potential to pursue a career in sports, from next year onwards, we will provide an additional recurrent allocation of \$40 million each year as systematic and comprehensive support for elite athletes in key areas including education opportunities, athlete training, career development, financial assistance and coaching support. We will also launch the redevelopment of the Hong Kong Sports Institute so as to provide more modern training facilities for the elite athletes.

The "M" Mark System was launched in 2004 to affirm and support major sports events. In February this year, the Major Sports Events Committee set up key small sponsor groups to invite interested business corporations to sponsor "M" Mark events and to encourage these corporations to become important business partners of NSAs. We have earmarked \$30 million from the Arts and Sport Development Fund as the seed fund to sponsor recognized "M" Mark events. I believe all of these policies and facilities can promote the comprehensive development of sports in Hong Kong.

President, in the coming year, I, together with colleagues of the Bureau, the HAD and the Leisure and Cultural Services Department, will continue to engage the relevant sectors to promote progress in such areas as sports development, district administration, culture and arts, human rights protection and civic education in Hong Kong. Thank you, President.

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, in the 2006-2007 policy address of the Chief Executive and in the policy agenda of the Government of the Hong Kong Special Administrative Region, great emphasis is put on education. Apart from continuously taking forward the ongoing projects, we have, most importantly, introduced new initiatives to enhance early childhood education and gifted education. Today, Members all focused on early childhood education in their speeches and so, I will give a response in this aspect first.

Over the past few days, we have heard many opinions through various channels. These opinions share one point in common and that is, they all welcome the Government's commitment to early childhood education and consider it a major breakthrough in the history of the development of education in Hong Kong. We conducted an opinion poll after the publication of the policy address and found that most people supported the provision of direct subsidies to parents in the form of an education voucher and considered it conducive to facilitating competition and progress among kindergartens. This shows that the direction of the new measures is correct, which is also widely supported by the community.

A voucher with a value of over \$10,000-odd per annum will not only benefit 90% of the parents directly, but also promote general quality improvement of the entire early childhood education sector which will usher in a new era with a higher degree of transparency, greater effectiveness and enhanced professionalism. I believe all Hong Kong people would be happy to see this development.

The education sector unanimously supports the provision of an education allowance up to \$60,000 for all kindergarten teachers and a one-off grant of \$70 million for schools to improve their teaching facilities. With the new School Development Grant, kindergartens can already purchase more books, computers and teaching aids this year. It is estimated that five years later, all kindergarten teachers will have at least attained a diploma in early childhood education while some may even be degree holders, and most kindergarten principals will also have attained university qualification. These measures will bring about direct improvement in the quality of teaching and benefit students directly, and we do not have the slightest hesitation in implementing them to benefit all kindergartens, be they profit-making or non-profit-making. However, as the voucher system involves recurrent expenditure, our consideration is certainly different.

Some people consider that the voucher system means the Government dishing out money and so, nobody should be denied this benefit, and when someone is excluded from it, they think that the Government has made a mistake and they have even engaged in unceasing arguments. In fact, pre-primary education is not regarded as compulsory basic education in Hong Kong and so, there is no question of it being an entitlement for all. An education voucher is just a common term, and different societies will need to make adjustments and impose restrictions in accordance with their own conditions. I know that when it comes to education voucher, some people will quote Milton FRIEDMAN as if suggesting that down through the ages, only his thoughts are "authentic" and when other people try to make flexible changes, they would be considered as heretics. In fact, the world is ever changing; the needs are different in different times and in different places. How can we blindly follow the views of a person espoused decades ago? Take buying clothes as an example. It is not the case that a person who can afford clothes of famous brand names will look good in them. We have to think about our own style, and we have to think about the occasion, and sometimes, "mix and match" may be more suitable to us. So, let us not put the cart before the horse, thinking that there is just one single way of implementation whenever hearing the term "education voucher". We should design a voucher system which best suits the needs of society having regard to the reality of Hong Kong. Only in this way will members of the public benefit from it.

Generally speaking, the education voucher system has three objectives: First, to give parents more choices; second, to encourage competition; and third, to enable more students from low-income families to study in private schools. In Hong Kong, all kindergartens are private. They compete with each other, and parents can choose from them freely. The Fee Remission Scheme already ensures that no children will be deprived of schooling because of financial difficulties. In other words, we have already achieved the three basic objectives of a voucher system in general without having to introduce new measures. However, we consider it necessary to provide more resources to further upgrade the quality of pre-primary education while alleviating the financial burden on parents. We adopted a voucher system, for it is the most suitable mode of subsidy for pre-primary education in Hong Kong. Pre-primary education providers in Hong Kong are greatly diversified. They operate at varying scales: the large ones can have 1 800 students, while some can be as small as having less than 10 students. Some are non-profit-making, while some are profit-making.

Their methods of teaching vary too, and so does their quality; the level of school fees may not necessarily be proportional to the quality, and there can be a big difference in the level of school fees. Some may be as low as \$5,000 a year, while some may charge as much as \$130,000, which is over 20 times higher. Under such circumstances, it is best to provide additional resources by way of a voucher system, for this can preserve the diversity of kindergartens and their characteristic of responding to changes flexibly and avoid excessive regulation. But in order to ensure that public coffers are well-spent with optimal results, there must be suitable restrictions.

In respect of government subsidy for education, it has all along been a principle of the Government not to subsidize profit-making institutions in the form of recurrent funding. In fact, only non-profit making kindergartens are eligible for rent reimbursement and the subsidy scheme for kindergartens now. The reason is simple. Because public resources are precious. We have no reason to keep on assisting other people to do business with taxpayers' money. Even if there are spared resources, they should be retained in schools for them to recruit good teachers, acquire good teaching materials and nurture students, rather than injecting public money into profit-making institutions and turning it into profits for directors. This is a long-standing fundamental principle in the management of public resources, and it cannot be shaken easily.

Many people said that if, on this voucher system, the Government is willing to concede to the wish of the people by allowing all kindergartens to benefit from it disregarding how much profit a kindergarten has made and how high the school fees are, everyone will be happy. Why does the Government not trim its sail to the wind and choose to deal with this issue in a difficult way rather than using an easy solution?

Madam President, we who are engaged in the provision of education should be loyal to education. Investment in education must be made for the benefit of students, rather than the interest of some education providers. If a measure is good to students, I will exert my utmost to strive for it no matter how difficult it is, but if a measure goes against students' interest, I will not go for it, even though I know that this would cause my popularity rating to plunge, and I will not care about it anyway. What is personal reputation compared to the well-being of our next generation? I wonder how many Members will understand this point, but I can assert that we must not lose our direction,

abandon our principles and sacrifice long-term education objectives for brief kudos or for votes. This is not the attitude that a responsible government should have.

Moreover, I do not think that the Government has acted against public wish. In fact, the provision of subsidies in form of a voucher to profit-making kindergartens is not supported by all people. According to results of opinion polls, only about 30% of the people supported it but more than half of the people considered that this subsidy should be provided to non-profit-making kindergartens only. In fact, the true concern of the people is whether the voucher system can help low-income families and whether the quality supervision of kindergartens can be strengthened. These are also our objectives.

Parents' right to choose will not in the least be undermined. At present, all kindergartens are privately-run, and they will remain to be so in the future. Parents can now choose a profit-making kindergarten which charges a high level of school fees, and they can continue to do so in the future. But when the voucher system can already cover 80% of the kindergartens and 90% of the families, and if people still think that those remaining kindergartens which are profit-making and which charge a high level of school fees should be subsidized by public coffers and that only in this way can it be considered as fair and only in this way can parents be given choices, it is really difficult for me to agree.

A truly useful right to choose requires the provision of quality kindergartens as options for parents, and there must also be sufficient information for parents to make a judgement rationally. In this connection, we will enhance the quality assurance mechanism and adopt a two-pronged approach underpinned by support and surveillance. Only in this way can we give play to the spirit of voucher system for pre-primary education. In this school year, we will set up the pre-primary education support team to provide on-site services to schools in respect of curriculum development and teaching strategy. In the future, we will enhance parenting education, so that parents will choose quality schools for their children and create a good environment for their growth. Schools will be required to enhance transparency by providing parents with the necessary information, such as the number of teachers, their qualifications, the pay levels, and so on, for parents' reference in choosing kindergartens. Meanwhile, schools must step up efforts in self-evaluation and accept inspection to ensure quality.

I believe the great majority of early childhood education workers join the education sector for their convictions. But I understand that some co-workers in the education sector may be concerned that the new funding mode may not be able to protect their income and fringe benefits. I think we must have confidence in the school management. Since kindergartens are private institutions, they should enjoy a suitable degree of freedom in the use of resources. After the new measures proposed in the policy address are put into practice, there will be more stringent quality assurance, and with a higher degree of transparency, kindergartens must explain to parents the pay levels of their employees and their salary must, therefore, be pitched at reasonable levels. Otherwise, not only parents will lose their confidence in schools. Even the schools may not be able to retain quality teachers. An open society will generally accept the regulation mechanism of a free market whereby private enterprises can determine the pay levels in accordance with supply and demand as well as their employees' performance. With increased government subsidies for pre-primary education, kindergartens will have additional resources and stable revenue, and they should be in a better financial position to employ good teachers at reasonable salaries. So, it is inappropriate and unnecessary for the Government to rigidly require kindergartens to follow the same salary scale for their employees.

This precisely highlights our respect for the pluralistic culture of the kindergarten sector. In fact, the basic restrictions of the new measures serve to ensure the quality of teaching and the cost-effectiveness of resources. We have no intention to stifle the room of development of kindergartens. When I met with representatives of kindergartens last week, I learned that many profit-making kindergartens have applied for or actively considered converting to non-profit-making status. This is a good development which I very much welcome. Next week, I will have another meeting with the representatives of profit-making kindergartens to provide them with more detailed information on conversion and also practical assistance.

The new policy on pre-primary education announced in the policy address is a major breakthrough which transcends the old framework. The Government is prepared to make colossal investments for this cause by providing an additional funding of as much as \$2 billion per annum. We will consult the Legislative Council Panel on Education shortly and seek funding approval from the Finance Committee. I hope that we will have support from Members, so

that the new measures anticipated by the public and the education sector can be launched as soon as possible and implemented smoothly.

Gifted education is also an important element of quality education. An education objective of Hong Kong in the 21st century is to enable students to achieve a balanced development according to students' own attributes and provide them with suitable and diversified learning opportunities, so that they can become quality talents. In recent years, Hong Kong students have often won remarkable awards in international competitions and this is proof that Hong Kong youths have outstanding potentials and talents. The establishment of the Academy for Gifted Education can seize the opportunity to turn potentials of gifted students into achievements of excellence.

Gifted education in Hong Kong used to focus more on mathematics, science and technology and started to extend to humanities only in recent years. To cater for the different needs of students, we must provide a wider range of services and learning opportunities. The domains of training should also be further extended to knowledge not covered in general school curriculum such as art, astronomy, and so on.

After many years of effort, the Secretary for Education and Manpower has accumulated enormous experience. We have organized a series of teacher training programmes, and the number of institutions and experts taking part in these programmes has increased gradually year after year. The Academy for Gifted Education will develop on the existing framework to provide more structured, articulated and challenging learning opportunities with clear objectives. The Academy will mainly target at providing learning opportunities for exceptionally gifted students aged from 10 to 18, and professional support will also be provided to parents and educators. The Education and Manpower Bureau will be responsible for formulating policies, focusing mainly on the development of school-based curriculum and teacher training, and supporting the Academy in the provision of off-site training.

We believe that the establishment of the Academy for Gifted Education will not only nurture gifted students, but also promote liaison with local and international experts in education and facilitate exchange and co-operation. In the long run, we hope that the Academy can develop into a hub for gifted education providing services to students in Hong Kong, the Mainland as well as the Asian Pacific Region.



We very much thank members of the community for their support for gifted education, especially Sir Joseph HOTUNG who has donated \$100 million for this cause. We will consult the Legislative Council Panel on Education later and seek approval from the Finance Committee for additional funding to officially establish the Academy for Gifted Education.

Madam President, every child has different needs of development. So has society. As a formulator of education policy, we are tasked to set priorities and objectives of education development in accordance with the reality and expectations of society. This year's policy address shows our determination to enhance pre-primary education and gifted education in response to the expectations of Hong Kong people and the needs of Hong Kong society. The success of the new measures will hinge on the concerted effort and commitment of various sectors of the community. I sincerely hope that Members and the general public will support us and work with us to write a new page for education in Hong Kong. Thank you, Madam President.

**PRESIDENT** (in Cantonese): The third debate session ends. We now proceed to the fourth debate session. The policy areas for this session are "housing, planning, lands and works, environmental affairs and transport".

**MR ANDREW LEUNG** (in Cantonese): Madam President, thank you for allowing me to be the first one to speak in this session.

Madam President, environmental protection is actually taken very seriously by the Liberal Party. I recall in a question I raised on "the introduction of environmentally-friendly vehicles" in this Council nearly four months ago, I called on the Government to expeditiously introduce policies or initiatives to encourage the public to switch to hybrid vehicles using less fuel. At that time, the Secretary replied that no initiatives would be introduced to encourage the switch to hybrid vehicles because only one model of hybrid vehicles in the market was imported by an agent, whereas the remaining models were introduced by parallel importers. In less than four months, the Action Blue Sky Campaign has been launched by the Chief Executive and one more model of hybrid vehicles has been introduced by an automobile agent. The Government has even offered a tax concession, subject to a ceiling of \$50,000

per vehicle, to encourage vehicle owners to purchase vehicles with low emissions and high fuel efficiency. I welcome the Government's swift response.

It is also praiseworthy that the Government has proposed in the policy address to spend \$3.2 billion to provide an incentive for owners to replace 74 000 pre-Euro and Euro I diesel commercial vehicles, in an effort to support the Action Blue Sky Campaign. It is a pity that the response of the transport industry to the offer seems to be lukewarm. Many people consider the offer unattractive because of the meagre amount of subsidy. According to some vehicle owners who are also professional drivers, they can simply not afford replacing their vehicles because of slack business and low income. While I appreciate the Government's determination in striving for a blue sky by way of subsidy, the Government can actually consider upgrading the skills for vehicle maintenance and publicize the importance of maintenance, in addition to its call on commercial vehicle owners to replace their vehicles, to help reduce emissions. With proper maintenance, pre-Euro vehicles can function as well as Euro III vehicles do in terms of emission. In doing so, not only can vehicle owners save money, road safety can also be ensured.

Air pollution is also caused by the refilling of some cross-boundary vehicles with cheaper and poor-quality diesel oil on the Mainland. Under the Dutiable Commodities Ordinance, lorries returning to Hong Kong from the Mainland are allowed to carry up to 100 litres to 300 litres of duty-free fuel. In order to save fuel expenses, a lot of drivers will refill their vehicles at filling stations on the Mainland before returning to Hong Kong, thus indirectly resulting in a reduction in fuel duty revenue. Though this is just a trivial matter, worsening air pollution does matter very much to us. The Government should therefore consider allowing oil companies to operate filling stations at nil premium to sell duty-free oil at or near control points. This initiative is expected to bring the fuel price from approximately \$8.5 per litre at present to below \$6 per litre. Coupled with concessions offered by oil companies, it is hopeful that the duty-free oil sold in Hong Kong can be brought closer to the diesel oil sold on the Mainland, which is less than \$5 per litre. I also believe the initiative can attract a number of cross-boundary vehicles to switch to ultra low sulphur diesel sold in Hong Kong. With competition from Hong Kong, I believe mainland filling stations will introduce better quality diesel to attract mainland users and, in the long run, even help improve air quality in the region.

Madam President, as regards waste reduction, plastic bags bear the closest relation to the life of the people. Although I agree with the Government's advocacy of the principle of disposing of fewer plastic bags with less consumption, I have reservations about whether the issue should be addressed by levying a tax. In the past several months, No Plastic Bag Days were launched by some green groups in collaboration with chain-stores and supermarkets. I also observed that more and more shoppers took the initiative in refusing plastic bags and a number of people had even developed the habit of bringing their own shopping bags. This shows that publicity and education have been hugely successful. Two major supermarkets have even taken the lead in offering customers not requiring plastic bags a rebate of a cent per each purchase of \$25 or more. To reduce waste, the durability of plastic bags has to be raised by making them thicker or introducing a little bit of design elements to encourage recycling. This is indeed a good initiative. The Environmental Protection Department can also encourage recyclable waste collectors to place recycling bins at supermarkets for collection of clean plastic bags to reduce the chances of plastic bags being transported to landfills for disposal. This is also a positive way of reducing waste. The Government should also launch proactive publicity campaigns to promote public awareness that plastic bags can be used over and over again. Subsequently, the people will take the initiative to purchase products with less packaging and use less packaging materials.

Lastly, Madam President, I would like to say a few words on the Strategic Sewage Disposal Scheme. At present, chemical treatment of sewage, the most fundamental way of sewage treatment, is still practised in Hong Kong, whereby a large amount of chlorine is used to sterilize sewage. However, there is a marked difference between sewage and water in swimming pools, for sewage can not be completely sterilized with chlorine alone, given the high E. coli count in sewage. Consequently, the level of chlorine in sewage will only rise, instead of going down, thus leading to another form of pollution. A number of bathing beaches in New Territories West have thus been victimized and closed for a long term. At present, the world is moving towards high-level bio-chemical treatment to deal with the problem. For instance, this treatment method has been used in Shanghai and such advanced places as Vancouver, Oslo, Helsinki, Stockholm, and so on. However, Hong Kong has not even embarked on a study on it.

