

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 19 June 2008

The Council continued to meet at Nine o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

DR THE HONOURABLE DAVID LI KWOK-PO, G.B.M., 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 CHEUNG MAN-KWONG

THE HONOURABLE CHAN YUEN-HAN, S.B.S., J.P.

THE HONOURABLE CHAN KAM-LAM, S.B.S., J.P.

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

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI, S.B.S., J.P.

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

THE HONOURABLE WONG YUNG-KAN, S.B.S., J.P.

THE HONOURABLE JASPER TSANG YOK-SING, G.B.S., J.P.

THE HONOURABLE HOWARD YOUNG, S.B.S., J.P.

DR THE HONOURABLE YEUNG SUM, J.P.

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, S.B.S., J.P.

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

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

THE HONOURABLE ALBERT CHAN WAI-YIP

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

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

THE HONOURABLE WONG KWOK-HING, M.H.

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

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

DR THE HONOURABLE KWOK KA-KI

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

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

THE HONOURABLE ALBERT JINGHAN CHENG, J.P.

THE HONOURABLE KWONG CHI-KIN

THE HONOURABLE TAM HEUNG-MAN

THE HONOURABLE MRS ANSON CHAN, G.B.M., J.P.

MEMBERS ABSENT:

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

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE BERNARD CHAN, G.B.S., J.P.

THE HONOURABLE VINCENT FANG KANG, J.P.

THE HONOURABLE LEE WING-TAT

THE HONOURABLE LEUNG KWOK-HUNG

DR THE HONOURABLE FERNANDO CHEUNG CHIU-HUNG

PUBLIC OFFICERS ATTENDING:

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

PROF THE HONOURABLE K C CHAN, S.B.S., J.P.
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

CLERKS IN ATTENDANCE:

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

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT SECRETARY
GENERAL

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

(After the summoning bell has been rung, a number of Members entered the Chamber)

PRESIDENT (in Cantonese): A quorum is present. The meeting shall now commence.

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): I now call upon Miss CHOY So-yuk to speak and move her motion.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MISS CHOY SO-YUK (in Cantonese): Madam President, on behalf of the Subcommittee on the Building (Refuse Storage and Material Recovery Chambers and Refuse Chutes) (Amendment) Regulation 2008, I move the motion under my name as set out on the Agenda.

In order to let the Subcommittee continue with its deliberations and submit its report to the House Committee, Members agree that I shall propose a motion to extend the period of deliberations on this Amendment Regulation to 9 July 2008.

With these remarks, I urge Members to support this motion.

Miss CHOY So-yuk moved the following motion:

"RESOLVED that in relation to the Building (Refuse Storage and Material Recovery Chambers and Refuse Chutes) (Amendment) Regulation 2008, published in the Gazette as Legal Notice No. 125 of 2008 and laid on the table of the Legislative Council on 21 May 2008, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 9 July 2008."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss CHOY So-yuk be passed.

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Third motion: That the period for amending the Telecommunications (Carrier Licences) (Amendment) Regulation 2008 and the Telecommunications (Level of Spectrum Utilization Fees) (Second Generation Mobile Services) (Amendment) Regulation 2008 be extended.

I now call upon Mr SIN Chung-kai to speak and move his motion.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR SIN CHUNG-KAI (in Cantonese): Madam President, at the meeting of the House Committee on 23 May 2008, Members resolved to set up a Subcommittee

to study the subsidiary legislation under the Telecommunications Ordinance to introduce a unified carrier licence.

The Subcommittee held its first meeting on 6 June 2008 and it was considered that the views of the relevant groups should be heard and discussion should be held with the Government on the proposed fees for unified carrier licence. In order that the Subcommittee can have ample time to engage in deliberations, on behalf of the Subcommittee I now move a motion to extend the period for deliberations on the Legal Notices to 9 July 2008.

Madam President, the motion is set out in the Agenda. I beseech Members to support this motion.

Mr SIN Chung-kai moved the following motion:

"RESOLVED that in relation to the —

- (a) Telecommunications (Carrier Licences) (Amendment) Regulation 2008, published in the Gazette as Legal Notice No. 132 of 2008; and
- (b) Telecommunications (Level of Spectrum Utilization Fees) (Second Generation Mobile Services) (Amendment) Regulation 2008, published in the Gazette as Legal Notice No. 133 of 2008,

and laid on the table of the Legislative Council on 21 May 2008, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 9 July 2008."

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

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

PRESIDENT (in Cantonese): First motion: Legislating to Regulate Debt Collection Practices

I now call upon Mr Albert CHAN to speak and move his motion.

LEGISLATING TO REGULATE DEBT COLLECTION PRACTICES

MR ALBERT CHAN (in Cantonese): President, I move that the motion as printed on the Agenda be passed. The motion urges the Government to legislate to regulate debt collection practices. President, the problem has been getting from bad to worse in these few years and actually I am not the person who makes this proposal but it was formally proposed by the Law Reform Commission in 2002. For many years there are hundreds of thousand people each year who are harassed by debt collection practices.

Many Members ask me how the loan sharks should be regulated and how debt collection practices of the triad societies are to be regulated. I would like to make a clarification to Members that this motion does not actually target

genuine triad-related debt collection practices as they are to be regulated by criminal laws. The motion today is to strongly request that legislation be enacted to regulate those debt collection practices done by people pretending to be members of a triad society or those practices suspected to be triad-related.

President, I have said in this Chamber that it is ironic to see in Hong Kong in recent years that many consortiums, companies and banks, including those banks which are the richest and which make hundreds of billion dollars a year, have gone to such an extreme as hiring debt collection agencies. These agencies model on the debt collection practices of the triad societies and stick notices on the door of the debtors. And these notices are exactly the same as those put up by triad societies when collecting debts. These triad societies should charge copyright fees from these big banks and companies.