I think the Government should apply the latest technology to sewage treatment in its study and planning of the Strategic Sewage Disposal Scheme

Stage II. This is because under the "user pays" principle, if the system used turns out to be ineffective, users — that is, all the people of Hong Kong — will have to pay more for no reason because of the Government's mistake.

Like air, water is an extremely valuable natural resource. I hope the Chief Executive and the SAR Government can look at the sea while looking at the blue sky to consider ways to help us purify the sea water and bring us a blue sea.

Madam President, I so submit.

**MR WONG KWOK-HING** (in Cantonese): Madam President, in his policy address this year, the Chief Executive stresses that cherishing the family is one of the core values of Hong Kong people and it constitutes the foundation of social harmony. However, in order to achieve family harmony, apart from supporting and caring about members of families, attention must also be given to the construction of hardware, that is, the matching housing for the families.

Madam President, as we read through the policy agenda of the year, there is only one new initiative under housing, namely, "Introduce a new mechanism for the determination of domestic rents for public housing". Although this is only one short sentence, it is in fact a major issue in the policy address that has a bearing on the people's livelihood since it is a subject that relates to the harmony and life of some 600 000 grass-roots families.

It has been more than nine years since public housing rents were frozen in 1997. During this period, we have encountered phases of economic recession characterized by the financial turmoil and the SARS outbreak. However, despite deflation, no downward adjustments have been made to our public housing rents. For this reason, the median rent-to-income ratio of public housing has exceeded the stipulated standard year after year, violating on a long-term basis a legal provision that stipulates that this ratio must not exceed 10%. While public housing tenants have to shoulder additional rental expenditure and burden, it has eventually resulted in the embarrassing situation in which public housing tenants have to take the Government, the major landlord, to Court.

Now, the lawsuit has been settled, and the Housing Authority (HA) has also conducted a public consultation on rents. However, to date, the Government has yet to release to the public an explicit proposal on rent reduction and new rent mechanism. On the other hand, it keeps sending out balloons to test the responses of public housing tenants. How can this make the tenants feel satisfied and convinced? And how can the Government raise its prestige? What makes the people feel even more frustrated is that the Government is trying to impose hurdles on the issue of rent reduction by proposing to bundle up rent reduction with the mechanism that will allow rent increases as well as reductions. Certain officials even claimed that the people must first accept the new rent adjustment mechanism, otherwise all other issues will not be considered. What is the rationale for the Government to use rent reduction as the weapon to force the people and the Legislative Council to accept the new mechanism? Is such a bundling approach in line with the principle of "always people first" espoused in the policy address?

Madam President, for each additional day delayed in addressing the rent reduction issue, the heavier the burden will become on the shoulders of the poor and low-income people. We all know that many grass-roots people living in public housing do not make too much money a month, with many of whom earning only \$4,000 to \$5,000 a month and some even less. However, the present public housing rents have already gone beyond their affordability. It is not uncommon for some public housing flats to charge monthly rents between \$2,000 and \$3,000. Take the rents of Yat Tung Estate of Tung Chung as an example. A family of four has an aggregate monthly income of about \$10,000, and such an income is already considered not bad. However, the rent of their flat in that estate is as high as \$2,200 a month, accounting for 22% of the aggregate expenditure of this family. Madam President, such a situation is in fact very common in public housing estates in redeveloped districts and new towns. Therefore, the high rents of public housing estates as well as the expensive travelling expenses have become the major factors contributing to severe problems prevalent in the communities of remote new towns.

Therefore, I hope the authorities can really appreciate the difficulties faced by the people, and expedite the implementation of uniform rent reduction or concessionary measures, so as to alleviate the heavy burden of public housing tenants as soon as possible. In the meantime, I also hope that the HA can convey their goodwill by separately handling the issues of rent reduction and the new rent determination mechanism. Do not bundle the two issues together, so

as to enable the people, the Legislative Council and the Government to jointly formulate a new public housing rent adjustment mechanism which is both fair and reasonable.

Madam President, I would also like to discuss issues related to the Home Ownership Scheme (HOS) and the Tenants Purchase Scheme (TPS). Since the Government implemented the nine measures for stabilizing the property market in 2003, that is, "SUEN's Nine Strokes", the property market has become stabilized. The latest batch of remaining HOS flats will be launched next year. As estimated by practitioners in the industry, this batch of HOS flats would be very popular among the people. If this prediction comes true, then we can see that HOS flats, which play the role of a transitional platform for public housing, do have their value in the market, and in particular they cater to the needs of people of the middle/lower classes for home ownership. Last week, when Secretary Michael SUEN replied my question, he said for the first time that he would review the HOS policy, and that he would not rule out the possibility of the Government to building more HOS flats. I very much welcome this response made by the Government, and hope that the Government can monitor the sales situation of HOS flats and review the situation accordingly, so as to suitably resume the construction of HOS flats and launch them onto the market. Meanwhile, I hope the Government can review the TPS, so as to radically improve the maintenance of such flats before they are sold, as well as the delineation of common areas under the deeds of mutual covenant, thereby providing more avenue for public housing tenants to buy their own homes.

Madam President, as a matter of fact, since the Government has taken the lead to promote the value of family, then it should do its best to enable all the families to acquire their own homes, thus enabling all Hong Kong people to build harmonious and warm families.

Madam President, I so submit.

**MISS TAM HEUNG-MAN** (in Cantonese): Madam President, one of the major items in this year's policy address is the environmental policies, and the SAR Government has also publicized this point beforehand. However, the environmental policies in the policy address are just like what a Chinese idiom says, "The thunder roars loudly, but little rain falls." So, as a common saying

goes, "The greater the expectations, the greater the disappointment." Even though the policy address is not entirely without merits in the aspect of environmental protection, it has definitely made the people feel rather dejected.

The most concrete policy proposed by the Government is the provision of \$3.2 billion to subsidize the replacement of pre-Euro and Euro I diesel commercial vehicles with Euro IV vehicles. The amount of \$3.2 billion sounds not a small sum. It seems that the Government is doing its utmost for the cause of environmental protection. But can the problem be solved by merely allocating a large sum of money?

The subsidy provided by the Government cannot entirely offset the extra costs involved in replacing the old vehicles by new ones. The vehicle owners will still have to dig into their own pockets to meet part of the costs. If the Government does not mandate the replacement, how many vehicle owners are willing to replace their own vehicles? The outcome could be quite unpredictable. I hope the Government can conduct a review after the relevant scheme has been implemented for one year, so as to see if it is necessary to adopt some other measures to encourage vehicle replacement, or even to provide for the compulsory replacement of such vehicles.

The Government has introduced various policies to encourage the people to use environmentally-friendly vehicles. But the Government has not mentioned any plan to replace its own vehicles with environmentally-friendly ones. As such, is it "saying one thing but doing quite another"?

Apart from the provision of subsidies for vehicle replacement, no other concrete environmental policies are mentioned in the policy address. This has fully exposed the lack of vision on the part of Chief Executive Donald TSANG.

The other major culprits causing Hong Kong's air pollution problem are the power plants of the two power companies. In his policy address, the only thing Chief Executive Donald TSANG can do is to propose that, in the negotiations for the new Scheme of Control Agreement, the permitted rates of return will be linked to the power companies' achievement of the emission targets. Does the Government think that this will be sufficient to make the two power companies control the emission of pollutants? The Government seems to be overly optimistic in thinking in this manner. The Government should

consider exerting further pressure on the two power companies, such as requiring them to make use of more renewable energy, or other fuels that would have less impact on air quality.

In fact, apart from air pollution, minimizing the use of plastic bags and mitigating the noise pollution problem are also significant environmental subjects in Hong Kong. However, the policy address has actually devoted very little coverage to such subjects. Apart from the Action Blue Sky Campaign, what other methods does the Government have to alleviate pollution in Hong Kong? The SAR Government owes the people a proper account.

All along, I have been very concerned about the traffic noise problem. I know that the Environmental Protection Department has earlier on launched nine measures. But what is the progress of their implementation? What other noise reduction measures does the Government have in stock? With regard to 1.14 million people who are currently living in excessively noisy conditions, how many years do they still have to wait before they can enjoy a quieter living environment?

Madam President, Hong Kong's environmental pollution problems are closely related to Hong Kong's competitiveness and the good health of the people. We really cannot afford to take our time in handling the various pollution problems and wait until the Chief Executive has successfully won a second term of office. Environmental protection warrants prompt actions and brooks no procrastination. I so submit. Thank you, Madam President.

**MR SIN CHUNG-KAI** (in Cantonese): Madam President, one of the key issues of environmental problems is municipal solid waste. In last year's Motion of Thanks debate on the policy address, the Democratic Party already made it clear that, instead of relying on the landfills and incinerators to address the problem, the Government must attach top priority to waste reduction, and that it should stress waste recycling management.

We also reiterate that, in the bill to be presented by the Government on producer responsibility scheme, a green tax should be introduced, such as the plastic bag tax opposed by Mr Andrew LEUNG just now, or taxes on used tyres,



glassware, drink containers and batteries, and so on, so as to implement the "polluter pays" principle. As indicated by examples in the European Union, the United States, Japan and Taiwan, the imposition of green taxes would substantially reduce the quantity of waste and increase the recycling rate. In the case of Denmark, since the plastic bag tax was introduced in 1994, the usage of plastic bags has dropped by 50%.

The "polluter pays" principle should also apply to the handling of domestic waste. The imposition of a domestic waste levy is one of the ways of reducing waste. The Government may make reference to the "Pay by the Bag Scheme" implemented in Taiwan which stipulates that the people must purchase specified garbage bags to keep domestic garbage that cannot be recycled, and that the levies are charged according to the sizes of the bags required. As far as I understand it, since the introduction of this scheme in 2000, the quantity of waste has been reduced by 53%, and the recycling rate has increased from 10% to 36%. It shows that the scheme has achieved remarkable results, and is also a fair and effective approach of reducing domestic waste.

Of course, before introducing the levy on domestic waste, we think that the Government must first strengthen the support of recycling facilities, so as to encourage the people to recover materials that can be recycled. We have heard that the Government intends to enact legislation to require that recovery facilities for rubbish and materials be set up in all new private buildings as well as on each floor of residential buildings. We welcome all such measures. On top of these, we hope the Government can introduce this scheme and finalize its timetable, so as to tie in with the policy of promoting waste recovery.

With regard to the environmental protection industry, the Democratic Party thinks that the progress of developing and constructing the EcoPark seem to be too slow. We believe that, if we really want to dispose of municipal solid waste in line with the principle of sustainable development, it is an indispensable measure to strengthen the work of environmental recycling and recovery, and the EcoPark has a very significant role to play in this. However, the EcoPark will not be fully operational until 2009, so it absolutely cannot cope with the implementation of other waste reduction and recycling measures. We propose that the Government should provide tax concessions to local recycling industries; expeditiously complete the construction of the EcoPark; provide matching infrastructure facilities and undertake to grant long-term land leases at

concessionary rents to recycling industries, so as to reduce the cost of production of the green industries. The Government should also actively promote the latest production techniques of recycling so as to boost the proportion of materials recycled locally and increase the diversity of products. We firmly believe that, only through waste reduction and the active adoption of recovery policies can we cope with the demand of sustainable development.

Besides, I would also like to raise the issue of addressing the nullah problem. Last year, the Chief Executive mentioned that 16 sections of urban nullahs would be decked by 2014 in order to improve the environment. However, decking the nullahs may not be the best way out. First of all, it will amplify the heat-island effect in the urban area; secondly, decking the nullahs is in fact just employing the tactic of "out of sight, out of mind", and it may not necessarily improve the pollution situation in the nullahs. In recent years, since improvement has been made to the sewerage system, the pollution situation in the nullahs has also substantially ameliorated. The Government may make reference to the approach employed in the Cheonggyecheon, Seoul, South Korea, which greened instead of decking the nullahs. In the meantime, the Government should actively curb the illegal drain of sewage into the nullahs. If the concept of a green city is adopted, flowing water and tree shade should be allowed to co-exist. We think that, through greening the nullahs, we can beautify the urban environment, so as to minimize the heat-island effect, thereby creating more elegant leisure sites in the urban areas.

I so submit. Thank you, Madam President.

**MR TOMMY CHEUNG** (in Cantonese): Madam President, in this policy address, the Chief Executive uses environmental policies as his main point. He puts forward many proposals on ameliorating the air pollution problem. But he has not elaborated the controversial Sewage Charging Scheme (SCS) which has been under discussion for a long time. On the other hand, earlier on, the Environment, Transport and Works Bureau announced that it would table to the Legislative Council its charge increase proposal under the SCS within the next two months.

Regarding the SCS, the catering industry is most concerned about it, and one may say that we are very angry about it because we have been misunderstood

for 11 years. I must take this opportunity to reiterate the stance of the catering sector. President, I think you must have become quite fed up with all this.

The authorities have always said "polluter pays". But this is illogical because the existing sewage charge is absolutely not calculated according to the pollution level. Instead, it is calculated according to the volume of water consumption. That is to say, even if we have not caused any pollution, we still have to pay this charge.

Besides, the Drainage Services Department has been using the standard adopted 11 years ago for calculating the Trade Effluent Surcharge (TES). At that time, the water samples for determining the TES were only taken from some 30 restaurants, and the sampling process was neither transparent nor scientific. It was no different from just making some wild guesses. As shown by our past experience, many operators in the industry have successfully appealed against the original TES. I believe the rate of successful appeals is close to 100%. This is sufficient proof that there are great problems with the measuring standard used by the Department all along.

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

However, unfortunately, the authorities require that appeals be lodged annually, while each of such appeals costs at least \$20,000 to \$30,000 or as much as \$40,000 to \$50,000. The appeal cost is often higher than the TES otherwise payable by restaurants. Consequently, 80% of the operators in the industry do not lodge any appeal at all. Come to think of it: With such a charging scheme and such an appeal system, how can we support them?

But, this is not the fault of the incumbent Secretary for the Environment, Transport and Works. Instead, it is a problem originated from the era of the British Hong Kong Government — a problem that has straddled two centuries, remaining unresolved all along. Therefore, the authorities should seize this opportunity to rectify the problem and do justice to the industry. In fact, the viewpoints of the industry are not at all complicated; first of all, the determination of chemical oxygen demand value at 2 000 g per cu m is not

accurate; and secondly, there are problems with the appeal mechanism. Therefore, I hope the Secretary can do something to improve the situation for our catering industry.

Besides, Deputy President, I would like to discuss the "user pays" principle. In fact, regardless of whether we are discussing domestic sewage charge or TES, while this principle is correct, we must also take people's affordability into consideration. If the costs are so expensive that the charges payable exceed the affordability of the people or the industry, then the authorities must consider granting some discounts in the process of recovering the costs. Instead, it should absorb some small deficit so incurred, so as to avoid causing excessive impact on society.

Moreover, since the Government has adopted the "user pays" principle, so it often thinks that expenditure has outgrown revenue. And it always seeks to recover the full costs. In this regard, I have all along said that I disagree. When the construction of sewage treatment works was under discussion, the Government said that it would inject capital to cover the full cost of investment in such projects, and then the people would have to meet subsequent maintenance and repairs costs. This sounds most reasonable on the surface. However, I find that, according to my record, many underground pipes are already very old and grossly worn-out. Therefore, the costs of replacing such old pipes should not be included in the cost calculation. However, the Government insists on replacing all these old pipes. The situation in Kwun Tong is particularly serious. Since these expenses are also factored into the cost calculation, so it often claims that expenditure has outgrown revenue, thus warranting the introduction of charge increases. I feel that the Government should separate the cost accounts clearly, and the pipes should be listed as a separate item of expenditure, whereas only costs of new sewage treatment facilities should be included in the calculation of the investment of the projects. They should be treated separately.

Further still, the Government should understand that the "user pays" principle does not mean that "while the Government treats guests to a banquet, the people should be made to foot the bill". Therefore, the authorities are duty-bound to control costs, so as to provide cost-effective sewage services. Since the provision of services by civil servants in the Drainage Services Department is costly, the Government should outsource sewage services and invite tenders from the private sector. The people earn their money through

lots of hard sweat and toil. But if the Government invites guests to a banquet, and instead of serving them some standard dishes, it treats them with extravagant ginseng soups with shark's fin, then it is behaving like digging into the wallets of the people, and such an approach is unacceptable. I hope the authorities can bear this in mind.

Deputy President, I so submit.

**MR LEE WING-TAT** (in Cantonese): Deputy President, as I have nearly used up my speaking time, so I shall just speak briefly on a few points.

With regard to housing, in particular the private property market, I hope Secretary Michael SUEN can pay some attention to it. Of course, whenever the Secretary speaks in public, he will invariably say that the supply of flats in the local property market is very stable. However, if the Secretary has his own databank, he would be able to see that property prices have not dropped recently in spite of the stagnant market. Although there are some price reductions, they are by no means substantial. But this may not be the case with some recently launched developments. For example, there is an advertisement in today's newspapers announcing the sale of flats of a development project, which is adjacent to Mei Foo Sun Chuen. The flats of this development are priced at \$15,000 per sq ft. Do you not know about it, Secretary? Insofar as the present circumstances are concerned, the purchasing power of the people is inadequate for sustaining the present level of property prices. However, all the developers are constructing luxurious flats. In their opinion, as long as they regard their stock as luxurious flats, then such flats are luxurious, regardless of whether they are located in Tai Kok Tsui or Ma On Shan. Since luxurious flats could be located in Ma On Shan, then sooner or later, luxurious flats could emerge in Tin Shui Wai and North District as well. In a market economy, we can sit back and relax, doing nothing to intervene. But, frankly speaking, if the property market cannot make a soft landing, it will not do any good to both the Government and the people. This is the first problem.