That Hong Kong has degenerated to such a sorry state is entirely due to the lack of reasonable government regulation. The Government actually regulates many things in Hong Kong, an example is the Buildings (Amendment) Bill 2007 which was passed yesterday in which even minor works are to be regulated. Such debt collection practices are in fact big community projects, for a lot of people are affected. This does not only involve the debtors but also their families and neighbours. Often when someone is in debt, the person's family members, including his or her brothers and sisters, will all be harassed and can never live in peace. This is because the debt collectors will not only go after the debtor himself and if he puts down the names of his brother, sister or uncle as referees — it is common practice to ask the borrower to supply the names of three persons as referees — then these three referees and their families are bound to be harassed in a most intolerable manner. This includes home visits and telephone calls by the collectors. And these collectors will not only make calls to the debtor's family but calls are also made to the company where they work. The result is that once the relatives and friends of these debtors have become referees, they may even lose their jobs because of this kind of debt collection practices. And such things are by no means rare at all.

I wish to draw the Secretary's attention to the fact that there has been a sharp increase in debt collection cases not involving criminal harassment. Secretary, if the monthly average of the year 2006 is compared with the figure for 1997, we can find a huge increase of 38 times. President, figures for 2007 as compared to 2006 are lower. I do not know the reasons behind that and the figures just plunged. However, debt collection activities are the order of the

day at the district level. My offices — be they the Tsuen Wan, Tin Shui Wai or Tung Chung branches, receive complaints about such nuisance from the public every day. There are times that some telecommunications companies will resort to using debt collection agencies to harass their clients just because they have not paid a telephone bill of some \$100. The situation is outrageous. Some credit card companies have gone even overboard and when bills are not paid just a few days after the repayment deadline — Secretary, it is just a few days past the repayment deadline, then debt collection agencies are called in to fix the matter up. I once came across a case in which the client was so scared that he paid the extra \$7,000 handling charges at once. The person owed the card company some \$20,000 and the collection agency was called in because he did not make his payment after the repayment period had passed. That is a case that happened only last week. The person involved made a complaint to me and as he was so scared, he paid the extra \$7,000 of handling charges demanded by the collection agency.

Many of these problems cannot be tackled by the police through criminal procedures. I think the Secretary knows it very well that I am not targeting those blatant acts by those real triad society loan sharks who go after someone with a chopper or who pour red paint at the debtor's doorsteps. I have asked the residents on numerous occasions not to worry, for if these collectors are hired by a subsidiary company of the richest man in Hong Kong or a mega bank in Hong Kong, the residents will have no cause for fear because these collectors will not do anything in violation of the law. However, the people will still get scared. Once they hear that it is a collection agency, then images like pouring red paint or splashing kerosene, plugging the keyhole and even chopping people would conjure up in their mind. This is because the collectors use coarse jargons and on the telephone they will never sound like some international service provided by a mega bank. The service is never as cordial as the Secretary would get when he goes to a bank. These people would use foul language. They even swear and make threats like, "You had better watch out. I know where you live." Or they may say, "I know which school your son goes to." Words of this kind cause panic. Such collection practices drown people in a sea of fear. Many old folks get so scared that they dare not go home once they get these collection calls or if they know that someone is pursuing their family members for the payment of a debt. These things often happen.

President, ever since 2001, I have been trying to relate these problems to the Government in this Chamber. I have also talked to the Secretary and the

Secretary for Justice. But unfortunately, the Government says that there is no need for legislating on such matters. The reason is that even if legislation is enacted, the problem cannot be solved. I agree completely that legislating can never address the debt collection activities by the triad societies. But it can result in a great improvement in the situation of such dirty, nasty and unscrupulous activities which are suspected or pretended to be triad-related. The approach to take is to adopt a two-tier licensing procedure. That is to say, not only are the debt collection agencies to be regulated by law, the collectors will have to be licensed. Once complaint is received from the public about say, a collector speaking in foul language while making a visit to the home of a debtor, then the Government can act on the strength of the licensing framework and strike off the name of the collector from the list of licensed collectors. Hence these undesirable practices are stalled.

I hope that the Secretary can give serious thoughts to this proposal. Yesterday I had a chance to consult many Members in this Chamber and I was lucky to find that there is a good chance of this motion getting their support. President, this is a rare opportunity indeed, for it is hard to get a consensus from Members on a certain issue, be it a livelihood issue or some other issues. The case is even harder for political issues, which are often followed by disputes and contentions but no consensus view. If the Government still refuses to legislate on this even if this motion is passed, then it is condoning and permitting these practices. This is detrimental to the stability and prosperity of Hong Kong and it is also a damage done to the basic rights of hundreds of thousands or even millions of people in Hong Kong. I hope that the Secretary can speak up like an upright person and explain to us this problem of debt collection practices. Thank you, President.

Mr Albert CHAN moved the following motion: (Translation)

"That, as debt collection practices are a serious harassment to many members of the public, and some people even committed suicide out of fear, and for many years in the past, tens of thousands of cases relating to debt collection malpractices were reported every year, and the Law Reform Commission (LRC) also recommended to the Government in 2002 to make harassment of debtors a criminal offence and to set up a statutory licensing system to monitor debt collection agencies; given that many people are harassed by debt collection practices, and some even feel that their lives and safety are threatened by such practices, this

Council strongly requests that the Government should adopt the LRC's recommendations and expeditiously regulate, by way of legislation, debt collection agencies and their debt collection practices, so as to protect the public against such harassment and threat in their daily life."

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

SECRETARY FOR SECURITY (in Cantonese): Madam President, Mr Albert CHAN has all along been very concerned about the nuisance caused to the public by undesirable debt collection practices. He has pointed out earlier that over the past few years, he has proposed in this Council that the Government should legislate to regulate the debt collection activities of debt collection agencies.

First of all, I wish to reiterate that the Administration will not tolerate the breach of public peace by undesirable debt collection practices. The authorities adopt a positive and multi-pronged approach and introduce many measures to combat the problem. Facts have shown that some of these measures have proven effective.

Generally speaking, the Administration seeks to crack down on the problem of undesirable debt collection practices through enforcement action undertaken by the police and administrative measures of the regulatory bodies. First, on law enforcement, now there are many legal provisions that target unlawful debt collection practices of debt collection agencies. These provisions cover criminal offences such as blackmail, criminal intimidation, criminal damage, common assault and so on. These are debt collection practices commonly used by unscrupulous debt collection agencies. Apart from encouraging the public to report on cases involving undesirable debt collection practices, the police also carry out intelligence-led, in-depth investigations into these cases. Cases involving criminal offences will be referred to the Criminal Investigation Teams for follow-up action and action will be taken in accordance with the law.

For cases that do not involve any criminal elements, the police will also take great care in handling them. If the debt collection activities of debt collection agencies are likely to develop into criminal offences, the relevant cases will be classified as "high-threat" cases and they will be referred to Criminal

Investigation Teams for follow-up action. Most of the "non-crime reports" of debt collection cases belong to "low-threat" cases and although these cases do not constitute any criminal offence and will not be reclassified as criminal activities, the police will never lose guard of such cases and will keep a close watch on the development of the cases according to the circumstances, patrol the relevant locations or mediate where necessary to prevent the matter from deteriorating or developing into any unlawful activity.

Over the past few years, reports related to debt collection activities have been decreasing, from 20 610 cases in 2005 to 16 542 cases in 2007. There is a significant decline in both cases involving criminal activities and non-criminal harassment. Criminal cases fell from 2 355 in 2005 to 1 856 in 2007, and non-criminal harassment cases fell from 18 255 in 2005 to 14 686 in 2007. The rates of decline are 21.2% and 19.6% respectively, demonstrating that enforcement measures by the police have been effective.

Apart from enforcement work done by the police, the relevant regulatory bodies have also undertaken effective administrative measures to crack down on the operations of undesirable debt collection agencies. An example is that the Hong Kong Monetary Authority (HKMA) monitors authorized institutions' compliance with the Code of Banking Practice in the course of its regular supervision of the industry. The Code provides that authorized institutions should strictly prohibit the debt collection agencies they employ from collecting debts by any improper means. Since March 2002, the HKMA has requested all authorized institutions to submit a quarterly return on the number of complaints received against their debt collection agencies. Since the introduction of the reporting arrangement, the number of complaints against debt collection agencies employed by authorized institutions dropped from 717 in 2003 to 103 in 2007. This indicates that authorized institutions have closely monitored the conduct or practices of their debt collection agencies.

In addition, the Securities and Futures Commission has issued a guideline on debt collection practices to the licensed corporations such as those engaging in securities trading, future contracts trading, and providers of securities margin finance and asset management. The guidelines stipulate that no public insult or harassment should be caused to the party concerned, his family or other persons in the course of collecting debts, such as putting up debt collection notices on the walls of his residence, and no form of violence, threat or unlawful means should be employed.

As for moneylenders, the authorities have set up a licensing scheme under the management of the Companies Registry. The HKSAR Licensed Money Lenders Association has issued a Code of Money Lending Practice to require its members to ensure that the debt collection agencies they employ will not engage in any improper debt collection activities.

From our observations, even if certain industries have not formulated any guidelines or codes of practice on debt collection practices, the major institutions will have the incentive to carefully choose the debt collection agencies they employ because of business reputation considerations. Once any undesirable debt collection practice is found, as a general rule, these institutions will cease to employ the debt collection agency concerned.

The Law Reform Commission (LRC) published the Report on the Regulation of Debt Collection Practices in 2002. The Administration has made a detailed response to the recommendations of the Report in September 2005 after examining these recommendations. Recommendations of the Report include the setting up of a statutory licensing system to monitor debt collection agencies and debt collectors.

We have reservations about the suggestion that legislating can eradicate unscrupulous debt collection agencies and their unlawful conduct. According to experience gained by the law enforcement departments, operators who intend to carry out unlawful activities may not set up debt collection agencies that will be subject to regulation and monitoring. As for those prudent operators with a good conduct, they would not engage in unscrupulous activities even if there is no specific monitoring regime in law. Therefore, it is doubtful as to whether legislating or setting up a licensing scheme will have any practical effect at all.

As for the recommendation made by the LRC to create a criminal offence of harassment of debtors and others, the Constitutional and Mainland Affairs Bureau will consider and follow up the issue of stalking associated with debt collection in its study of the Law Reform Commission Report on Stalking.

Madam President, the Administration has an effective plan in place to deal with undesirable debt collection practices. The police will strictly enforce existing laws and the relevant financial regulatory bodies will oversee the compliance by the industry with the debt collection guidelines and codes of

practice. We consider these measures effective, hence they should be supported.

Madam President, I so submit. After listening to views put forward by Members on the topic, I will give a reply in response. Thank you, Madam President.

MR HOWARD YOUNG (in Cantonese): Madam President, cases of debt collection agencies harassing the debtors are often heard and last week there was a case of some loan sharks going to a school to spray paints in a bid to collect debts. This compels people to reconsider the problems caused by undesirable debt collection practices. Hence the motion topic today is quite a timely one.

The motion focuses on the Report on the Regulation of Debt Collection Practices published by the Law Reform Commission (LRC) in July 2002. First of all, we agree with the stand of the LRC. It is only natural for someone who owes a debt to repay it. The moneylender and his agents are entitled to take proper courses of action to ensure that the debtor will fulfil his responsibility in repaying the debt. However, we must also ensure that the debtor is not required to bear any undue pressure or that any third party may be harassed for no reason. Therefore, all parties should strive to strike a balance between the two.