The second problem is, while the property market has shown a rising trend recently, there are many families earning between \$18,000 and \$20,000 or \$30,000 a month. These people are not eligible for public housing. Of course, the Secretary may say that when they earn more, they may buy flats in older buildings situated in Kwun Tong or Wan Chai. In fact, a mismatch has

already emerged in the prevalent market. So, the Secretary indicated last week the intention of building some Home Ownership Scheme (HOS) flats. Of course, I think that this warrants careful study and the Government may not have to proceed with it immediately. However, the Democratic Party has always adopted the stance that the provision of a small amount of HOS flats can provide some suitable regulation in the market. The Secretary may also know that, insofar as housing construction is concerned, it would take at least three to four years, or as long as five to six years, from planning to completion. Regarding the remaining HOS flats, they would be sold out within the next three to four years. Therefore, I implore the Secretary to conduct some serious studies to examine whether the present situation, that is, the local property market, the economy and the capability of the middle class in making monthly instalments for their flats, and so on, is sustainable. The present situation shows us that any property development project in the private sector could be luxurious properties. So as long as one considers them luxurious, then even if such flats are situated in Shum Shui Po, the price of such flats can still go up to \$15,000 per sq ft. Does the Secretary want to see such a phenomenon?

I hope the Secretary can carefully consider these problems. Thank you, Deputy President.

**MISS CHOY SO-YUK** (in Cantonese): Deputy President, sometime ago, the Chief Executive announced in a high profile the Action Blue Sky Campaign, an action obviously meant to demonstrate to the public that the SAR Government would make mitigation of air pollution its most significant area of work in administration. This direction is most correct and makes the public hold great expectations, thinking that the SAR Government would adopt a decisive attitude to bring back the blue sky with new initiatives and new proposals. However, after listening to the Chief Executive's policy address two weeks ago, my first feeling was one of happiness mixed with disappointment.

I was happy because the Chief Executive had really made environmental protection one of his three key notes in administration. It was the first policy address in Hong Kong that put environmental protection in such a high position on the agenda. Many of the measures have not only taken on board proposals made by the DAB but also taken a more aggressive step than ours, the most obvious example being the financing of replacement of highly polluting vehicles. While the DAB has proposed that about \$1 billion be expended to subsidize the

replacement of pre-Euro trucks, the policy address has proposed to expand the subsidization scope to cover Euro I vehicles at a cost of some \$3.2 billion. Although this proposal may appear to be superfluous in our view, it merits recognition anyway.

As for my disappointment, it can be divided into two aspects in general. For one thing, although the Chief Executive touched upon the crux of the matter in a number of issues related to environmental protection, the solutions proposed could hardly address them at root, let alone eliminating them. And such issues include legislation on a product responsibility scheme and the treatment of waste. For another, while a piece of carrot is offered in addressing the environmental protection problem, a stick was not prepared in parallel, so given a situation of reward without punishment, the policy will likely fail to see thorough implementation. The subsidy for vehicle replacement is a notable example of this. When money is offered without any caveat against squandering, no one will take up the carrot offered. Moreover, we also feel most concerned about a hint given by the Chief Executive in his conclusion when he talked about the relations and balance among the economy, society and environmental protection. Reading between the lines, he seemed to suggest that the principal problem with Hong Kong is not the inadequate attention given to environmental protection, but under-development. Given this logic and thinking, one cannot help worrying that the local environmental efforts may be caught in a quagmire, making little progress, if any, at all.

Actually, apart from air pollution, Hong Kong faces many other environmental problems which are pressing. We are racing against time. But few proposals have been put forth in the policy address and many of the initiatives are just a repeat of past undertakings. A fast knot in the environmental problem remains unresolved. In the following, I will present the position of the DAB in respect of such issues as air pollution, emission of greenhouse gases, waste treatment, old and valuable trees and green GDP.

Deputy President, in respect of the power plants which are the largest source of air pollution in Hong Kong, for example, the policy address has not proposed any new measures. Even if I subscribe to the Chief Executive's view that there is no panacea in environmental problems, nor are there any instant solutions, there is still no way that the Government should remain stagnant at seeing that the air quality is ever worsening and the patience of the business sector and the people waning to the very end. In fact, pinpointing the air

pollution problem, the DAB has earlier proposed a package of 33 substantive recommendations which suggested, *inter alia*, that the power plants be required to comply with more stringent emission reduction requirements. It is because only with this can the public see the blue sky again early. And only in this way can the public have faith in the Chief Executive's effort to combat air pollution.

Certainly, the target of action in the policy address this year is mainly motor cars rather than the power plants. So provisions will be made to finance owners to replace their old diesel-powered commercial vehicles with Euro IV vehicles which are more environmentally friendly. This scheme is relatively more practical, so the DAB supports its direction. There are, however, still two inadequacies in this scheme. Firstly, the scheme is not comprehensive for the policy address did not announce at the same time a timetable to bar highly polluting vehicles from running on Hong Kong roads. Thus it means reward without punishment. Owners will naturally be reluctant to make an early decision on replacement.

Secondly, the scheme is not fostered by thorough consideration before implementation. After the announcement of the scheme, even if owners are keenly interested, they will have to wait seven months before they can make any formal applications. As a result of this, many an owner who was originally prepared to replace his vehicle has now put his plan on hold. Consequently, the public has to continue to put up with the exhausts emitted by these highly polluting vehicles for a few more months because of the introduction of this scheme. Besides, it has affected the business of car dealers in six months. All this has put a blot on the scheme. The DAB urges the Government to immediately open discussions with the industry on the specific details of the scheme with a view to shortening by all means this most embarrassing period.

Furthermore, the development of green motor cars is progressing in leaps and bounds. Hybrid cars, being the development direction for green vehicles, have proved to be viable performance-wise and roadworthy in Hong Kong. As a result of this, an increasing number of models of such vehicles has become available for car owners to choose. Given that the SAR Government has made mitigation of air pollution its principal task, the high ranking officials should set an example by taking the lead to use such vehicles in order to promote such awareness among members of the public.



Of course, in addition to some immediate, short-term proposals, the environmental protection cause requires some sustained undertakings. For this reason, the DAB calls upon the SAR Government to open as soon as possible discussions with the Mainland on a project to ameliorate air pollution in the Pearl River Delta post-2010, so that ample time can be given to various parties concerned to ferment proposals that will resolve from the long-term and macro angle the air pollution problem that has been plaguing the entire region for a long time.

Deputy President, to conserve on power consumption is the quickest effective means of reducing gas emission. I believe Members will still recall that the Chief Executive made a proposal on power conservation in the policy address last year and set down a target for this, namely to require all government offices to reduce power consumption by 1.5% within one year. Subsequently, the DAB urged the Government to raise the target to 5%. In the policy address this year, however, no similar target was raised. It is hoped that the Government has not formed the view that the target has already been achieved, thereby thinking that it may as well sound an honourable retreat.

In the middle of the year, Deputy President, I participated in a domestic energy saving competition organized by an environmental group. In this competition, I managed to save 35% electricity consumption compared to my consumption last year. However, I did not emerge the winner because the champion had managed to save more than double my achievement! Similarly, while the pattern of power consumption in government offices is largely different from the domestic situation, there is still enormous room for energy saving. The key lies in the resolve of the Government. If all households in Hong Kong can reduce their power consumption by 10%, we can reduce as a result the emission of carbon dioxide by 570 000 tons, which is equivalent to planting 38 million trees.

In the final analysis, the fundamental solution to the problem lies in the development of zero-emission renewable energy resources. However, to enable the proliferation of renewable energy, the prerequisite must be the imposition of a mandatory requirement on the power companies to permit grid connection of electricity generated by renewable energy resources. Without this, everything else is nothing but empty talk. Although the Government has already stated that there are many problems in implementing this, Deputy President, the live experience of us in the Legislative Council Panel on

Environmental Affairs gained from our inspection visit to Denmark during the summer holidays has proved that the so-called problems stated by the Government are no great problems at all. However, because of the time constraint, I have to leave the detailed account on this to a later date.

The treatment of waste can be considered a fixture in the policy addresses down the years. From the policy address in 1997 to the one this year, the subject is mentioned almost every year, with the Government reiterating how it supports recovery and separation of waste, and how it encourages the recovery and recycling industry. Talk as it may, but when it comes to specific measures, it has always, ever been all thunder but no rain. Similarly, the legislation on the product responsibility scheme can be presented in an all-encompassing piece of hollow legislation that tries to cover all products, that obliges the Legislative Council to once again issue a blank cheque on an open-end commitment. Now it is said that the relevant legislation will be enacted this year, but I am not at all optimistic about it.

However, a classic example can be none other than the EcoPark in Area 38, Tuen Mun. Since it was mooted in 2001, reference to this proposal has been made in four policy addresses already. On the latest occasion, no sooner had the Chief Executive said that the EcoPark would be commissioned before the end of the year than news came that it might not come into operation until next year. May I ask why must good things come so late and slow?

Deputy President, next I would like to talk about the private bill on the protection of old and valuable trees that I have been trying to introduce for years. The old and valuable trees in Hong Kong are fast diminishing, so I trust Members will not disapprove of enhancing the protection of such old and valuable trees. Besides, the bill will not in any way disagree with government policy. However, whenever I tried to table this bill, the Government would oppose with whatever reasons it thought fit, accusing it of the "three violations". One of the key reasons advanced for such opposition is the claim that the bill has charging effect, hence it cannot be introduced. On the surface of it, the opposition is most sensible and reasonable. But on close examination, the so-called public expenditure that may be incurred will only be some expenses that will be incurred as a result of the service of notice of authorization between departments. Besides, the expenditure so incurred may be so negligible as to amount to a thousand or several hundred dollars a year. If the Government is

so unwilling to foot this expenditure, I certainly will not mind fishing it out from my own purse, or making an advance payment for 50 years' expenditure in one go. If the Government should be bent on having its own way, should it use this reason to insist on opposing a bill that has gained public acceptance and support and toes the government policy, how could it convince the people that its governance is "always people first"? That it is sincere in improving the relationship between the executive and the legislature? That it really intends to devolve powers to the representatives of public opinion?

Deputy President, apart from doing a good job in environmental protection, the DAB urges the Government to take on a macro outlook to draw up work targets and planning for the longer term.

One of such initiatives must be the promotion of green GDP. Nowadays, conventional growth in GDP is still worshipped like god in Hong Kong, blind to the limitations imposed by such pursuit, meaning that such growth can never reflect the situation of sustainable development. Let me cite a simple example in the construction of the new Government Headquarters. What is the transport need that will be brought by the relevant project to the community in question? How serious the air pollution will such traffic cause then? What is the health care cost that society will have to pay in this connection? What damage will the project cause on the neighbouring districts? Will the depletion of natural resources thus entailed be kept to the minimum? How many years will the relevant buildings last? Should they be demolished one day, what will be the expenditure incurred? All of these questions are neglected in the conventional GDP. In a society that places emphasis on sustainable development, consideration must be given to the costs of damaging the environment in the course of pursuing economic development. Examples of such costs include the expenditure on restoration of the damaged environment and spending on addressing air pollution. Because of all this, green GDP comes into the picture and becomes a trend gaining popularity.

As a matter of fact, green GDP has become a national, as well as international, trend. However, since the establishment of green GDP involves a fundamental change in concepts and the formulation of a set of clear criteria and sound matching facilities, society must be given sufficient time to hold discussions and to brew a consensus before it can stand any chances of success. Precisely because of this reason, it is all the more imperative for the Government

to kick-start such discussions early, lest it would be too late when it realizes the need in future.

Lastly, Deputy President, I have to respond to the "first challenge" mentioned by the Chief Executive in the conclusion of his policy address, that is, how to sustain economic development. The Chief Executive stated that in order to achieve the goals of promoting the "well-being of the people, society and the environment", we must keep up the momentum of economic growth. Then he added that "Hong Kong's development is hampered by insufficient investment and the slow pace of public investment". These remarks put me in a grave worry for the Chief Executive appeared to think that Hong Kong needs to launch another round of large-scale infrastructure development.

We cannot help asking this question. Has the city of Hong Kong not become a world-renowned concrete jungle of the rare kind after several decades of rapid development that saw the erection of an innumerable number of high rises? Why must the policy address still trumpet the merits of an even more vigorous pace of development?

As people all know, Deputy President, after more than a decade of blind development, the Mainland has gained in return a worsening environmental pollution problem. For this reason, the Central Government and local authorities have come to realize in recent years the gravity and damage of this problem and hastened to arrest the momentum of construction and development and shift the focus of administration to renovation and protection of the environment. From the high hand applied in the crackdown on corruption in Guangdong Province to the introduction of trial schemes on green GDP in 10 provinces and municipalities and the express intent of building up a conservation society espoused in the 11th Five-Year Plan, resolve is seen on the part of the mainland authorities to make environmental protection and sustainable development the criteria of administration and to prescribe environmental protection as the standard of appraisal of the performance of leaders. However, despite this awakening, the various ills caused by the single-minded pursuit of development in the past, namely desertification, drastic shrinkage of forests, serious pollution of watercourses and prevalence of smog in cities and towns, will take several decades to heal and rehabilitate. Given this general tide, I can hardly understand indeed why the Chief Executive should sail against the current

by stressing that development should take precedence before environmental protection. I feel even more concerned that, if this mindset of emphasizing development is not changed, we run the risk of repeating the mistake of the Mainland. In that event, the so-called sustainable development and environmental protection enunciated by the SAR Government would become nothing more than a beautiful misunderstanding.

Deputy President, since I still have some time, I would like to respond to Mr Andrew LEUNG's remark about the use of chlorine under the Clean Harbour Scheme. I very much share his worry. In fact, some experts have done some calculations and come up with the conclusion that should chlorine be used as proposed under the Scheme to kill bacteria, Hong Kong would become the world city of chlorine. And the chlorine that we would use in a year would be equal to 30% of the chlorine used in the United States in a full year.

Yesterday, I attended a forum hosted by a veteran environmentalist, Dr KOENIG. During the forum, he played a documentary on Chinese white dolphins which explained that chlorine has affected the productivity of these dolphins so much that the population of Chinese white dolphins has dropped sharply. Moreover, my mentor, Dr HODGKISS, added in no time that while chlorine could only reduce the Escherichia coli (E. coli) count which is an index of water pollution, it could not resolve the problem of the cleanliness of our water. A reduced E. coli count in sea water does not mean people can take a safe swim in Hong Kong waters. Therefore, I hope very much that the Government can re-examine the Clean Harbour Scheme as a whole, in particular the part on using chlorine. Moreover, the Government has asserted that the treatment of sewage will be upgraded from primary treatment to secondary treatment. To upgrade the primary treatment to secondary will effectively mean pulling down the whole treatment works and put in place a new one, so why does the Government not implement secondary treatment right from the very beginning now?

I so submit, Deputy President.

**MR ANDREW CHENG** (in Cantonese): Deputy President, on behalf of the Democratic Party, I will speak on the part concerning transport in the policy

address. I will focus on such areas as franchised buses, road safety, congestion at tunnels and railway matters in my discussion.

The Secretary took office as an accountability official in 2002 and after several years of effort in promoting a mechanism which allows for increase and reduction in bus fares for franchised buses, a consensus has been reached with bus companies on this mechanism. However, I hope that the Secretary will pay attention to several points in bargaining with the bus companies in future in respect of this consensus.

Firstly, we understand that insofar as environmental protection is concerned, the Secretary may also think that the acquisition of more environmentally-friendly buses with lower emission levels will certainly be helpful to the environment. However, we must understand that in respect of the term of the franchise or contents of the agreement, consensus has already been reached on many issues, and I hope that the Secretary can also make decisions on vehicle emission and the problem that we often mention about short-haul passengers not being able to benefit from fare reduction, or even putting in place a mechanism of section fares for franchised buses as we consistently propose.

Deputy President, on these issues, I hope that in handling the franchise agreement or in discussing with the bus companies, or even when considering the extension of their franchises, the Secretary can request the bus companies to purchase more environmentally-friendly buses with lower emission levels and provide more concessionary fares to short-haul passengers and also implement section fares.

Certainly, the Secretary may have concluded some of these agreements, and some others now under discussion may already be finalized. But Deputy President, I hope the Secretary will understand that everything is open to discussion, and insofar as these issues are concerned, I believe the power to control and the decision to award franchise rest in the hands of the Government. In the light of public interest and benefit, I hope that the bus companies can do something for environmental protection and also in respect of bus fares, in order to live up to their corporate conscience and responsibility. With regard to section fares, in particular, I think there is no reason not to implement distance-based section fares in Hong Kong. The longer the bus journey, the more sections there can be, and it will be more reasonable and fairer to introduce

section fares for each bus route according to the distance of each section of the journey.

(THE PRESIDENT resumed the Chair)

Madam President, next, I wish to turn to road safety which has recently aroused great concern among us. Although the panel has already held meetings in this regard, I hope that the Secretary can make overall improvement to road safety and implement the relevant policies in respect of support measures or devices for vehicles, drivers' awareness of road safety, their physical conditions and working hours, and also the design of roads, in the coming year or even earlier.

In respect of support measures for vehicles, Madam President, the industry is of the view that the requirement of having a workman to assist the driver will create a heavy financial burden on the industry, but without the assistance of a workman, there is concern that accidents may occur when a vehicle is reversing. In this connection, I think the retrofitting of closed circuit television can be a precautionary measure. Recently, we have received plenty of information from manufacturers on this type of product. Basically, the retrofitting cost is below \$1,000 only, not between \$3,000 and \$6,000 as the Government has said.