On the question of singling out the harassment of debtors and making it a criminal offence, we notice that the Security Bureau does not consider this to be proper. The Government explained that there are already several pieces of law to combat undesirable debt collection practices, such as intimidation, criminal damage and so on. The police have separate procedures for debt collection cases classified as "high-threat" and "low-threat". Relevant follow-up measures are also formulated. In cases of debt collection by loan sharks as mentioned, they can be referred to the police for follow-up action.

Besides, there are also many administrative measures in place to monitor debt collection activities. Examples are the Code of Banking Practice issued by the Hong Kong Association of Banks and the Hong Kong Association of Restricted Licence Banks and Deposit-taking Companies, as well as the Code of Money Lending Practice issued by the HKSAR Licensed Money Lenders

Association, which require their members to ensure that the debt collection agencies they employ will not issue any threats to or employ violence on any person both verbally or physically and no debt collection practice which causes harassment or involves improper means should be adopted.

Since March 2002, the Hong Kong Monetary Authority (HKMA) has requested all authorized institutions to submit a quarterly return on the number of complaints received against their debt collection agencies. Since the introduction of this reporting arrangement, the number of complaints against debt collection agencies employed by authorized institutions decreased from 717 in 2003 to 103 in 2007. This indicates that existing laws and regulations are capable of regulating some of the undesirable debt collection practices and the degree of harassment so caused has eased.

Despite this, undesirable debt collection practices are still often heard and many of these complaints are about frequent harassment of the debtors by the debt collectors. There are also many cases of family members, colleagues or employers of debtors being harassed. Some of these cases are about foreign domestic helpers who owe a debt and the collector is pursuing and even harassing the employer for the debt. Although these practices are not criminal offences, serious harassment is caused. Therefore, in order to enhance the deterrent effect of the law, we do not oppose the idea that a study be undertaken on criminalizing acts causing harassment to debtors.

However, we must bear in mind that debt collection is different from ordinary acts of stalking. The former should not be regarded as unlawful activities provided that it does not involve any criminal offence and no excessive harassment is caused. If calling someone a few times a day will constitute harassment, this will seriously undermine the lawful rights of the creditor in collecting debts and hence not beneficial to the development of the credit market in Hong Kong. Therefore, as we study into the issue of legislating to outlaw such practices, we must never be too stringent and we must carefully define acts of harassment so that the legitimate right to collect debts by the moneylender can be protected.

However, we consider that persons close to the debtor are innocent and they should not be subject to undue harassment by the collectors. The Government should consider legislating to regulate such matters and more

protection should be given to these persons by confining the target of debt collection to the debtor. The aim is to achieve zero harassment and protect the public in leading their normal life.

The Liberal Party also thinks that a study can be made to regulate collectors by a licensing regime. This may ensure that such activities are carried out in a more orderly manner under reasonable restrictions as well as enable a distinction to be made with other unlawful debt collection practices.

Madam President, yesterday when we debated on the Trade Descriptions (Amendment) Bill 2007, I pointed out in my speech that as the saying goes, the law is used to guard against the gentleman and not the villain. There are times that out of sheer inadvertence, the law-abiding person may become a victim of the law and in contrast, the villain may escape from the long arms of the law. So as we are to decide whether or not a licensing regime is to be adopted, we have some reservations about this point. However, this does not in any way affect our position on this motion.

We should pay special attention to the fact that certain debt collection operators who deliberately break the law, especially those with triad society background, will not bother to apply for a licence at all. Those unscrupulous debt collection agencies will not consider applying for a licence either. So as we wish to launch a licensing regime, we must guard against the possibility that those who should be regulated can escape from regulation while those who do not need to be regulated are placed under the strictest form of regulation.

Madam President, I so submit.

MR MARTIN LEE (in Cantonese): Madam President, I am not a spokesman for my party in this policy area, but I am the only person from the Democratic Party in this Chamber right now. I recall the first time when I was returned to the former Legislative Council then, I discussed this problem with the top officials from the police. Now I am in my last term of office as a Member of this Council, the problem remains unsolved.

The arguments being presented now are like those that were put up at that time. There are many laws in Hong Kong that can serve to prevent these people

from committing crimes. This is true of course, will the Commissioner of Police say that these people are free to commit crimes? Now the Secretary for Security is saying the same thing and he vows that these people will not be allowed to commit offences. If I use a knife and stab another person in front of him, he will certainly arrest me. But what these people are doing is not like this. They are smart in what they do and not every person can see that they are breaking the law. They would pour red paint when there is no one around. What about that? Is that an offence? The worst thing is that we do not see these people doing such things but we know who are doing them. This is because the victims will get a message urging them to repay the money soon, or else the consequence will be even worse. Apparently, the victims will know because they owe someone money. These are the acts and practices they engage in.

The most terrible thing is that often they may make a mistake. They may go after someone with the same name or someone with more or less the same name. Or they may get the address wrong. Hence many people are subject to such harassment. Albert CHAN has put it so well when he says that the biggest problem now is that despite the existence of many laws which regulate such acts and prevent people from breaking the law, the fact is the number of these acts surge by leaps and bounds over the years. The number has been going up for many years. This shows that existing laws are inadequate and so the problem just stays. In this society of ours, is it because the police have much confidence in the law and their enforcement officers that the Government will just sit back and do nothing? This is really the crux of the problem.

The Secretary says that he has doubts about legislating. He says that these debt collection agencies will not register. Well, if they do not register, what if the law provides that it is an offence in law if anyone not registered has done such acts? This is simple. These people can be arrested. There is no need to show any proof. Since they are not registered and do not subject to any regulation, if they do these things, that is, collect debts even when they are not subject to any regulation, then the police can press charge against them at once. Conviction is easy in such cases. Why is nothing done? I fail to see the point. The Government always stresses the "people-centred" principle and if this Council passes this motion with an overwhelming majority to urge the Government to legislate on this but still it refuses to do it, then it is an enemy of the people. Thank you, Madam President.

MR LAU KONG-WAH (in Cantonese); Madam President, all through the course of human history, it is considered only natural that those who owe money should repay the debt. However, this remark does not justify all means of debt collection from the debtor by the creditor. Examples are sticking six or seven repayment notes on the door of the debtor every morning or leaving a debt collection message on someone's telephone in the small hours of the night. Such acts cause harassment and also fear to the debtor's family. Are these ways of collecting debts justified?

If we read the newspaper, we may see some stories of debt collection from time to time. On some occasions it may be splashing red paint at someone's doorsteps, or someone's iron-grille gate gets chained up, or posters being put up all over the place for persons wanted. The collector uses a myriad of ways to collect debts, so that the debtor or his friends and relatives will be embarrassed and troubled by such acts of harassment and stalking and hence, they will be eventually forced to make the repayment.

Speaking from the debt collectors, it is the most effective to use this kind of practices which is in fact harassment and a minor crime. It costs so little while the return is great. First of all, by being the most effective, it means that the debt can be collected while it does not lead to any arrest made by the police. The reason is that many of these victims think that while these debt collection acts are a great nuisance, they think that it is useless to report the case to the police and so the police will not be informed. Second, even if the case is reported to the police, in the end it may be due to the lack of sufficient proof or personal safety concern that the debtor may not be willing to be a prosecution witness in the Court. Finally, the file is closed on the case and nothing is done.

That such practices cost so little while the return is great is because under the existing debt collection system in Hong Kong, the debt collector can get a commission from the company who is the creditor. Generally, the commission payable is 3% or 4% of the debt collected. With this incentive in mind, the collector will try his utmost to "get his job done" in collecting the debt and hence get paid.

Actually, apart from the triad societies which carry out the most wicked form of debt collection, such as making a fanfare about it, waving a knife in front of someone or setting fire to someone's home, what the public would more often

face is that some debt collection practices which do not cause such serious harassment but will nevertheless cause terrible nuisance. You may get a big notice stuck on your door saying that you have a debt. You may get a telephone call several times a day asking whether or not you have had your meal, or someone may visit you and "ask after your health", reminding you to put on more clothes. All these are not threats and they are no personal attack. It is like somebody who is secretly in love with you and who happens to be near your office or your home all the time. How can the police stop such activities by resorting to ways and means they use to combat criminal offences? So we think a line must be drawn clearly in law to define what harassment is and what is meant by improper debt collection practices. Laws should be enacted for such purpose. This is what really should be done to address public concern and put their mind at ease.

All along the Government has been refusing to adopt a licensing scheme. The reason it gives is that those debt collection agencies with good records of operation will adopt proper debt collection practices while those unlawful debt collectors will continue with their unlawful money lending and debt collection activities no matter if they have a licence or not. This argument may sound very sensible. But in fact it is seriously flawed. Of course, we would not indulge in such fanciful thoughts as legislating alone can regulate or remove all unlawful activities overnight. But is legislating not needed when it fails to regulate all kinds of unlawful acts? This is putting the cart before the horse with respect to the legislative intent. Of course, this argument cannot hold water.

The advantages of a licensing regime are that it can work through both internal and external monitoring and regulation, and unlawful debt collection activities can be prohibited. With respect to external monitoring, the licensing regime can act as a clear-cut identification mechanism, that is to say, those licensed companies can lend money while the unlicensed companies cannot. And for those unlawful debt collectors which the Government refers to, if they do not obtain a licence in accordance with the law, all the debt collection activities they carry out will be regarded as unlawful. The police do not have to see whether or not the harassment is of a minor nature, and they may shut down the company and make arrests at any time and there is no need to invoke criminal law which provides for an onerous burden of proof. I believe this would be a most effective deterrent.

With respect to internal monitoring, once a licensing regime is introduced, the debt collection agency will have to oversee their employees and ensure that these debt collectors are firstly, not members of triad societies; and secondly, they will not carry out any improper debt collection activities. Otherwise, the application for licence renewal by the agency will be affected directly. Although we can never ensure that these agencies will engage in self-monitoring in an effective manner, the licensing framework can at least serve as a restrictive hurdle which they can never afford to overlook.

If an all-out effort is to be made to combat this kind of unlawful debt collection practices, what the public would need is not only a piece of clearly-defined legislation but also an effective system to regulate and perfect the money lending industry. Therefore, we hope that the Government can seriously listen to views expressed by the Law Reform Commission and this Council, as well as voices expressed by the entire community, and agree to the proposal to establish a licensing regime. Thank you, Madam President.

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

MR ALBERT HO (in Cantonese): President, I am sure among those who have dealings with debt collection agencies or finance companies which are closely related to debt collection agencies certainly include Members of this Council who have offices in the districts. Every time when they meet the public in the districts, they will get a certain number of complaints of this sort. I must point out that this kind of debt collection practices does not begin only in the past few years, as it has been a nuisance to the community for at least 10 or 15 years. What we regret very much is that as at today, it seems that the Government does not have any effective methods to deal with it. President, I am a victim of this myself. It is not that I owe someone a debt and I am pursued by these loan sharks, but it is because I have helped some debtors that I have run into trouble.

I had a case before and not only was the client being pursued by debt collectors but he was also deceived into signing all the papers concerning his property when he took out the loan. These papers included the title deed and other court documents. It turned out that the lender had written a summons and consent of possession of the property. After I had intervened and offered my assistance, the Court soon prohibited the finance company and the debt collection

agency from forcing through the sale of the property. As for my client, he was so scared that he moved out of the property which had been made a security for the loan. After I took on the case, the lawsuit went on quite smoothly, but something outrageous happened. My firm got some 400 to 500 intimidating telephone calls in one day. The first thing I did was to report to the police. When the police came to make the investigations, some policemen also answered the calls. The caller said, "You say you are a cop, tell me what is your number and rank!" Then of course, as we all know, this is followed by a bombardment of expletives for the listening pleasure of the policeman.