Moreover, I think that apart from support measures or devices for vehicles, accidents may also be related to drivers in some cases. Everyone knows that the working hours of professional drivers in Hong Kong are excessive. Long working hours will create a negative impact on the drivers themselves and also on other drivers as well as road safety. So, on this point, I believe the key lies in how the Government construes and handles the issue of standard working hours and also the need to enact legislation expeditiously. Even if it is still unlikely to enact legislation on the standard working hours of professional drivers, the Government can introduce measures for green minibuses because their licences are issued by the Government. Can the Government start from these drivers by requiring them to implement a more reasonable system of working hours, so as to allow more rest time for drivers? Certainly, at panel meetings we also asked franchised bus operators to provide better guidelines, especially on the arrangement in between two trips, because many drivers do not

even have the time to go to the washroom because of traffic congestion, not to mention taking a rest and taking lunch.

As for the physical conditions of drivers, most drivers at 50 or above are now required to undergo mandatory physical examination every year, but as we all know, Hong Kong people live with a hectic pace of life and work excessively long hours, many drivers, therefore, already have hidden occupational diseases or other diseases, such as heart disease, high blood pressure and diabetes, in their thirties and forties. So, it is necessary for the Government to consider whether the drivers, when applying for their licence, are physically fit and whether they need to undergo physical examination, and also how a proper balance can be struck, so that what the drivers are required to do will not be a nuisance to them while at the same time giving drivers the opportunity to undergo a more proper physical examination to their own benefit. In fact, Hong Kong people are not used to taking physical examinations, but I hope that consideration can be made from a transport perspective, so that measures can be taken to encourage drivers to undergo physical examination, or even to make such physical examination mandatory. These measures are worthy of consideration.

As for road design and traffic congestion, Madam President, I think these issues are indeed very frustrating, especially when we are talking about congestion at various tunnels. In fact, congestion at one tunnel will often create a knock-on effect or chain reaction, because congestion will occur on the roads in many places in the territory when traffic is congested at the tunnel. So, traffic congestion can give rise to a very expensive social cost. Since the person in charge of the tunnel companies is now a Member of the Executive Council in the power core of the Government, I hope that they will show a little of their social conscience and discuss this issue with the Secretary and the Legislative Council as far as possible, so that a solution can be gradually worked out to achieve balanced traffic flow at tunnels and hence ease congestion on roads. Certainly, the Government is considering the option of electronic road pricing. I hope that the Government will not spend too much time considering it. If we do a bit of calculation, we will know that studies have been conducted on electronic road pricing for 10 years with as much as \$100 million having been spent on consultancy. This \$100 million is a huge sum of money. The Government is complaining about its financial position on the one hand but on the other, it has spent \$100 million on consultancy studies on electronic road pricing. This is unacceptable. The Government must reach a decision of either to implement it



or not to implement it. It must not keep on commissioning consultancy studies at the expense of public coffers.

With regard to railway issues, Madam President, the legislation on a merger of the two railway corporations is now in the stage of discussion. In the course of such discussion, however, we are most concerned about whether assets will be sold at knock down prices and whether public interest is injured. They have been asked to provide the statistics, but it seems that the statistics cannot be provided at the moment for they involve commercially sensitive information. If they cannot provide the statistics to show us whether or not assets will be sold at knock down prices, it would be very difficult for us to believe that the future railway corporation made up of the Kowloon-Canton Railway Corporation and the MTR Corporation Limited (MTRCL) will not become an independent kingdom. They are already so domineering after their listing, as they refused to provide the information as requested by the Government on the ground of commercial secrets. How can the Government prevent the railway corporations from becoming an independent kingdom and ensure that they will not bargain or haggle with the Government over railway development?

A case in point is that last month the MTRCL asked the Government to grant the site of the Kennedy Town police quarters as a subsidy for the development of West Hong Kong Island Line. This site is not included as superstructure development above MTR stations and yet, it still took this step. I think since it can already take this step now, would it go even further in its haggling with the authorities when there will be only one railway corporation in future? I hope that the Secretary — who is frowning now — will understand that insofar as this issue is concerned, I believe it will certainly be a transport issue that puts the heaviest burden and greatest pressure on the Secretary in future. I hope that we, Members of the Legislative Council, will have regard to public interest. I also hope that the West Hong Kong Island Line and South Hong Kong Island Line, as well as many other lines, can be completed expeditiously. However, the Government does have a role to play in railway development. As regards the role of the Government, that is, whether it should provide indirect or direct subsidy, or whether it should provide subsidy by way of land grant, all these are worthy of our discussion, and we should not allow the Government to be led by its nose by the MTRCL.

Madam President, I wish to talk just a bit more about railway incidents, as I would like to spare some speaking time for other topics tomorrow.

I would like to talk about railway incidents after the merger of the two railway corporations. I wish to reiterate that apart from railway development and the use of public funds, railway incidents are likely to become an extremely sensitive and important issue faced by Hong Kong people in the next five to 10 years. The reason is that given the ageing of the railway, its maintenance and massive scale of development, problems will arise from past practices adopted by them customarily in handling railway failures. Safety absolutely cannot be compromised and this is why I always hold that a merit point system should be introduced for railway corporations. Without this system, the railway corporations would submit a report to the Secretary every time after an incident of railway failure, and every time after the Secretary finished reading the report, she would invariably say that the incident was an individual incident and that the railway corporation would learn a lesson. But in the end, the formula is that system failures continuously occurred in different manners. At present, the failures are still minor, but given the ageing of railways, I do not wish to see that in the event of railway failure in future, the railway corporation will handle the incident with an attitude of following the past practice of submitting a report on the incident only. When incidents of railway failure continue to occur as in the past and once casualties are caused, railway safety, a factor on which our success hinges, as well as the efficiency and achievements of railway would all be destroyed one after another.

So, Madam President, with these remarks, I hope the Secretary will pay attention to the points I have made. Thank you, Madam President.

**DR JOSEPH LEE** (in Cantonese): Madam President, I shall speak on policies on the environment and housing policies. Although the Government has realized that it is high time we tackled the air pollution problem, after the lapse of one year, we can see that the effort to improve air quality still remains at the stages of review and revision of the Air Quality Objectives. I absolutely cannot accept this. It is because if we can expeditiously implement the more stringent index, we can let the people know clearly how bad our air quality is. Even though we may not be able to control the air in the macro-environment, at least when the air quality is bad, Hong Kong people can avoid going out or choose to take part in outdoor activities in places where the air is fresher to protect themselves. Secondly, there is also an advantage in implementing a more stringent index, that is, it will make people from all walks of life become more determined and more committed in taking part in the Action Blue Sky Campaign

in a bid to protect air quality. Therefore, I hope the Government can expedite implementing the review and revision procedures, so as to establish a good index to enable the people to protect at least themselves.

Madam President, we think that building up an optimized community environment is the core concept of the holistic health policy. As a common Chinese saying goes, "A place has become propitious for bringing up great men". The health of a community and the quality of life of its people are closely related to the quality of the community environment. I suggest that when the Government launches re-planning of the communities and introduces additional facilities, it should make an attempt to combine the concept of greening infrastructure with district and family activities, so as to build up a green, active and healthy community in which the environment interacts with the people. I propose that community gardening be introduced. This is a scheme that incorporates the concepts of greening community and community integration, and in addition, it extends, perfects and enriches the roof greening concept advocated in the policy address.

Community gardening refers to the farming activities undertaken by a group of people living in the same community on the same piece of land, and the residents, non-profit-making organizations or district councils shall provide services such as technical support, co-ordination and management, and so on. The gardening activities can take place on roof tops, flower beds or lawns of gardens. So the venues would invariably be located within the community. Community gardening can achieve the effect of greening the community, provide greenery in the urban area, reduce pollution, keep down temperatures and improve the community environment, so as to upgrade the quality of life of the residents. It is an extension of the concept of roof greening. Meanwhile, these district activities would promote closer co-ordination relationship among the residents. Community gardening can help build up the collective nature of a community, and it offers great added value to the building up of healthy communities, thereby perfecting and enriching the concept of roof greening. It is revealed in certain studies that residents living in a community with community gardening are more willing to take part in social activities within the community and the neighbourhood, thus making it easier for the people to break down inter-personal barriers and maintain better psychological health. Community gardening makes it possible for people living in the neighbourhood to have common topics of conversation, thus promoting much friendlier

community relationship. As a matter of fact, community gardening can make communities unique, and it can enhance individuals' sense of identification and commitment. At the same time, community gardening can provide families and the elderly with space for family and group activities, enhancing the opportunity for integration between the young and the old, as well as social inclusion. From this, we can see that community gardening can pave the way for family-friendly and community-friendly policies and promotion of a sense of worthiness for the elderly. In many countries, community gardening is an alternative extension of the concept of organic farming. More importantly, the place for community gardening is a venue for assembly, where district cultural activities such as diversified education, environmental protection and conservation, and so on can be developed. It is very suitable for adoption in communities with relatively weak cohesion and multi-racial settings, and it is also suitable for strengthening such policy objectives as promoting civic participation, civic empowerment and the building up of healthy communities.

Madam President, I would like to talk about problems in respect of architecture. Green architecture is a significant item in the optimization of the environment. Green construction is a building concept that involves the minimum depletion of the resources of the earth, and it aims at generating the least amount of waste. While green or environmental buildings will cost 2% higher than those of ordinary buildings, the former would bring about returns 10 times higher than the latter within its 20 year-lifespan; the major financial gain derives from energy consumption, waste disposal and economical water consumption. In particular, green buildings perform much better in saving energy and providing a healthy environment. Some studies indicate that green buildings can enhance and improve the productivity and health level of their inhabitants by 1% to 7%. However, unfortunately, the building laws in Hong Kong are not conducive to environmental protection policies, nor do they encourage innovative environmental design. For example, the building laws in Hong Kong impose a lot of restrictions on building materials, so new building technologies may not be used even if they are available.

In my opinion, the Government must make greater efforts in promoting green building initiatives. I suggest that the Government should take the lead in launching green construction projects in public housing, and then it may further extend the initiative to housing estates in the private sector by requiring them to include a certain proportion of environmental facilities. Meanwhile, some

financial incentives should be granted to green buildings. In launching large-scale redevelopment and infrastructure projects, more environmental designs should be introduced, so as to inject the development concept of ecological and intelligent residential areas into urban construction. For example, we may install garbage treatment machines or kitchen waste mixers, so as to process the rubbish in our daily life on the spot and by way of chemical degradation. Or we may choose the suitable amount of flushing water to flush away excretal matters of different sizes; or we may install measuring devices to assess the amount of indoor dust and chemicals, so as to monitor the API of our environment.

Madam President, I hope, through the promotion of the Community Gardening Scheme and green architecture initiatives, we can incorporate environmental protection into our daily life and bring "green" living into our habits. To this end, we have to rely on the assistance provided by the relevant policies, so as to enable the people to take part in the building up of a healthy and environmental lifestyle, and facilitate the concept of health empowerment, which makes individuals responsible for their own health, in becoming deeply implanted in the communities, thereby laying the foundation for building up green communities and a healthy Hong Kong.

Madam President, I so submit.

**MR CHEUNG HOK-MING** (in Cantonese): Madam President, in a radio programme broadcast last Saturday, Secretary Dr Sarah LIAO gave the following description: Taking an aerial view from the air, one can find that Hong Kong is a vast piece of green land, and the scenery is just too beautiful. On the following day, I made a one-day tour of the Frontier Closed Area (FCA). Quite surprisingly, what I could see was, though the greenery remained the same, with the exception of certain pieces of land in Lok Ma Chau, all the areas were overgrown with weeds. The unsightly scene was by no means unique to the FCA. Even in areas already designated as conservation areas within country parks, the situation is still the same. The reason is very simple. Other than drawing some circles on the map and declaring them green zones or conservation areas, the Government has never allocated any resources to them and there has never been any systematic management of them. If the Government can spend over \$100 million on building a theme park to attract tourists, why does it not make good use of our existing natural resources? In doing so, we can actually

cheer the blue sky on the one hand and give encouragement to the green grass on the other. In my opinion, if we go about greening the entire city, we can achieve success in four aspects, namely, the creation of more employment opportunities; the incorporation of greening elements into our life; the upgrading of the quality of country parks and the building up of closer relationships between parents and children.

First, the creation of more employment opportunities. The air pollution problem has become so acute that it has reached the proportion of deterring foreign investors. The greening approach is one of the possible ways of addressing the problem. Although nearly 40% of the land in Hong Kong is country parks, the Government does not know what kinds of plants are growing in such parks, not to mention having any long-term conservation plan. On the contrary, our neighbouring cities or major cities in the Mainland have all done very well in their greening initiatives.

Even a man has to visit a barber periodically to have a hair cut in order to keep himself neat and tidy, so it is no surprise that plants also need trimming. I think the Government should create a large number of gardening worker posts and provide them with some basic gardening skills and knowledge. Apart from the existing green zones, we should also systematically proceed with greening the entire city, so as not to waste our precious resources.

Secondly, the incorporation of greening elements into society. In recent years, trees and plants have been subject to the merciless attacks by *Mikania micrantha*. Once a plant is entangled by *Mikania micrantha*, it will die of a lack of oxygen, and more seriously, the entire ecology of the area could be affected. During the past few years, I have organized hundreds of volunteers to clear the *Mikania micrantha*, and we have achieved very good results in the clearance operations. In my opinion, the work of greening the city, very much like our slimming efforts, is a lifelong commitment. If we can deeply instil the greening concept into the minds of the people, I believe we would achieve remarkable success.

Meanwhile, some of the young people or middle-aged people have not been able to find a job in recent years. We can take this opportunity to encourage them to render services to society on the one hand, and make fruitful use of their time on the other. It can indeed kill two birds with one stone.

Thirdly, the upgrading of the quality of country parks. According to the information provided by the Kadoorie Farm, in the area around Lin Ma Hang of Sha Tau Kok, some rare species of plants are found there. If we can provide relevant plant education according to the species available, we may systematically grow different plants in different places, and it would definitely be more meaningful than the present situation of having weeds overgrown in many areas.

As far as I understand it, some rather precious plants with curative effects are grown in many parts of the New Territories, and the villagers can usually sell them at good prices. Some years ago, the Government mooted the idea of developing a Traditional Chinese Medicine Port, but so far it still has not materialized. I hope the Government can take this opportunity to learn from the experience of some other territories, so as to develop some botanical parks with a theme.

Fourth, building up closer relationships between parents and children. In this year's policy address, the Chief Executive has repeatedly stressed the significance of harmony in families. If we can promote the concept of greening the entire city, enabling the people to bring greening elements into society and even into families, I believe it is possible to purify the souls of people living in the city, and it is also possible to promote a closer relationship between parents and children.

I believe the said items of work will help speed up the pace of the greening initiatives in Hong Kong, and they would also help improve the air quality of Hong Kong. Just now, I have described at length my ideal greening blueprint with the objectives of improving and upgrading the quality of life of Hong Kong people. Next, I would like to speak on the transport problems. Similarly, transport problems are also related to our life. If they are not handled properly, not only the living of the people, but also the economy of Hong Kong will be adversely affected. These problems should never be overlooked.

Madam President, both the Hong Kong–Shenzhen Western Corridor and the Deep Bay Link will be commissioned in the middle of next year. They are the first two major infrastructure projects jointly developed by China and Hong Kong in order to cope with the future massive cross-boundary vehicular traffic. New Territories West is undergoing a lot of road resurfacing and widening

works. However, I doubt whether such regional patch-up works can really be able to cope with the anticipated 30 000 or so vehicles after the commissioning of the two roads. There is really a big question mark over this.

Regarding this issue in particular, I again raised a question with the Government in a meeting of the Transport Panel last week. Unfortunately, their reply was still disappointing. The authorities still firmly believed in their consultancy report and thought that during the initial period after the commissioning of the Hong Kong-Shenzhen Western Corridor and the Deep Bay Link, most of the cross-boundary vehicles would still use Route 3, so the impact on Tuen Mun Road would be minimal.

However, I would like to ask all of you to take a closer look at some facts. At present, the container industry still has not fully revived. Many people in the transport industry are still struggling for survival. Under such circumstances, which route do you think they will choose: Route 3, which means a longer journey with a higher fuel cost and \$80 for a two-way journey, or Tuen Mun Road, which is a faster and free road? I believe I do not have to tell you the answer, and you should know it very well.

In the past, be it at the district level, or in the Legislative Council, the DAB has repeatedly advocated the separation of the local vehicular flow from the cross-boundary one; expeditiously solve the problem of the expensive toll charged at Route 3; and the construction of the Easterly Link Road. And it is most important that a faster and more convenient route, including the Tuen Mun Western Bypass and a direct road linking to the airport should be built expeditiously. Only in this way can we obviate the need for cross-boundary vehicles to enter the heart of the residential area of New Territories West, and then we can really achieve the win-win solution of promoting the development of the local logistics industry on the one hand and avoiding causing inconvenience to the daily vehicular traffic of New Territories West residents on the other.

In fact, this is by no means a new idea. It was raised as early as 1999 when the Third Comprehensive Transport Study was released. Unfortunately, to date the Government still insists that it is not necessary to construct this road before 2016. This has in effect ignored the prevailing urgent social need for this road.



We think that the traffic congestion problem in New Territories West is not an unsolvable issue. All that the Government has to do is to adopt an open attitude, listen more to the views of the people and district organizations, and resolutely perform a major "operation" of injecting new blood and introducing new elements by constructing an expressway from the town centre. Do not perform those useless minor operations on the ailing patient anymore. In this way, I believe the transport problem in New Territories West can be solved thoroughly.

Madam President, after the commissioning of the Western Corridor, the vehicular flows from both sides of the boundary will naturally and quickly join up together to propel the development of the local transport and logistics industries. However, from a macro point of view, we can discover that there is a westward tilting tendency in the development of cross-boundary links in Hong Kong. It is because the Hong Kong-Shenzhen Western Corridor and the future Hong Kong-Zhuhai-Macao Bridge are all direct cross-boundary links connecting New Territories East and places in Guangdong Province such as Zhuhai, and so on. On the other hand, the border crossings connecting with New Territories East, which have been in use for many years, such as Man Kam To, Lok Ma Chau and Sha Tau Kok, have already reached their full capacity for a long time, and their facilities are relatively older, so the room for their further expansion is extremely limited. The DAB is of the opinion that it is necessary to develop a new eastern corridor, so as to facilitate the smooth flow of cross-boundary vehicles, thus really achieving the ideal layout of "East in East out, West in West out". Therefore, the DAB very much hopes that the Governments on both sides of the boundary can expedite studying and implementing this.

Lin Ma Hang, situated in Ta Kwu Ling, is close to the Yantian Port of Shenzhen as well as the Shenzhen-Shantou Expressway and Shenzhen-Huizhou Expressway. It is very convenient for vehicles to travel from this place to destinations in the eastern coast such as Dongguan and Huizhou. I believe this is the priority site for constructing the Hong Kong-Shenzhen Eastern Corridor. In fact, Shenzhen has already moved ahead of us as they have already started considering the development of this cross-boundary link.

Recently, I have paid an on-site visit to the area around Lin Ma Hang, Sha Tau Kok, and found that on the Shenzhen side, the authorities have already made

comprehensive planning of the Liantang area, and some preliminary development works have started in most places, so everything there seems to be ready now. On the contrary, in Lin Ma Hang on the Hong Kong side, we can only find weed grown all over the place. It is really a saddening scene.

I understand that New Territories East has all along been regarded as the "rear garden" of Hong Kong. If Lin Ma Hang is developed into a boundary crossing, then this "rear garden" is in effect damaged and can never be remedied in future. However, we think that as long as the Government can conduct the planning with better designs, and strike a suitable balance and make matching arrangements in infrastructure, then we would definitely be able to get the best of both worlds. The Qinghai-Tibet Highway, that was commissioned this year, has been hailed as the "Project of the Century". Is it not a magnificent and innovative project that has successfully achieved a balance between Nature and passenger traffic and blended them together?

Therefore, we suggest that the Government should explore the feasibility of developing a complete and fast link which bypasses the conservation areas, and before it enters the town centres of Fanling and Sheung Shui, there should be links to dedicated roads built as reasonable arrangements to alleviate the cross-boundary vehicular flow. Lessons should be learned from the case of the Hong Kong-Shenzhen Western Corridor, so that comprehensive transport matching facilities would be constructed to avoid directly affecting the local residents. With regard to the existing Tolo Highway in New Territories East, the authorities should carefully assess the future capacity of this major highway, so as to make expeditious adjustments accordingly, thus preventing the road problems that have taken place in New Territories East from recurring in New Territories West. Only by doing so can the SAR Government attain the administration target of "governance for the people".

I so submit. Thank you, Madam President.

**MS AUDREY EU** (in Cantonese): President, before the delivery of the policy address this year, all the news were telling us that its focus would be on environmental protection. Unfortunately, the more we expected, the more disappointed we got. We only have to listen to our colleagues speaking on this

section today to find that there can indeed be many, many initiatives in environmental protection, and efforts can be directed to many fronts. The initiatives proposed in the policy address are actually not many, although some may say that \$3.2 billion is a large amount of money for subsidizing diesel vehicle owners to replace their vehicles. President, \$3.2 billion is indeed not a small amount, but I wish to stress that environmental protection is not only a matter of money, but most importantly, it is also a matter of determination and mentality.

Then, what is a wrong mentality? We only have to take a look at paragraph 70 of the policy address to find the answer. In that paragraph, the Chief Executive said that "I have recently noticed that some in the community regard economic development and environmental/cultural conservation as mutually exclusive. This is dangerous thinking.". And then he went on saying in the same paragraph that "we must keep up the momentum of economic growth, otherwise this is all empty talk". Actually, in frank terms, he was saying that development is the golden rule, and so in other words, money talks. He then spoke in sarcastic terms, claiming that some people wanted to stop all development and turn all land for development into grassland. In fact, our Chief Executive should be well versed in the meaning of "sustainable development" because during the time when he was still the Chief Secretary for Administration, that is, back in 1991, he was already an advocate for this for he was charged with the duty of sustainable development. He thus should know that we should aim at a balanced development of the economy, the community and the environment, and not, as he put it, development first and remedy later. If one has this mentality, President, frankly speaking, even one has money to burn, it will not be enough. Moreover, environmental protection has to be all-encompassing, that is, it has to cover the sea, the land and the air; and it is also closely related to every aspect of our living, be it our health or the quality of life.

Let us first talk about the sea. Mr Andrew LEUNG and Miss CHOY So-yuk have also mentioned this problem in their speeches just now, pointing out the fact that we lag far behind others in respect of sewage treatment. In addition, in relation to the Government's suggestion of using chlorine in sewage treatment, experts are telling us that if we really do so, we will become a standing joke, the laughing stock of the world. I hope the Secretary can expound on this issue when she speaks later.

Moreover, I also wish to talk about some news reports that I read lately. The news reports claim that emissions from ships and cargo-handling facilities in the Hong Kong port are rising and thus it is high time we formulated regulatory measures such as requiring ships in the Victoria Harbour to use low sulphur fuels or install appropriate emission-reduction facilities.

As far as the land is concerned, a lot can be said about it. Many colleagues have mentioned the EcoPark, so I will not repeat again. As for heritage conservation, it was undertaken in the consultation paper that this issue will be followed up, but nothing has been seen so far. As for solid waste disposal and product responsibility schemes, the Government, after saying them for so many years, finally states that the proposal concerned will be tabled in this legislative year. Yet, in our last meeting when we asked the Secretary whether this was one plus one and whether the issue of plastic bags would be dealt with, the Secretary said she could not promise whether the plastic bag issue would be covered because a lot of consultation still needed to be carried out.

In addition, environmental protection involves more than waste disposal, for it involves also town planning, building design and green architecture. Dr Joseph LEE has expounded on green architecture just now and I very much agree with his view. Many places including Hong Kong have made buildings more environmentally-friendly in terms of recovery and design. Dr Joseph LEE pointed out just now that it is unfortunate that our building laws are so backward that they cannot cater for the use of latest designs and building materials. I wish to tell Dr Joseph LEE that it is, in fact, not a problem with the laws, but with the policies in Hong Kong. Since we uphold the high land price policy, every single inch of the land has to be developed to its fullest. As long as the boss explicitly upholds "money" or development as the golden rule, no matter how brilliant our architects are, or how superb our building materials, our goal can never be achieved. As for town planning, it is also related to environmental protection. Mr Alan LEONG will elaborate further on this later.

Moreover, we need to talk about the air, that is the long-standing problem of our air quality. All the people in Hong Kong know that this is a pressing problem, but the Government gives us the impression that it is afraid of difficulties, and that it has lots of constraints and is not determined enough. What we have been saying is no more than the agreement on air quality executed between Hong Kong and the Pearl River Delta Region, which has set its target at 2010. However, to date, there is not yet a concrete answer on whether the target of 2010 can be reached. In fact, as far as the air pollution problem is

concerned, it is not always necessary to wait for the two power companies or Guangdong Province to take actions. There are a lot of things that the Government can do on its own. In this respect, Members have already reached a consensus, such as requesting the authorities to formulate an energy policy, examine the introduction of more cleaner fuels, establish an energy authority, make preparations for opening up the electricity market, and so on. As for the Air Quality Objectives (AQOs), we have been saying for a long time that the AQOs are lagging behind and whether they can be brought on par with international standards. Moreover, the policy address has undertaken to examine the new guidelines of the World Health Organization announced recently. I have heard that the examination alone will take at least 18 months, but not only the examination takes time, the amendment or drafting of law will also be very time-consuming. However, we are inhaling this extremely polluted air every day, in particular the particulates in the air. Other places have already pointed out that the particulate matter (PM)10 should no longer be used and should be tightened to PM2.5 instead, because these particulates, when inhaled into our lungs, are harmful to our health. Despite the protracted discussion on this, the Government only said that it will carry out reviews but we do not know when actions will be taken.

The other problem that will frequently come to our mind when talking about air pollution is of course about what the best solutions are, such as energy conservation, promoting energy audits, regulating energy efficiency of buildings, stepping up support for Owners' Corporations of buildings, and so on. President, you may remember that the Government said last year that it wanted to compete with the Legislative Council on electricity conservation and it claimed that it could lower its electricity consumption by 1.5%. You also heard Miss CHOY So-yuk say just now that she had cut down her electricity consumption by 30%. Is the Government still saying that it has to lower its electricity consumption by 1.5%? Can it increase its transparency? Moreover, can there be a competition among all departments so that they can tell us how efficient they are in reducing emissions? Hence, I hold that the Government should take the lead to set a good example, for instance, in green procurement. If it can take the lead to do so, we can proceed with greater ease. As for environmentally-friendly vehicles, I wish Secretary Dr Sarah LIAO can tell us later when she speaks whether the new batch of vehicles procured by the Government measures up to the new government guideline, that is, if the public also buy the same kind of vehicles, they will also enjoy first registration tax concession. Regarding the issues of banning idling vehicles from running their engines, the problem with the buses as well as global warming, President, we

hope the Government can make an extra effort on them, because, as I have mentioned just now, environmental protection is not only a matter of the environment, but also a matter of sustainable development. Thank you, President.

**MR LI KWOK-YING** (in Cantonese): About one third of the population of Hong Kong is living in subsidized housing. A slight change in the Government's housing policy, public housing policy in particular, will trigger changes in many areas. Although the Government has reiterated time and again its undertaking that public housing applicants will be allocated a housing unit in three years' time, in view of the recent alarms raised in respect of public housing development coincidentally by several District Councils (DCs), concern has been raised as to whether the supply of public housing units will be discontinued in five years' time. I wish to take this opportunity today to reconsider issues such as the future positioning of public housing and the need of capping the number of public housing units to be constructed.

It has long been the practice that when an old housing estate is demolished for redevelopment, its original site will usually be used for constructing a public housing estate. Recently, the decision on the ex-Yuen Long Estate has deviated from the conventional practice. The Housing Department (HD) originally planned to construct on the vacated site of the ex-Yuen Long Estate three 32-storey non-standard residential buildings providing some 2 000 public housing units. The construction project is expected to start in the year after next and to be completed in 2012.

However, on the day of the meeting of the Yuen Long DC, some members held that the site, situated in the Yuen Long town centre and adjacent to the West Rail station, is a prime site and thus should be converted to private residential development, so as to vitalize the district and help alleviate the local unemployment problem. As a member of the Tai Po DC, I fully understand that DCs have great expectation of the development of their districts, hoping that it can generate the maximum benefits. However, when I wear my Housing Authority member's hat, I have personally experienced the difficulties in identifying sites for public housing construction nowadays. Let us take Tai Po as an example. Most of the public housing estates in Tai Po Market age more than 20 years. The estates have aged, so has the population there. Small

families have evolved into large families, and many of them have three generations living happily together despite the living space is relatively limited. If they want to have more living space, they will have to switch from a small unit to a large one. Small families often will have to be relocated to Tin Shui Wai, while large families will have to split up and live apart. It will then be difficult for the grandfather to take care of his grandchildren so as to free their children to work. In fact, this concept runs counter to the mode of treating family as the centre and caring for the community as advocated by the Chief Executive. Unfortunately, as the Tai Po District is already planned, if we want to find a site for constructing public housing estates, we can only look at villages on the city outskirts or in the countryside. However, these places do not have any facilities and a lot of resources will thus have to be injected into the construction projects. While some vacant land can be found in the industrial estate, but the HD, taking into consideration the objective environment factor, that is, the poor air quality in these places, which may affect the health of the residents, can do nothing even if it wants to construct public housing estates there.

Similarly, the Kwai Tsing DC has opted for more open space and suspending public housing development. In the public housing development plan for Area 9H in Tai Lin Pai Road, Kwai Chung, there is, in concept, a sports ground, but out of resource consideration, the Leisure and Cultural Services Department will not start the works in the near future. The DC thus held that constructing more public housing estates would only aggravate the situation as existing facilities are already insufficient. The DC finally resolved to bundle up the two projects, that is, as long as the sports ground is not constructed, public housing estates will also not be constructed.

Does this indicate that the community is of the view that public housing has reached saturation and no further construction is required? I hold that the community needs to seriously discuss whether public housing should continue to be constructed and where the appropriate sites for their construction are. These should be decided by the community. Otherwise, with so many variables, the Government may at any time be unable to honour its undertaking of allocating public housing units to the applicants in three years' time. In brief, if there is a consensus in the community that public housing has a value for its existence, we must find a way out for public housing.

Madam President, I so submit.

**MR JEFFREY LAM** (in Cantonese): Madam President, the Chief Executive has used blue as the theme colour for his policy address this year to demonstrate his determination to bring a blue sky with white clouds to Hong Kong. In this session, I wish to speak on the issue of ameliorating the air pollution problem.

Last month, I, together with the Trade Development Council, went to Eastern Europe to promote Hong Kong brands. In the few days in Eastern Europe, I did not find their moon fuller than ours, but their air quality was indeed far better than ours. The business sector has all along been very concerned about our air quality. To date, over 430 companies have signed the Clean Air Charter of the Hong Kong General Chamber of Commerce; while the Chief Executive, on behalf of the Government of Hong Kong Special Administrative Region, will attend the initialling ceremony next month to demonstrate the support and determination on the part of the Government. Many small and medium enterprises have already retrofitted their factories in the Mainland with environmentally-friendly machinery, and support facilities and the surrounding environment are made environmentally-friendly to ensure that no pollution will be created.

The Chief Executive has introduced in the policy address two financial incentives for vehicle owners to replace their vehicles, which are a reduction in first registration tax for purchase of environmentally-friendly vehicles and a subsidy for diesel vehicle owners to replace their vehicles respectively. I support both of them.

The Liberal Party and I repeatedly called on the Government in different meetings of the Legislative Council in the last Session to promote public purchases of environmentally-friendly vehicles and proposed using first registration tax concession as a financial incentive. I am thus very glad to find that at the very beginning of the new Legislative Session the Chief Executive has proposed a 30% reduction in first registration tax for people purchasing vehicles with low emissions and high fuel efficiency subject to a ceiling of \$50,000 per vehicle.

However, I am a little concerned about this scheme. What is my concern? Firstly, the authorities are still consulting foreign experience and the industries on the benchmark fuel efficiency of environmentally-friendly vehicles. It is still an unknown as to how many types of vehicles on the market can meet the



requirement. I hope the authorities can set the benchmark as soon as possible and then announce the list of qualifying environmentally-friendly vehicles, thereby allowing vehicle owners to take advantage of the earliest opportunity and the first-hand information to purchase environmentally-friendly vehicles.

Secondly, some members of the automobile industry have related to me that the repairs and maintenance techniques required for hybrid vehicles are not simple and it is difficult to fully master the techniques within a short period of time. I thus hold that as environmentally-friendly vehicles are becoming the prevailing trend, the Government should urge training institutions to launch repairs and maintenance training courses on different models of environmentally-friendly vehicles so as to dispel the worries of owners of such vehicles in future.

Madam President, in the past two weeks, some friends of mine in the business sector told me that they would support the environmentally-friendly vehicle scheme with actions, that is, they will convert their company fleets into environmentally-friendly vehicles if suitable models are available. I very much hope that the Government will take the lead to convert its fleet to environmentally-friendly vehicles as soon as possible. We understand that some vehicles, being made to perform special duties, cannot be replaced by environmentally-friendly vehicles available now, but I hope that the Government will purchase as far as feasible vehicles with low emissions.

Other than encouraging people to switch to environmentally-friendly vehicles, the Chief Executive also mentioned allocating \$3.2 billion to subsidize owners of pre-Euro and Euro I diesel commercial vehicles to replace as early as possible their vehicles with Euro IV models.

As for vehicles emitting black smoke seen on the road, we know that many are diesel vehicles, in particular, goods vehicles. I hold that there are two main reasons for the presence of these smoky vehicles. First of all, the cost of these vehicles which are used as a means of living is more expensive. I believe a Euro IV heavy goods vehicle costs about \$600,000 to \$700,000. In order to save the money of buying new vehicles, the owners very often will not replace them until their engines and parts have become very old. It is thus unavoidable for these vehicles to emit black smoke. In addition, the sulphur content of the ultra low sulphur diesel (ULSD) on sale in Hong Kong is 0.005%, which is very

close to the European Union's standard and much cleaner than the diesel in the Mainland. However, as the price of diesel in the Mainland is lower than that in Hong Kong — mainly because of the levy, many car owners or drivers plying between Hong Kong and China choose to have their oil tank filled before driving back to Hong Kong.

A few days ago, we learned that a lorry had exploded into flames on the Tolo Highway in Tai Po. Some suspected that the cause of the accident was that the driver, wanting to save on fuel expenses, had bought a barrel of fuel in the Mainland and placed it inside the lorry and thus caused the tragedy. It was indeed an accident one too many. Moreover, using fuels of higher sulphur content of emit more exhaust fume and particulates and thereby create more pollution.