Then how did the case come to an end? Very soon the police tracked down the source of the calls and it turned out to be from Wan Chai, from an office desk inside an office rented to another company. The person who called was only using a calling card sold on the streets. Although the police arrested the person who made the calls and there was a possibility that he would be convicted and jailed for a few weeks, it is very difficult to bring the whole syndicate behind to justice. From this incident, it can be seen that there is a link between the person making the threatening phone calls, the debt collection agency that he represented, and the finance company behind it all. As we can see, there is bound to be a huge syndicate behind which runs this kind of business. And the debt collection agency has got many names which it uses differently each time.

If the police are to regulate such matters, I do not think that it would be an easy matter. However, there is a certain predictable pattern for such activities. If the police say that they can do nothing about the problem and these people are allowed to do whatever they like, then such practices will go rampant and these debt collection agencies and finance companies will get out of hand and they will use all sorts of unreasonable and unlawful ways to cheat and oppress the public. They may get what they want at last, and that is not because they rely on any judicial procedures but by threats, intimidations and harassment. The result of these moves is that the party concerned is forced into handing over their possessions, and in the case which I have mentioned earlier, this means the borrower and his family will have to move out of their home which is used as a security for the loan in question.

The Secretary cannot say that they can do nothing about the situation. In mid-1990s when I first handled this kind of cases, it was true to say that many banks hired these debt collection agencies. Then I had several meetings with

the Hong Kong Monetary Authority (HKMA) and I handled a large number of complaints. As far as I know, and if I am wrong, Mr Albert CHAN can certainly correct me, it seems that most banks now do not dare to hire debt collection agencies any more. If there are any exceptions, I will not hesitate to talk with the HKMA again. I recall at that time there was a case involving a very well-known bank and as Mr Albert CHAN has said, what the bank was doing came as a big surprise to me. Why were such methods of debt collecting used and why were lawyers not hired? Now those lenders who permit such practices, I believe, are all finance companies with a certain background. They are charging interest at a rate close to the lawful limit and they are almost loan sharks in that sense, though they are still working within lawful confines in their operations. They have all sorts of ways to collect debts and these have been described by Mr LAU Kong-wah in a most lively manner earlier.

President, there is certainly no method that can combat these companies most effectively and solve the problem instantly. But the Government should show its determination and what should be regulated through a licensing regime are not just the debt collection agencies but also the finance companies. It is because many finance companies are not regulated by the HKMA. They have a money lender's licence and they are supposed to be regulated by the police. But the police do not have a good regulatory system. There is nothing like the so-called prudential regulation and there is even no vetting of the applicants for such a licence. This is the greatest drawback. I hope the authorities will not tell me that such practices are beyond their monitoring and so everything is given a free fall. If that is case, then with respect to the regulation of off-course horse betting, please do not resort to using the excuse that regulation is needed because things will get out of control if no regulation is imposed. This is precisely the present situation.

When a government knows that many grass-roots people in society are facing such a predicament, if it is a responsible government, it should do something responsible and make the decision to regulate.

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

MS AUDREY EU (in Cantonese): President, on behalf of the Civic Party, I support the motion proposed by Mr Albert CHAN.

As many Honourable colleagues have pointed out, Hong Kong has been hassled by this problem for a very long time. There was a time when I heard that the organizations that hired these debt collection agencies included banks and even law firms. Of course, the debt collection agencies were hired because their service was thought to be adequately assured. But many complaints arose later. In respect of the Estate Agents Authority, I can also see that guidelines are issued to estate agents on the hiring of debt collection agencies.

The position of the Government is that action will certainly be taken if criminal acts are involved. But that is not enough. In Hong Kong, it would not be so easy to prove that some acts are contraventions of the criminal law. Even if the Government institutes prosecution, with respect to the burden of proof and other safeguards, witnesses are required in many cases. And these witnesses may not have enough ability to provide evidence in criminal cases to substantiate the charge so that prosecution can be instituted beyond reasonable doubt against persons from the debt collection agencies. With respect to such practices, the Government should consider legislating to regulate and to establish a licensing regime.

Actually, this would be beneficial to society in many respects. President, this is not only giving sufficient protection to debtors pursued by collectors and also their family. It is beneficial to the debt collection agencies too, for people can tell which ones are law-abiding and which ones have triad background, or some unlawful elements or are close to having triad elements. For some companies which engage in proper business, if they are to contract out some longstanding debt default cases to a debt collection agency for collection, this practice is essential speaking from an economic point of view. For these companies in commercial operation, they hope that this practice of transferring debts to debt collection agencies will not affect their business reputation. If these debt collection agencies are all licensed, when people are to choose a debt collection agency, there will be some basis and guide for them to fall on. Hence this kind of regulation and licensing regime is necessary for society and it will bring advantages to many areas.

President, there are many licensing regimes which require the person in charge to have no criminal record and good conduct, that is to say, he or she should be a fit and proper person. If a licensing regime is in existence, then these conditions can be added to specify that the person in charge of a debt collection agency should meet certain conditions. And the operation of the

company should fulfil certain conditions too. For example, there should be full and accurate record in areas such as the conduct of employees in collecting debts, the time and the verbal expressions used. If the record of such matters is found to be incomplete this may constitute a breach of the licensing conditions.