Therefore, I hold that we have to apply a proper remedy to the emission problem of diesel vehicles. Madam President, while I welcome the Chief Executive's proposal of subsidizing diesel vehicle owners to replace their vehicles, we at the same time have to formulate proper measures in the light of the oil prices. At present, the concessionary duty rate for ULSD is \$1.1 per litre and the validity period will expire by the end of this year. I hope the Government will seriously consider extending the validity period again.

Meanwhile, the Government should make an effort to study the feasibility of setting up duty-free petrol filling stations at the Frontier Closed Area to provide ULSD to vehicles plying between China and Hong Kong. I believe drivers plying between China and Hong Kong will be more than prepared to use ULSD. Of course, vehicles going for a top-up at these frontier duty-free petrol filling stations should be those returning to Hong Kong after exiting for a period of time, or those exiting from the boundary, while the frequency, time and volume of a top-up should be strictly regulated. The Customs and Excise Department should also step up enforcement action so as to ensure that this type of duty-free oil will not become an illegal duty-free fuel.

Guangdong and Hong Kong are under the same sky, we are thus very glad to hear that the Guangdong Provincial Government has progressively stepped up the construction of its hardware and the provision of complementary software. I hope that Guangdong and Hong Kong can finalize as early as possible a uniformed ULSD standard between both sides of the boundary so that diesel

vehicles of both places can use cleaner diesel, thereby making our sky bigger and bluer.

I wish to emphasize that we should not be lenient in combating highly polluting vehicles. With respect to the failure to include buses in the diesel vehicle subsidy scheme, I hold that the scheme is not comprehensive enough. While I understand that it will involve an enormous investment for the bus companies to change their fleet and it may affect fare pricing and that the authorities have stated that replacing these old buses will only lower the total pollutants by 1% and thus may not be cost-effective to include buses in the subsidy scheme, I still wish to emphasize that we should brook no delay in improving the air quality. Lowering an extra 1% of the pollutants will add an extra 1% of fresh clean air. The bus companies, instead of installing more emission-reduction facilities, should speed up the replacement of their old buses, for we want not only a stopgap solution but also a permanent solution.

I hold that the authorities can consider not renewing the licences of those "antique vehicles" or those "old diesel vehicles" with high diesel consumption, or requiring the "antique vehicles" to meet more stringent requirements before they are allowed to be back on the road.

Madam President, I wish to use some time to talk about cross-boundary infrastructure. In the coming year, the Lok Ma Chau Spur Line of the Kowloon-Canton Railway and the Shenzhen Western Corridor (SWC) will be come into operation. The SWC, as the fourth cross-boundary driveway in Hong Kong, has yet to have a confirmed supporting road network to date. I am a little worried because the commissioning of the SWC will cause traffic congestion to areas around Tuen Mun and Yuen Long although it will meet the cross-boundary traffic need. I thus hope that the Government can strive to look into the support work.

With the ever increasing exchanges between Hong Kong and China, the Government must plan ahead new cross-boundary infrastructure. However, for many projects, all we have heard over the years is just thunder but no rain, and some hardly have the slightest signs of commencement. Such examples include the Hong Kong-Zhuhai-Macao Bridge, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Liantang/Heung Yuen Wai Control Point, and so on. At present, with CEPA, Qualified Domestic Institutional Investor (QDII) and the running of Renminbi business, all of which have given us the edge of being the

main south gate of the Mainland to the world, I really do not wish to see cross-boundary infrastructure fail to keep pace with the economic development. By then, even if we want to make a last-minute effort, it will be too late. The prerequisite for consolidating Hong Kong's position as the financial and logistics centres is to speed up the finalization of infrastructure development; otherwise, our position will be overtaken by our neighbours.

Madam President, I so submit.

**MR PATRICK LAU** (in Cantonese): President, the Chief Executive has undertaken in the policy address that the Government will accelerate the pace of public investment. Projects like the Tamar development project, the Kai Tak planning project and the cruise terminal are progressively implemented and community facilities such as cultural and recreational facilities for Tung Chung and Tin Shui Wai are also continually added. I am very happy to hear these pieces of news, but many other development projects such as the outstanding community projects of the two former Municipal Councils are still pending. In particular, the waterfront promenade projects of various districts, the revitalization of historical buildings like the Central Police Station, the Central Market and some municipal redevelopment projects are still pending the decision of the authorities. In fact, in the case of the cruise terminal, can the authorities construct as soon as possible, say in one or two years, a provisional terminal so as to cater for large cruise liners calling on Hong Kong and thereby bring in tourists from all over the world? If the Government is determined to expedite urban development, it has to quickly give the go-ahead to the construction of community facilities, so as to create a desirable living environment for the people.

The Government has proposed to enact legislation on domestic violence and allocate more resources to support victims of domestic violence. I hold that an effective enforcement of any policy entails both software and hardware working hand-in-hand. The construction of corresponding integrated community centres thus must be expedited, so as to complement other cultural and recreational facilities and thereby encourage family harmony.

The policy address has not touched on how the planning of the 18 districts can tie in with the population policy. However, as a matter of fact, if the Chief Executive values family support and wants to build a family-friendly society, he

should start with community planning and strive for a community-based living environment, one that encourages women to work in the same district so as to facilitate them in taking care of their children going to schools in the district and senior members living in the district. They can thus go to the tea house with the whole family together and go shopping or play ball games at sports centres, all in the same district, thereby creating a family-friendly community.

Therefore, I opine that a community-based population policy and planning are crucial. I hope the Government can complete as soon as possible the interim report of the "Hong Kong 2030: Planning Vision and Strategy", and conduct a sustainable development planning study in relation to community population policy, so as to solve the present imbalance in facilities caused by a lack of community planning.

On the front of public housing planning, I agree that our policy has to cater for the extended nuclear families so that family members can live in the vicinity and thereby encourage communication and care between generations. However, I have reservations about the proposal of arranging for two generations to "live under the same roof" as this is contrary to the original aim of minimizing conflicts. I hold that the Government should consider the concept of "housing for two generations" in Japan so that two generations can live closer to each other but in different places, each with their own appropriate space. This will reach the target of harmony and integration.

Not only planning has to be sustainably developed, architecture should also follow the trend of sustainable development, and green architecture will become the major reference index in future. Government buildings should take the lead to adopt green architecture and developers should also be encouraged to adopt such an approach. Most importantly, attention should be given to air circulation of the buildings and reducing air pollution in order to tie in with the Action Blue Sky Campaign.

In order to dovetail with environmental protection and urban greening, rooftop-greening works of government buildings should be carried out progressively and the same should be promoted to the business sector. Despite thinking that this will have an encouraging effect, I hope the Government can solve the rooftop leaking problem first. In particular, for private buildings, the Government can consider introducing strategic incentives such as granting

exemption in the plot ratio of the top floor, just like reserving a storey as the refuge floor which can act as heat insulation and prevention of water leakage, or as a sky garden. To make it more environmentally-friendly, the Government should look into re-using non-chemically-polluted water for irrigation of rooftop plants. Other than greening the rooftops, the Government should also strive to finish as soon as possible the greening works of pedestrian footbridges and roadsides, sidewalks and shopping promenades.

In order to increase energy efficiency, government buildings should be fully compliant with the building energy codes (BECs). I hold that the BECs should be further promoted to all buildings in Hong Kong, or at least all newly constructed buildings should adhere to the BECs. An energy efficiency labelling scheme similar to the one for household electrical appliances now should also be introduced. Just as consumers have the right to know how energy efficient the products are, consumers should also have the right to know how energy efficient the buildings are when they purchase a flat in future.

Under the principle of encouraging environmental protection, I suggest that schools built in future should provide "electronic desks" for their students. We can also encourage students to use mobile electronic books in schools, so that publishers, instead of printing books, will only need to provide the content of electronic books. Not only can this prevent the problem in having too many revised versions of books, but also lessen the burden of parents in buying new books. More importantly, when students have a laptop, they will not need to carry to school every day a school bag weighing tens of pounds.

Talking about lessening parents' burden, I am pleased that the Chief Executive has confirmed a proposal unanimously supported by all Members of the Legislative Council, that is, the introduction of early childhood education subsidy. President, I am very glad for you once said that if Members of the Legislative Council are united, many policies can be successfully implemented. Despite the voucher scheme proposed now has aroused much criticism, it is, after all, a starting point; and I believe the Government, after listening to the people's views, will gradually perfect the scheme and render more families a fairer share of the subsidy.

The original concept of the voucher scheme is worth supporting. The concept of "money goes with the parents" can bring into full play the function of a free market. It can let the market decide the viability of schools. Only

kindergartens with good management can remain and those with poor management will be phased out.

**PRESIDENT** (in Cantonese): Mr Patrick LAU, I have to interrupt you. The voucher scheme that you are talking about now belongs to the area of education. You should say it in the previous debate session. Now that you have touched on it, I hope you will not dwell on it for too long, please?

**MR PATRICK LAU** (in Cantonese): Yes. I understand. I will not make it too long and I am about to finish. I have been speaking on the development of architecture and it is related to school architecture because part of the subsidy can be used for installing many facilities in schools. I thus hold that this is also very important.

The Government has made a vigorous effort in promoting creative industries and in training creative talents. I hold that there is room for a creative policy in this respect. By promoting creative education to school sponsoring bodies, we can nurture creative thinking in the younger generation.

President, I support the establishment of an Academy for Gifted Education as proposed in the policy address. I also hope that the Government can assist gifted children by providing enough quotas, so that their future will not be ruined because they cannot take the pressure after being labelled as gifted children. Singapore has done a good job in this respect, but I also learned that non-gifted children in Singapore have to face a lot of pressure. Thus, the Government must handle this with care and not to turn good intentioned service into a disservice.

I am of the view that encouraging reproduction is not the only solution to the population imbalance in Hong Kong, for the admission of talents is also a direct and effective means, and most important of all, the formulation of a population and immigration policy. The Government can take the initiative to provide attractive terms for mainland and overseas talents to come to Hong Kong. At the same time, it can review the existing policy on the one-way exit permit to include a points system similar to that of the Admission of Talents Scheme, so as to accord priorities to people wishing to come to Hong Kong and thereby further enhance the quality of the transient population. This will be conducive to the overall development of Hong Kong.

Encouraging talents to come to Hong Kong should be a policy orientation in the future planning for population. I am thus very glad that the Government has listened to my response to the policy address last year, that is, the proposal of building more dormitories for overseas students in order to turn Hong Kong into the Asian education hub. The Executive Council has endorsed earlier the construction of dormitory facilities for secondary and primary schools to encourage these schools to host more activities for international exchange. This will bring in new thinking to local students, stimulate positive competition and develop their social network and thereby assist their personal and career development in future.

I hold that this is a very good proposal, but it may deter schools from participating in the project if they are required to be self-financing. I hope the Government can progressively perfect the policy by adopting a more proactive attitude in promoting the construction of dormitories and in the allocation of land. It can even consider having the sponsoring bodies to build a "dormitory village" for local and overseas students and thus increase their opportunity of cultural exchange.

In fact, the Government should build "dormitory villages" before the 2008 Olympics as part of urban construction. They can first be used as the Olympic villages, and then as the Asian Games athletes' villages and then as dormitory villages for international students. Through urban development and a talent mobility policy as stated in the policy address, more quality talents can be attracted here, thereby boosting the talent resources required for sustainable economic development and helping Hong Kong to face the challenge of globalization.

**MS MIRIAM LAU** (in Cantonese): Madam President, while many people still hold onto the idea that regulation and punishment alone can improve the air quality, I am glad to find that the Chief Executive has thought out of the box and recognized that the environment is a complicated system and that it takes a multi-pronged approach to solve environmental problems. The Chief Executive has put forth a host of measures to improve the environment and I will focus my views on transportation.

First of all, it is commendable that the Chief Executive has proposed a concession on the first registration tax (FRT) of environmentally-friendly



vehicles to attract people purchasing them. I remember some time earlier the Secretary for Environment, Transport and Works stated the reason for not offering tax concession on hybrid vehicles was that there was only one model of hybrid vehicles on the market, and urged us not to discuss the matter until there was more supply of these vehicles. I already opined at that time that if the Government could offer concessions, different car dealers would surely supply more models. In fact, on the day after the policy address was delivered, a vehicle company placed a full-page advertisement in the newspaper stating that it would actively tie in with the government policy to promote the use of more hybrid vehicles.

However, I earnestly hope that the Government can announce as early as possible which models qualify for tax concession, so as to facilitate prospective vehicle owners wishing to buy or replace their vehicles in making the right choice, since it has been reported that the Environmental Protection Department only started to contact car dealers and consult the industries on the details last week. Moreover, I also earnestly hope that the Government can consider setting a retrospective date so that existing owners of hybrid vehicles can also enjoy the concession.

Other than offering a concession in the FRT of hybrid vehicles, the Chief Executive has also proposed providing an incentive for the early replacement of 74 000 pre-Euro and Euro I diesel commercial vehicles with Euro IV vehicles. Upon the completion of this programme, the Government envisages that emissions of nitrogen oxide and respirable suspended particulates in Hong Kong can be reduced by 10% and 18% respectively.

While the transport industry welcomes the concession offered to diesel commercial vehicle owners by the Government, many members of the industries sighed that they may not be able to benefit from it. Perhaps some may wonder why the industry has reacted with such indifference because they were the one requesting the Government to provide concession for buying or replacing their vehicles in the first place.

In fact, as early as 1999 the transport industry already proposed the New Millennium Environmental Protection Campaign, in which the industry suggested to the Government a concession in FRT to encourage diesel vehicle owners to switch to models meeting more stringent emission standards.

Unfortunately, the Government did not adopt their views at that time. The Government later examined the fitting of catalytic converters in pre-Euro diesel vehicles and funded these vehicle owners to do so. At that time, the transport industry, in view of the fact that the Government was willing to provide for the fitting of catalytic converters, proposed to the Government time and again subsidizing vehicle owners to switch to more environmentally-friendly models and providing a concession in FRT. As a matter of fact, at that time we had got hold of lots of foreign documentation and studies supporting that — we were talking about Euro III diesel vehicles at that time — Euro III diesel vehicles were indeed a very clean and environmentally-friendly model with low emissions. Many European countries, which have abandoned the use of diesel vehicles in the past, have re-adopted the use of these vehicles and thus prompted the industry to make this proposal to the Government. The Government, however, turned a deaf ear to their views and rejected their proposal again.

Now, even the Government has taken the initiative to provide the subsidy, but in the current economic environment, many vehicle owners (the freight transport sector in particular) no longer have the ability to replace their vehicles. The situation speaks for itself. In 1999, a Euro II tractor costed about \$380,000 to \$400,000. If the Government waived the FRT in full, the vehicle owner only had to pay about \$300,000. Now, a Euro IV tractor costs about \$600,000 to \$700,000. Even if the Government waives the FRT in full, the vehicle owner still has to pay about \$500,000 to \$600,000. These vehicle owners mostly come from small to medium freight transport companies and, as we all know, in recent years the land freight transport industry has been bombarded with negative factors such as a dropping freight rate, keen competition, a shrinking market and a gloomy future. In times when business is sluggish, it is difficult for them to pay \$300,000, not to mention they have to pay \$500,000 to \$600,000 now. Moreover, the Euro diesel vehicles in the past did not require any additives, but now some Euro IV models require the adding of urea solution to the diesel, but petrol filling stations at present are yet to cater for this. In fact, many vehicle owners know little about Euro IV diesel vehicles, which further discourages them from replacing their vehicles. Thus, the Government must note this point.

As the Government has rejected time and again the proposal of the transport industry on providing subsidy for vehicle replacement, it has already missed the golden opportunity for doing so. In the current economic environment, even if the Government provides a vehicle replacement subsidy,

many vehicle owners no longer have the ability to replace their vehicles. I am concerned that if the Government fails to reach the expected target because of the industry's indifference to the replacement subsidy scheme, it will give a wrong impression that the industry is not co-operative and they will then become the target for criticism again. In fact, it is not that the industry is not willing to participate in the scheme, only that it is unable to do so. Nevertheless, I will encourage the industry not to miss this opportunity, such that whoever can afford it should seek to replace their vehicles.

In addition, the Chief Executive has stated that in view of the fact that the community at large has yet to develop the habit of switching off the vehicle engines while waiting, the Government will conduct a public consultation on whether legislation should be introduced to mandate this. In fact, other than long idling vehicles such as crane lorries and concrete mixers which cannot switch off their engines while waiting, freight drivers generally do not oppose switching off their vehicle engines while waiting. The rationale is simple. It is because they are transporting goods which will not complain. On the contrary, even if passenger car drivers do not oppose switching off their engines while waiting, will their passengers or the tourists support switching off the engine while waiting, which will make the vehicle compartment hot and suffocating? In the past, coach drivers tried switching off the engine while waiting, but they were chided by the tourists when the latter boarded the coach and found that there was no air conditioning. Thus, the crux of the problem is the passengers. The Government must gather views from the passengers and then discuss with passenger car drivers in order to come up with a restriction on the practice of switching off the engine while waiting that can be accepted by the general public.

Madam President, other than the measures proposed by the Chief Executive in the policy address, the Secretary for the Environment, Transport and Works has also divulged that the Bureau is considering following the measure in Singapore of regulating the fuel load of vehicles passing the boundary to and from Malaysia.

Actually, at present, there is already a restriction on the fuel load of vehicles entering Hong Kong. If the restriction is further tightened, the drivers will definitely use more green diesel in Hong Kong, but it will, however, increase the cost of land freight transport at the same time, thereby bringing negative impacts to our logistics industry. The Government and the industry have been racking their brains to find every possible way to minimize the cost of

cross-boundary freight transport. Restricting the fuel load of cross-boundary goods vehicles entering the territory will offset all the efforts made by the Government and the industry. As we all know, the logistics industry in Hong Kong is facing keen competition from our mainland counterparts, but the logistics industry in Singapore does not have to face competition from Malaysia.

Yet, it is not without a solution even if we want to protect the environment while maintaining the competitive edge of our logistics industry at the same time. The Government can set up petrol filling stations at the boundary and, by following the example of dedicated liquefied petroleum gas filling stations, provide fuel tax concession as well as offering nil land premium to oil companies so that the latter will be willing to lower the price of the fuels and thereby attract drivers to use green diesel in Hong Kong. Since constructing petrol filling stations requires considerable time, an immediate feasible solution is to issue dedicated fuel cards to cross-boundary goods vehicle drivers, the use of which is restricted to the dedicated vehicles with their registration numbers printed on the card. The card holders can patronize all petrol filling stations in Hong Kong, that is to say, cross-boundary vehicle drivers can enjoy exemption on diesel duty with this card. This will be a feasible solution.

Madam President, just as the Chief Executive has put it, the environment is a complex system; pollution comes not only from the land, but also from the sea. According to the existing ordinances, the emission of fumes or black smoke by ships is already regulated. However, fumes from ships have become a matter of concern to many in recent years, in particular, the emissions of ferries. Most of the ferry companies at present are operating at a loss. If they are subjected to more stringent environment requirements such as requiring them to retrofit their ferries with emission-reduction devices or use ultra low sulphur diesel, their operating cost will definitely rise and the extra cost will ultimately be transferred to the passengers. By that time, the ferry companies will have to apply for a fare increase and we will have to witness once again a situation we do not wish to see. That said, the Government can consider providing incentives for the local shipping industry to adopt some emission-reduction measures, so that we can have a blue sky above both land and sea.

Madam President, I wish to mention now an important policy area which the Chief Executive has yet to pay attention to and, that is, railway transportation policy.

As a matter of fact, with limited land and a large population in Hong Kong, fully utilizing the railroad network can not only help solve traffic congestion, but it is also conducive to environmental protection. I thus support developing the railway as the backbone of our passenger transport system. However, the Government will have to tackle the problems brought by railway development.

The Government announced in 1999 the "Hong Kong Moving Ahead: A Transport Strategy For The Future" (The Strategy), in which it proposed as a target that 40% to 50% of all public transport journeys will be made on the railway system in 2016, compared to 33% at that time. The Strategy was based on the Third Comprehensive Transport Study in 1999. The latter had adopted a high-growth scenario expecting the population to reach 10.1 million by 2016; and even for the low-growth scenario, the population will reach 8.2 million. However, according to the "HK Population Projections 2004-2033" published by the Census and Statistics Department, the projected population in 2016 is only 7.57 million. There is a difference of a couple of millions, that is to say, several million people less.

If the population growth of Hong Kong remains exceedingly high, the public demand for transport services will naturally rise. This will tally exactly with the Government's intention to develop the railway system. However, if the population growth continues to slow down, so will the demand for transport services. When the pie does not grow any bigger, but the railway system still gets the major share of the pie, the rest of the pie will definitely be not enough for other transport operators to share. A more distant example is the MTR Tseung Kwan O Extension launched in 2002, which has kicked several public transport modes out of the district while those remain in the district still cannot find enough business. This has caused many grievances among the public. After that, there comes the Ma On Shan Rail and the situation is very much the same. A more recent example is the Ngong Ping Skyrail (the Skyrail). The launch of the Skyrail has greatly affected the business of the New Lantao Bus Company and the taxis there. Although the Skyrail is not a mass transport mode, it still has a prominent impact on other public transport modes.

The result of not leaving a fair share of the pie to other transport modes is that they have to fight for a share. In recent years, the competition among

different transport modes has been getting keener and keener. The most unfortunate thing is, when they fight for passengers, their roles become overlapped. We thus often find the bus, taxi and minibus operators pointing their accusing fingers at each other. The same is true between taxis and light goods vehicles, between the urban and New Territories taxis, and among the taxis themselves. The Secretary for the Environment, Transport and Works has handled quite many such disputes in the past few years, which have, I believe, caused much trouble to the Secretary as well as to the Commissioner for Transport. Of course, some hold that competition is desirable and the solution to competition is to be versatile. If one cannot sell hamburgers, he can switch to selling barbecue pork buns. Yet, a bus is a bus and a taxi is a taxi, and they cannot turn into other transport modes. Meanwhile, public transport fares are subject to regulation. The operators cannot increase the fares in times of boom and save up for a rainy day; and in times of doom, they will have to hang in there. The rule of earning more in good times just does not apply to public transport.

The Government stated that after the proposed railway projects are finalized, it will assist public transport operators affected by a changing passenger demand, such as by enhancing their role in providing feeder services. However, feeder services are subjected to public demand, which may prevent other transport modes from taking up the services. At present, the railway operators provide their own feeder bus services and it is proposed that the Sha Tin to Central Link will use unmanned trams or pedestrian escalators to provide the feeder service. If the railway operator is going to provide its own feeder service, how could other public transport modes do so? The people's demands are understandable, but if other public transport modes cannot even have a piece of the pie, we can well imagine that their market share will diminish.

I can appreciate that the public, while wishing the district where they live can be covered by the railway network, also wish that they can choose other modes of transport. However, for all the transport services they have chosen, it does not mean that they are all financially viable. It is thus imperative that the Government, when developing railway projects, must carefully assess their impacts on other transport modes. I hold that the most feasible way is to make an extra effort in town planning so as to create new traffic demands. For instance, by expediting the development of the Southern District (the one on Hong Kong Island) into a tourist district, more tourists or local people will be

attracted there, which will hopefully secure enough passenger sources for public transport modes other than the railway.

I believe, just as the Chief Executive has put it, there are no magic bullets, no quick fixes to solve this problem, but the Government must face it squarely and fairly, and propose as early as possible proper strategies to tackle it. Otherwise, if it is allowed to persist, it will, like a pressure cooker subjected to continuous heat, explode one day.

Madam President, I so submit.

**MR ABRAHAM SHEK:** Madam President, I would lend my support to the Administration's devotion to providing a quality environment and adopting the principle of "Environmentally Responsible Development". In recent years, there has been growing criticism of our polluted environment — not only jeopardizing our citizens' health, but also having a hazardous effect on local business atmosphere. In the long run, it is wishful thinking to believe that Hong Kong's prosperity will continue if we do not improve our environment.

Hence, the Action Blue Sky Campaign must be seen in the context as a policy priority and not a short-term environmental slogan. Such a programme is crucial to our long-term development. I eagerly await the positive achievements which will be made by our collaboration with the Guangdong Government, our commercial sector, in particular the two power companies, and local citizens. This will create a win-win situation for all. Our economy will continue to prosper while our blue sky and natural beauty will return.

"Environmentally Responsible Development" has become a universal vision for development. However, conflicts do exist while we are striking a balance between environmental protection and economic development. It is crucial and challenging for the Administration to maintain a harmonious balance between nature preservation and economic growth. In the past, conflicting views have hindered local development and delayed many projects. Given the intensely competitive market, environmental protection should not be made to deter economic development, but should rather be made a part of it. I am sure the two Secretaries present could work out a policy towards sustainable development for the good of Hong Kong.

Environmental protection is a topic related to the interaction between human beings and Mother Nature. The policy address focused on the management of emission, waste water and solid waste. To meet emission reduction targets, the Administration will impose charges and offer allowances. However, little has been done in planning and education. No concrete support was provided to local recycling and public transportation industry. For example, the Administration provided no support to help local bus companies in their acquisition of new Euro IV standard buses. The huge investment might lead to a rise in bus fare, thus imposing an extra burden on our citizens. Has the Administration considered this possibility? Will it offer incentives to encourage bus companies to use environmentally-friendly vehicles? I call upon all involved to initiate communications to come up with better resolutions for the sake of our society.

Now, I would like to turn to my favourite subject, that of land issue. This morning, I sadly detailed the present and sorry state of affairs that the construction industry is facing, and the present high level of unemployment at 11% in this sector. This is a serious socio-economic problem, not conducive to creating a harmonious society. Contributing to these problems in the construction industry is firstly, the unrealized delivery of the annual \$29 billion public and infrastructural projects, which I am certain Sarah here would amend the unwelcome situation.

The second reason for the industry problems is the substantial reduction of the private sector's development. Under the present land administration system and with its aftermath effects of the LEUNG Chin-man issue, the developers are encountering unprecedented bureaucracy and obstacles in processing lands for development in the aspects of land use conversion, lease conditions complexity and assessment of premium, to name but a few. All these procedures take unnecessary lengthy periods of a few years, thereby delaying construction works and unrealized investments, resulting in loss of substantial jobs for construction firms and further alleviating the present high unemployment rate in the industry. I do not need to elaborate on these issues, as Michael is well versed in every single one of them. Rather, I would like to plead with Michael here that he could conscientiously resolve these problems and create a friendly business environment for the development of the construction industry. Michael, for the sake of the thousands of unemployed families, a small and positive step by your goodself could alleviate their present poverty and make them happier working men and women. Obviously, the developers would definitely welcome such a



move and invest for our future. This will be the ultimate win-win situation for Hong Kong.

Thank you.

**MR VINCENT FANG** (in Cantonese): Madam President, I believe that optimization of the environment is the one aspect of the policy address on which we are least divided. Both the industry and I give our recognition and support to most of the Government's upcoming measures on improving the environment, but we hold some slight reservations about frequent attempts by the Government to introduce legislation to restrain public conduct for environmental protection purposes.

In the legislative programme of this year, three items are related to environmental protection. The wholesale and retail sector, which I represent, is most concerned with the Product Eco-responsibility Bill (the Bill), which will be introduced into and scrutinized by the Council within this year. Among the provisions of the Bill, a plastic bag tax is most familiar to the general public.

It has been two years since the Government sounded out the idea of imposing a plastic bag tax and therefore the legislation on it has been expected. However, the critical point is that it is very likely that a plastic bag tax will not be the only item in the provisions of the Bill. Earlier, this issue was discussed by the Panel on Environmental Affairs and it was stated that the target products would include tyres, plastic shopping bags, electrical appliances and electronic devices, packing materials, beverage containers and rechargeable batteries. We are concerned that concurrently imposing a tax on a multitude of consumer products would have a certain impact on the consumer market.

However, are we in a situation so desperate that in order to improve it we have no other option but impose a tax? It does not seem to be the case really. In May this year, Green Student Council began its promotion of a campaign called "No Plastic Bag Day". While it has only been implemented in some retail stores for merely five months, 40 million plastic bags have already been saved. I believe we all are very satisfied with the result, because this programme is run by a student environmental protection group and participation is entirely voluntary. Not all retail stores have participated in the programme, nor it is held every day. However, still it has achieved such a satisfactory result.

If we implement this voluntary programme territory-wide, the result will definitely be more remarkable.

Has this already achieved the objectives desired? As time passes, consumers will form the habit of using fewer plastic bags. By then, do we still need legislation to "compel" consumers to use fewer plastic bags?

Information tells us that Scotland and Australia, after undertaking research and discussions, have decided against legislating for the imposition of a plastic bag tax. In Taiwan, where a plastic bag tax has been imposed, the consumption rate is now gradually regaining.

Plastic bags are merely the first target in the Government's implementation of a product eco-responsibility system. If the tax further expands into consumer goods such as packing materials, beverage containers and rechargeable batteries in the future, ultimately the tax burden will be passed onto the consumers.

Both electrical appliances and beverage containers are consumables arising from consumer goods. Unlike reusable bags for plastic ones, it is difficult to find replacement for these consumables. The shaping of environmental awareness hinges on nothing more than social climate and the value of waste. Therefore, in our quest to successfully reduce waste, the most effective measure is, with reference drawn from South Korea and Germany, active promotion of the waste recovery and recycling industry. In Council meetings over the past two years, I have also urged the Government to promote the recovery and recycling industry policy-wise. On the one hand, it can assist the recovery industry in recovering waste of larger sizes and higher costs, and on the other, it can motivate factory owners and even attract advanced recycling industries from abroad. It will then achieve the target of waste reduction as well as give impetus to the economic development of Hong Kong.

For this reason, I hope that the Secretary for the Environment, Transport and Works will further explore the legislation on product eco-responsibility.

Regarding the bill on energy efficiency (product registration and labelling), in principle the electrical appliances importers support the Government, but the industry hopes that the Administration will only regulate the mainstream models of three types of products covered by the proposal, that an exemption will be granted to goods which will have already been imported into Hong Kong before

the legislation comes into effect, and that the registration fee will be slightly reduced. Unfortunately, the Government frequently uses the "cost recovery" principle to dismiss the industry. However, Madam President, we also have to use governmental resources in greening projects, why can we not adopt a more flexible approach when dealing with these measures in relation to environmental protection? In fact, it will also improve Hong Kong's environment after all.

Regarding the regulation of volatile organic compounds in some products and on switching off car engines while waiting, and so on, both the industry and I are very supportive of them and we would welcome a tax concession to encourage the use of environmentally-friendly vehicles.

However, in order to tackle air pollution, it is inadequate merely reducing the emissions of pollutants. Earlier, a research on wind directions was undertaken by a university scholar in town planning. It is shown that the design of buildings actually has an influence over wind directions and it leads to pollutants not being blown away. Therefore, in the presence of the Secretary for Housing, Planning and Lands, I hope that the Government will establish inter-departmental co-operation on environmental issues, and I believe so doing will produce more remarkable outcomes.

I also hope that the Government will replace its approach of legislating for restrictions on users with one that heightens promotion of environmental awareness. I so submit. Thank you, Madam President.

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

**MR ALAN LEONG** (in Cantonese): Madam President, in paragraph 70 of the policy address, the Chief Executive said that lately he had noticed among some members of the community a dangerous idea which regarded economic development and environmental and cultural conservation as mutually exclusive. Originally, I thought that now that the Chief Executive had mentioned a dangerous idea and so he would tell us that this is not the one and only idea, that economic development and environmental and cultural preservation could concurrently exist, and that they are not necessarily incompatible that we cannot have it both ways. However, when I continued down paragraph 70 I became a bit disappointed, because the Chief Executive went on to say that in order to

attain these progressive goals — goals of sustainable development and resource conservation — we must keep up the momentum of economic growth, otherwise this would all be empty talk and we would lack the resources to make things happen. From the words of the Chief Executive, I can tell that within his mindset the two in fact cannot concurrently exist, and they are actually conflicting.

This statement reminds me of a film which I have watched recently. It is titled "An Inconvenient Truth", in which former United States Vice President, Mr "Al" GORE, spoke on the greenhouse effect of the Earth. He pointed out that if enterprises and industries, out of convenience, opt for production methods which damage the environment, undoubtedly they will make higher profits for now, but the pollution and damage they inflict on the environment can never be remedied. Of course, Mr "Al" GORE commented that the two are not incompatible and that we can have it both ways. If these enterprises and industries can be more concerned about the needs of our next generation and the next by incorporating environmental elements and considerations into the design of their production flow, then it may further extend their profit-making periods because the environment could be better preserved. In fact, such considerations by these enterprises and industries will not stifle their vitality in making profit.

Recently, I have read a magazine which reports on the situation in the coastal areas of China. Party Secretaries or relevant officials of various municipalities are pursuing the fastest growth in *per capita* Gross Domestic Product so as to showcase performance in their reports to the Central Authorities. As a result, when they approve the design of certain factories and their commencement of production, these officials do not require such factories to consider environmental factors, for instance, damage to the coastal seabed caused by direct discharge of pollutants into the sea. This kind of contradiction and conflict does not only happen in Hong Kong, and according to former United States Vice President "Al" GORE it also happens in the United States. From the report in this magazine which I have read, the same thing also happens in these coastal cities in mainland China where rapid development is pursued. When we think about these issues, do we understand what sustainable or sustained development is about and in fact they do not necessarily constitute a contradiction?

Last week, I had this opportunity to be invited to a video conference, where I exchanged experiences with a supervisory officer of an institution

specifically established for the conservation of historical architecture in New York. He somehow told us that in New York, the owners of buildings of age or historical value actually very much hoped that their buildings would be classified as protected buildings by the administration. He said that the prices of these buildings would actually surge particularly faster in a bullish property market and drop at a particularly slow rate in a bearish market. We asked him the reason for that and he explained that the New York City government had a certain arrangement. When the building owned by someone (that is, his/her private property) was classified as a protected building and if such person was deprived of the right to redevelop the property, the administration would allot another land lot inside New York City to such person for him/her to recover and realize the development potential and value of the original lot. Because of such assurance for these buildings, their prices tend to take especially slower dips when the market is bearish and score hasty gains when it is bullish.

Madam President, let us imagine that we are looking for a travel destination. Very often, we would choose to travel to places rich in history and culture. We would visit the ancient Egypt, the Terracotta Army in Xi'an, the Great Wall and the Imperial Palace in Beijing. Therefore, if we can strike a balance between historical and cultural conservation and development, they may produce a complementary effect and it may even benefit the development of a place. There is no necessity for us to see them in a dichotomy, that they are incompatible and we cannot have it both ways.