In addition, as Mr Albert HO has pointed out, in tracking down the persons involved, it may be discovered that even a calling card cannot be found or an address of the company is not available. But if a licensing regime is in place, regulation can be imposed to the effect that companies running a debt collection business must present a permanent address and employ permanent staff when applying for registration. All such information must be presented for registration purpose and contact details are to follow certain requirements specified. All these are some of the so-called "paper trail" or records that would facilitate tracking when complaints arise. This is a kind of safeguard to these debt collection agencies, the public or people who hire the service of these debt collection agencies.

President, with respect to the Government, this kind of licensing regime does not imply too much extra work and the costs can be recovered when the registration fee is charged. This would be something the Government is happy to see. President, I do not see why the Government is so resistant to legislating in this area where legislation is needed and to setting up a licensing regime and imposing penalties in areas like the conditions I have just mentioned and keeping a full and accurate record. Failing to keep a full record or providing inaccurate information would then be liable to penalties and even a term of imprisonment, and ultimately, revocation of the licence.

President, among the many laws in our society, those concerning this kind of licensing regime are very common. In our opinion, there should be a system like this set up by the Government in many areas. An example is animal rights which we have been talking about so often, which includes the sale of pets and the provision of pet keeping and feeding service. There is actually a need for these in our society. However, the government departments are always shirking their responsibilities and passing the buck to the police. President, I hope that the Government or the Secretary can start with a consultation exercise after they have heard what the Members have said today. Then a licensing regime should be set up so that the society, those companies which need to collect debts and companies which engage in such collection practices can all have sufficient safeguard. Thank you, President.

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

MRS SELINA CHOW (in Cantonese): The topic of our debate today is nothing new and as a matter of fact, this topic is discussed from time to time in this Council and in the Panels.

I believe Members' position on that is clear enough. We are all tired of this kind of debt collection practices which has gone much overboard. We think that a clampdown on it is necessary. However, Members may differ slightly with the Government on this. Previously, whenever mention is made of licensing and regulation, the Liberal Party would often have reservations. Our worries are that licensing for regulation would be very cumbersome and it would be difficult to draw a line. And once a decision is made to regulate by licensing, a clear-cut line must be drawn. But as a matter of fact, it is quite difficult to draw a line in debt collection activities.

To be frank, would it necessarily have to be a breach of the law if a few calls are made to those debtors who refuse to pay a debt no matter what? Although we can see that these complaints have been dropping in recent years, it is a fact that those unwelcome or improper acts still occur. Despite the drop in number, the nuisance caused and the threat made to the public are still around and this applies especially to the threat brought to people who are less financially well-off.

On the question of whether or not licensing should be introduced, certainly I would hope that the Government can give positive consideration to the views expressed by Members. In extreme cases, we consider that thoughts should be given to this idea. According to what the Government says, even if licences are not issued, those law-abiding companies would not carry out acts of harassment and those companies which are not law-abiding will not even bother to apply for a licence. Even if this is the case, the Government still has to draw a line anyway to distinguish between licensed and unlicensed companies. For those unlicensed companies, the Government should take rigorous action to crack down on them. I am afraid if no consensus is reached on this issue, the disputes will just go on. Some Honourable colleagues urge the Government to give serious thoughts to the matter, but even if the Government is willing to give it consideration, I am sure that some time would have to be spent.

I would think that in such a process, the Government should conduct a review of the measures targeting these agencies, be they licensed or unlicensed, to see if they are adequate. Speaking from my experience of representing some people who come to me for help, among these people there are some who are honest and reputable businessmen. They do not owe anyone any debt and they may just be involved in some money disputes. Examples are that they may have trusted the wrong persons, met a bad business partner or rival and in the course of dispute, they are accused of owing them a debt. As a result, people handed out leaflets on the street accusing them of default in debt repayment. However, handing out leaflets is not formally recognized as criminal intimidation, for it is not even like pouring red paint. What is being done is only handing out leaflets everywhere.

I would think that the best way to cope with this is to report to the police and I got some suitable persons to help them out. Of course, I got very cordial reception on the first occasion, for I approached a certain top-ranking officer for that particular district and I told him about the situation. He then sent for police officers who are responsible for handling this kind of cases. But the problem arose soon afterwards. When that person made an attempt to contact that police officer directly, that officer could not be found. Meanwhile, leaflets were still being distributed all over the place. I think this shows one thing and that is, there is also a line drawn in the eyes of the police. Cases beneath that line are regarded as criminal intimidation but what lie above it are what they would consider to be nothing more than money disputes. As a public relations move, he said that he would help, but this might just be a perfunctory response to close the matter. I hope the Secretary can look into this again to see if the enforcement departments have handled the matter seriously and offered help to these victims.

We all know that such acts would bring great psychological stress to the victims and so how should this line be drawn? Of course, if this line is not clear enough, law enforcement would be difficult. As these debt collection agencies are constantly harassing the debtors, the Government can resort to the same practice to deal with these people who are constantly harassing other people by conducting investigation into these agencies constantly. Why is it that there are still so many people voicing their discontent? I would think that this shows that the present enforcement actions are not enough.

So, irrespective of whether the Government will accept Members' views on licensing or not licensing, this does not mean that once licensing requirements are imposed, this problem is expected to be solved completely. All in all, this would hinge on whether or not our enforcement officers can help these victims properly.

Thank you, President.

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

(No Member indicated a wish to speak)

SECRETARY FOR SECURITY (in Cantonese): Madam President, I have listened very carefully to the views expressed by Members earlier. First of all, I am grateful to Members for their valuable advice on the motion. I respect the positions held by Members on this motion. As a matter of fact, the Government, like Members, is very concerned about the nuisance caused to the public by undesirable debt collection practices. I do not quite agree with Mr Albert HO when he said that the police can do nothing about the problem. I think this is too harsh a remark to make. Actually, over the past few years, the measures adopted by the Government and all relevant regulatory agencies have proven to be effective in curbing undesirable debt collection practices. Since 2005, report figures on debt collection cases, be they cases that involve criminal offences or "non-crime reports" of harassment, have all dropped continuously. During the first four months of this year, that is from January to April 2008, the number of complaint cases received was 5 086 and that is a decline from the 5 232 cases reported during the period from January to April 2007. Of these figures, the number of cases involving criminal offences fell from 632 last year to 587 this year.