We can see that in recent years Hong Kong has developed to an extent that there is no way left for us to go. It is because once we step out of our home, basically we are already inside a shopping mall. If we want to get from the shopping mall to the seaside, we may have to go through another mall. Then we will take an elevator to a podium, and then take a glance at the sea from the garden on the podium. We have also heard of many buildings creating a screen effect. This is because many buildings have reached a height of 50 to 60 storeys and they are as impermeable to wind as a screen. I also notice that the duration of sunshine in many open spaces lasts for only 10 to 20 minutes per day. This is because after a slight movement of the sun, the location will already come under the shadow of the surrounding buildings. In fact, many people in Hong Kong have come to realize this phenomenon in recent years and urged for more consideration in this regard be taken in town planning, so that we do not only build for the sake of our own generation but, more importantly, also avoid imposing any constraints on our next generation which would restrain them from

building what their hearts would desire to build. This is precisely the concept of sustained development.

Recently, a group of residents in Yuen Long have petitioned us in the Civic Party about the plan by the Kowloon-Canton Railway Corporation (KCRC) to develop nine blocks of 30- to 40-storey residential buildings on top of the West Rail station in the Yuen Long new town. Local residents have made an application with the Town Planning Board to change the land use concerned from a Comprehensive Development Area to an Open Space. Certainly, I believe that in the eyes of the Chief Executive, the action of these residents in Yuen Long is an attempt to hamper development, as they are placing the environment and economic development on opposing ends. They prefer an Open Space to nine blocks of 30- to 40-storey buildings. However, let us look at the arguments of these residents. Madam President, according to the KCRC's original planning and design, the nearest distance between the new buildings and the building of Sun Yuen Long Centre (SYLC), a 30-storey building adjacent to the West Rail station, would actually be less than 10 m. The kitchens and bathrooms in this new project would stand right opposite to the rooms in the SYLC building. Not only is this a very poor design, experts have suggested that this would even produce the same chimney effect which led to the SARS outbreak several years ago. Not only would this obstruct air flow and lighting but might even pose a threat to the health of the residents. Can we really say that the concerns of these residents in Yuen Long are unjustified? If the development goes ahead as planned and designed, it is not difficult to envisage an inevitable deterioration in the quality of life in Yuen Long District. The residents of SYLC will be surrounded by a big screen formed by those nine new buildings. We should even take a few steps backward and think. Is the construction of screen-like high rises the only path for the development of Yuen Long Town Centre? If we truly believe that there is no contradiction between development and the environment and the maintenance of quality of life, is it not high time that we reformed our land administration and planning system so as to protect our community and environment in the course of development?

If we make no consideration for sustained or sustainable development, we may pay a higher price when we regret it in the future. Some citizens may have heard of one lesson from Seoul, South Korea. There was an elevated road bridge in South Korea which caused serious pollution to the immediate environment. After assuming office, the current government noticed that the bridge was really causing serious air pollution and endangering public health.

The government therefore boldly decided to demolish the bridge and replace it with a tunnel passage underground. I do not wish to see that these nine blocks of 40-storey, screen-like buildings near SYLC, which we are now going to build, will all have to be demolished and relocated when we realize that they jeopardize the quality of life of the SYLC residents and lead to air pollution. It is easy to demolish a bridge, but since the ownership of this kind of buildings is scattered and it will be very difficult to be resumed for demolition and redevelopment. For this reason, I hope the Chief Executive will understand that if we succeed in sustainable development, not only will it do no harm to economic development but will on the contrary help it. And the duration of development will last longer and we can all have a pleasant environment in which economic development can proceed.

Madam President, I believe many citizens who care about the development of Hong Kong, who care about cultural, social and environmental conservation constantly hope that society can reach a consensus on this as soon as possible. These people have already consolidated local and overseas experiences and gathered a lot of insightful views. These experiences prove that we are absolutely capable of preserving our environmental, historical and cultural facets and at the same time maintaining sustained economic development. If District Councils or local stakeholders can participate in the land planning process as early as possible, so that the most intimate stakeholders to the land at hand are able to voice their opinions at an early date, then the use of land will cater to the needs of the community at an early stage. As the views from the community are already absorbed, it will also expedite planning. These are all very good considerations. In order to catch up with value shifts in the civil society, one has to understand that the civil society no longer pursues maximization of proceeds from lands or the dominant value that pecuniary value is the sole principle in land development. Our demand is: Apart from pecuniary value, can we preserve cultural and historical value as well? How about preserving the value of the social network among original residents? Is preserving original characteristics also one value worthy of consideration? These values are in fact important factors in our consideration.

Madam President, as for the numerous buildings of historical and cultural value and especially those located on private lots or in areas of higher land values, the sole effort by the Antiquities and Monuments Office alone may not be enough to convince their owners to give up their private property for the sake of preservation. The Government should consider combining the forces of

planning, lands and other home affairs departments in jointly formulating the strategy for cultural heritage conservation, particularly in employing innovative measures such as "transfer of plot ratio" which allows transfer of development rights for protected land to a nearby area, so that developers are given incentives to assist in conservation. If the Government can accept in good faith the views of the community at large, it will not be difficult for us to identify the way by which we can promote economic development and concurrently preserve environmental and human culture and the benefit arising from physical and cultural heritage.

Madam President, I so submit.

**DR KWOK KA-KI** (in Cantonese): Madam President, in the Government's policy address of this year little was mentioned of housing and planning. Even in the policy agenda there are merely a few paragraphs lightly touching this issue of great concern to the people of Hong Kong. Property prices may have risen and the property developers have fewer grumbles, but for tens of thousands of people in Hong Kong, it is still difficult to find a sweet home of their own. Hong Kong has always been enshrouded by the phantom of high land-price policy. When speaking on economic development and people's livelihood moments ago, a lot of Honourable colleagues have mentioned that many businesses are facing the problem of rent rises, and the majority public are still dwelling in a narrow, tiny space.

In recent years, besides maintaining the so-called reasonable land prices and giving property developers the opportunity to gradually increase land and property prices, nothing much has been done by the Government. Since the Home Ownership Scheme policy was abolished, it has become very difficult for many people from the middle and lower strata to have the chance to buy their own home. The Government really has not made much of a response to many of those who want to upgrade their living conditions and increase their living area. As we all know, the Government is the biggest land owner and supplier. If we look at recent developments, we will know that the Government is manipulating property prices on the sly. If the triggering prices under the Application List System do not reach the so-called reasonable level as stated by the Government, the land lots at hand will not be released for auction. In addition, the Government has all along restricted land supply. I do now know



how many years it will take before an ordinary Hong Kong citizen can finally improve his/her quality of living and own a bigger living area. Perhaps because the Secretary lives in a flat with an area of several thousand square feet, so he has no idea how many people are confined to tiny dwellings. Basically, it is impossible for their income to catch up with property prices.

From the planning perspective, what we can change now is still the Town Planning Board (TPB), but the function of the TPB is considerably limited and it can only determine land zoning matters. It can practically do very little in the actual development on lands and other elements affecting the quality of the living environment of the people. In addition, the entire TPB is appointed by the Government and many members have intricate ties with the industry. This is why the people of Hong Kong are bitterly disappointed with the Government's planning.

The policy agenda mentioned the planning, vision and strategy for Hong Kong in the year 2030. Certainly, we hope that Hong Kong will have a better prospect by 2030. However, Secretary, it is now the year 2006 only, how long will they have to wait before there is a better planning model for Hong Kong? How long will they have to wait before they can possibly hope to purchase a bigger home of their own? Has the Government truly learnt new lessons in planning? If we look at Phase III of the development in Central and the coastal development in Wan Chai, the answer is negative to me. Everyone is aware that we have to reclaim land in order to build more roads, and the reason for building more roads is that we will have massive developments in the new reclamation area in Central. Even if we talk till our voices turn hoarse or till we are exhausted in pressing for a reduction of the development scale and the need for roads, still the Government completely ignores us and makes absolutely no consideration for the impact on roads that this new project would create.

Conservation of the harbour has always remained on the drawing board. Besides vowing to conserve the harbour every time reclamation is proposed and providing a very beautiful computer-generated image, the Government has done little on the existing reclaimed land. From Kennedy Town, the outlying islands ferry pier to North Point, there are still minor projects which hinge on their feasibility. How can the Government convince us that it is committed and competent and has done practical work in planning, conserving the harbour and improving the living environment of the Hong Kong people? In fact, the

Government is actually still holding a firm grip on the high land price policy, which safeguards the vested interests or the interests of property developers.

I so submit. Thank you, Madam President.

**MR ALBERT CHENG** (in Cantonese): In the policy address by the Chief Executive, there are two points which merit my concern and support. One of them is subsidizing early childhood education, though some said that the education voucher scheme does not live up to its name. However, the most important aspect is still environmental protection. I have heard many Members present a wrong perception of hybrid vehicles. Many believe that hybrid vehicles are very environmentally-friendly and deserve our support. Certainly, hybrid vehicles deserve our support, but the problem is that they have already sparked off a controversy in the United States. Speaking in terms of the Cultural Revolution, hybrid vehicles are actually reactionaries and they are hypocritical. Why? The most significant feature of hybrid vehicles is that they are fuel-saving and environmentally-friendly as they use a combination of battery and internal combustion engine. However, car manufacturers are competing to launch onto the market luxury models of hybrid vehicles with a displacement of 6 000 cc for customers to purchase. When selling the cars, they tell the customers that these are hybrid vehicles and they are very environmentally-friendly. Nonetheless, that is only an excuse and those vehicles in fact drink a lot of petrol.

I would also like to tender a reminder to the Government with regard to tax reduction. In the policy address, I do not see any coverage on limits to the capacity of internal combustion engines. If those vehicles are limited to a capacity below 2 000 cc or 1 500 cc, certainly the Government should subsidize these hybrid vehicles. However, if in the future the Government subsidizes hybrid vehicles costing a million-odd dollars and with a displacement of 6 000 cc, then that will actually be tantamount to missing the point of it all. Therefore, I will keep a close watch on this issue when the Government conducts a review of this policy after its implementation.

Regarding environmental protection, surely the Government is very concerned about the Action Blue Sky Campaign, but the most important aspect is building clusters. Many colleagues have mentioned that nowadays buildings create a screen effect, and their density is very high. I think that the Government should take the initiative in promoting the Action Blue Sky

Campaign or efforts in other respects such as petrol, pollution and development. For instance, the development projects of the Urban Renewal Scheme (URS) and the Kowloon-Canton Railway Corporation (KCRC) or the Mass Transit Railway Corporation Limited (MTRCL) — MTRCL is now a listed company — are all joint ventures with property developers. They wallow in the mire with these developers or, as some colleagues like to put it, it is collusion between business and the Government. Buildings are constructed as tall and close to each other as they can possibly be.

I think the problem is that the Government should at least cease its hypocritical demeanours and stop handing out petty favours. Right now, it is all darkness inside the Government Secretariat and the Council is also challenged to keep the lights off, but these are all trivialities. I believe the most important issue is the development projects of the Government — and now the height of the Government Headquarters building has been reduced — such as the development projects of the URS and the KCRC should adopt a low-density plan as far as possible.

In addition, many Hong Kong people have relocated their homes to the countryside. Long journeys of great distances cost them time and high transport expenses, but the main problem is that in the countryside — I rarely visit the countryside — tall buildings are now everywhere, even in a place as remote as Tin Shui Wai. Rural topographical features are not fully utilized at all and buildings are all closely packed together. There is absolutely no difference from the urban areas.

I think that, beginning with the Housing Department, the KCRC and the URS, the Government should take the lead and give consideration to low-density development, hence providing a good model for developers. At present, the Government is conducting its business in the same manner as developers do. They are competing against each other on height and density and on constructing those so-called screen buildings. The Government is duty-bound in this and it should take the lead for the rest to follow.

This is all I would like to say on these several issues.

I so submit. Thank you, Madam President.

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

**MR HOWARD YOUNG** (in Cantonese): President, I also mentioned this point when I spoke on tourism today, and in fact it is related to Secretary Dr Sarah LIAO. I said that turbid air in Hong Kong has already discouraged attendees who are invited to international conferences from coming to Hong Kong for meetings. The Secretary should be more mindful of this.

There is another point to note in relation to tourism and transport. In order to restrict the excessive number of full-sized buses and illegal residential service coaches on the roads, the Government has imposed a quota on such vehicles and buses so that a new vehicle can be registered only by replacing an old one. Recently, some travel agents have expressed their vexation about this problem, and therefore the industry and I met with the representative from the Transport Department last year. Regarding the relevant procedures, the process by which travel agents apply for vehicle replacement has been rationalized in some measure. But the latest situation is that, according to some members of the tourism industry, if travel agents need to replace a vehicle, they have to buy a broken, unusable vehicle from the market for hundreds of thousand dollars before a licence could be issued. They are greatly perplexed by the situation.

In addition, some travel agents have to prove in their application that they are operating in the tourism industry before a new licence can be issued for their tourist coach. They need to submit a plan covering a certain long period to substantiate the source of customers. As for travel agents serving inbound tourists, this could be done as reference can be made to the customer information in the long run, which indicates the annual figures of international tourists coming to Hong Kong. As for travel agents operating local tours, however, such information is unavailable as they operate their businesses on a weekly basis. Recently, a newspaper has reported on the attendance at the Wetland Park and some great results were shown. Local tourism has also taken on an active and vibrant scene. Therefore, I hope that the Secretary can note this. I so submit.

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

**MRS SELINA CHOW** (in Cantonese): President, since 1996 we have already started our consideration for the land use of West Kowloon Cultural District

(WKCD); 10 years later, as of today we are still considering the land use of WKCD. However, I am very glad that after a period of preparation, finally it seems that we can now actually move forward. In fact, here I would like to say that I feel very glad to be able to participate in this project, since the community is genuinely involved in this reconsideration for the entire WKCD project, including participation from some experts and users. This can ensure that the WKCD will fully perform its function after its development is completed.

The fact that the WKCD project can now go ahead and the recent announcement on the planning for South East Kowloon, that is, its preliminary development plan, have shown that the Government is taking a "swifter" approach to planning and that it is willing to give thoughts to the views of the public and residents in the process. This is a very good thing. What I would like to see most is that, after so many rounds of discussion and consultation and numerous processes of pooling collective wisdom, we now have to put words into deeds.

Regarding South East Kowloon, we already mentioned a concern during our discussions. I am very pleased to see that the development of the cruise terminal can finally begin. There will be a heliport and other tourism facilities, a hotel, many beautiful parks and a sports centre, and so on. This is very good, but the Kai Tak Nullah there is truly a frightening scene as I still have not heard of, up to this day, any chemical measure that can tackle this nullah. No-one can guarantee that the unpleasant odour from this nullah could be eliminated. When we discussed this problem, the Permanent Secretary told us that it would be infeasible because the Court had pointed out the overriding consideration unless all alternative solutions were infeasible. This would be very bad. Do we really have to first develop the other projects and slowly consider what we can do when we realize the foul smell there is unbearable? I am really very worried about this, and I believe the Secretary really has to seriously look into it.

We seem to have gained some progress in terms of land planning, especially for these two large land lots. I hope that, as we in the Liberal Party have always said, the construction projects will be launched soon. This is because for various reasons the progress has been very sluggish in the last few years, and we must now speed up the pace.

However, will transportation be able to gain the same hasty progress as that of land development? The Secretary should understand what I mean, because we discussed it on that day. On one hand, the latest date of commission of the Western Corridor is the middle of next year, and we are actually facing a grave problem. Certainly, we may have different views from those of the Bureau about the data, and from time to time we have observed that their estimates were not very accurate, so our concern is justified. However, we are of course more concerned about the residents there. The Secretary should know very well that the residents in Tuen Mun are very worried because traffic congestion in Tuen Mun Town Centre is already very serious. When the Corridor is open, the congestion will become even more serious. Given the fact that all vehicles in the town centre and vehicles inside or outside the town have to travel through the roads within the Tuen Mun Town Centre, traffic congestion will therefore become very acute. I asked the Secretary on that day, and she said that there was an existing plan to divert the traffic, but it would take five years to resolve the problem. I am thus gravely worried. Five years is totally unacceptable to the residents there. Therefore, I hope that the Secretary will promptly resolve this problem.

In addition, in March we debated on the issue concerning Route 3 in this Council. As we all know, there is difficulty in further widening Tuen Mun Road and we in the Liberal Party understand that. However, if on the one hand we cannot widen the highway and it remains toll-free, and if on the other we do not quickly engage in discussion on how to increase the patronage of Route 3, this will then create another problem, which is the clogging of Tuen Mun Road by numerous heavy vehicles. This will surely become another hot potato and I hope that there will be a solution as soon as possible.

Yuen Long used to be a quiet and serene place. Now because of the Western Corridor, many roads have to be widened to make way for heavy vehicles. Therefore, I hope that the Secretary will pay special attention to noise problems there. If the residents make different kinds of requests as a result of the change in use of the roads, the authorities must formally resolve them.

Another minor problem is red light jumping. The Secretary has made a promise to me in this Council to expedite the installation of more cameras.

Considering the present situation, I do not think the progress has been expedited. I hope that the Secretary will "make a push" in this respect.

Thank you.

### **SUSPENSION OF MEETING**

**PRESIDENT** (in Cantonese): The time is now nine o'clock in the evening, and no other Member has indicated a wish to speak. I now adjourn the Council until nine o'clock tomorrow morning, and the public officers concerned will reply.

*Suspended accordingly at Nine o'clock.*





**Appendix 1****REQUEST FOR POST-MEETING AMENDMENT**

**The Secretary for Commerce, Industry and Technology requested the following post-meeting amendment**

Line 3, second paragraph, page 274 of the Confirmed version

To amend ".....330 applications in total were received....." to ".....338 applications in total were received.....". (Translation)

(Please refer to line 5 to 6, first paragraph, page 1109 of this Translated version)