As I have pointed out in my speech at the outset, there are presently many provisions in law which can effectively combat undesirable debt collection practices of the debt collection agencies. These provisions include those on blackmail, criminal intimidation, criminal damage and common assault. All along the police have been enforcing the relevant laws rigorously. All cases that are suspected of having a criminal element will be referred to the Criminal

Investigation Teams for in-depth investigation. If sufficient evidence is found, the police will certainly institute prosecutions and they will never condone such undesirable practices.

Unlawful debt collection practices are often associated with triad societies and loansharking syndicates. The police will take enforcement actions depending on the circumstances and proactively undertake intelligence-led investigations. By getting hold of information on the mode of operation of these illegal syndicates and unlawful debt collection activities, the police will step up actions against these unlawful activities. In addition, the police will work with enforcement agencies in Macao and the Mainland and carry out anti-triad operations targeting cross-boundary loansharking and unlawful debt collection activities. Such enforcement actions will greatly facilitate the crackdown on loansharking syndicates and the related unscrupulous debt collection agencies.

In addition, the police have formulated a set of detailed procedures to handle non-crime reports of debt collection cases. The police will make an assessment of each reported case with respect to factors like the causes of the debt, or the background of the debt collection agencies. If there is any chance that debt collection activities will develop into criminal activities, the cases concerned will be classified as "high-threat" cases and referred to Criminal Investigation Teams for investigation. For other "low-threat" cases, they will be closely monitored by policemen in the district concerned and locations where these cases happen will be given special attention by policemen on patrol. Review of these cases will be made from time to time to see if they should be reclassified as "high-threat" cases. This will enable prompt action to be taken to prevent these cases from deteriorating or developing into unlawful activities. I believe with respect to unlawful debt collection activities, the police will not, as Mrs Selina CHOW has said, give a perfunctory response to close the matter.

The authorities spare no effort in combating undesirable debt collection practices. However, the effectiveness of enforcement actions taken by the police often hinges on the willingness of debtors or victims to co-operate with the police. If the victims are unwilling to report their case to the police, provide information or identify the suspects for various reasons (such as their willingness to disclose their debt problems or reason for indebtedness to their families, business associates or others), then it is difficult for the police to continue with

the investigation or initiate prosecution. Therefore, we encourage the victims to report their cases and co-operate with the police by providing all the information known to them.

In order to stem the problem at its roots and reduce the commercial viability of unscrupulous debt collection agencies, the police and all other regulatory bodies concerned have adopted many effective preventive measures. In recent years, the police have appealed to the public through the media to pay attention to and report on unlawful debt collection activities. The police have also distributed promotional leaflets in residential properties and liaised with the management companies of public and private housing estates and appeal for their assistance in preventing loansharking syndicates from carrying out promotional activities or putting up advertisements within their estates or residential buildings. Besides, the police will also seek the co-operation of the management or security company of the estates where individual debtors reside, so that they will stay alert and prevent debt collection agencies from carrying out illegal activities in their estates.

As for regulatory bodies, the Hong Kong Monetary Authority has been overseeing the authorized institutions to ensure their compliance with the Code of Banking Practice. Since March 2002, it requested all authorized institutions to submit a quarterly return on the number of complaints received against the debt collection agencies they employed. The Securities and Futures Commission has also issued a set of guidelines to the licensed corporations on debt collection practices. Also, the authorities have set up a licensing regime for moneylenders. The HKSAR Licensed Money Lenders Association has issued a Code of Money Lending Practice to the industry. All these measures have proven to be producing practical effects.

Apart from cracking down on undesirable debt collection activities, the Administration is also very concerned about the needs of persons with debt problems. At present, there are 61 Integrated Family Service Centres run by the Social Welfare Department or non-governmental organizations all over the territory, providing counselling and welfare assistance to the needy to tackle their problems. The authorities also act on circumstances of individual cases and offer housing assistance to people with debt problems or refer them to the Housing Department for consideration of compassionate housing or a housing transfer.

Many Members have touched on an important aspect of the problem and that is we have enough criminal laws to combat debt collection practices that involve criminal offences. However, certain unscrupulous debt collection agencies are using some stalking practices, that is, non-criminal acts, in debt collection. We know that this issue must be addressed. As a matter of fact, in the Report on the Regulation of Debt Collection Practices published in 2002, three specific recommendations are made: first, the creation of a criminal offence of harassment of debtors and others; second, the setting up of a licensing system for debt collection agencies (which I have talked about earlier); and third, a review should be made from time to time of the practice of making personal credit information mutually accessible to institutions.

The Administration examined each of these recommendations in depth and a response was made in 2005. We have actually done a lot of work, including the third recommendation of conducting a review from time to time of the practice of making personal credit information mutually accessible to institutions concerned. The Government has compiled guidelines on the issue and these guidelines are made available to various financial institutions. As for the Law Reform Commission Report on Stalking, we are at present following up the legislative proposals concerned. Now the Constitutional and Mainland Affairs Bureau has pledged that when it is to examine this Report from the Law Reform Commission, it will consider including stalking practices related to debt collection into the scope of the future legislative exercise. After we have mapped out the way forward, we will brief the Legislative Council Panel on Home Affairs.

MR ALBERT HO (in Cantonese): President, could you ask the Secretary to repeat what he has just said? What is the subject that he has said that the Constitutional and Mainland Affairs Bureau is tasked to study into?

SECRETARY FOR SECURITY (in Cantonese): This policy area is now transferred to the Constitutional and Mainland Affairs Bureau as part of its policy portfolio. Formerly it belonged to the Home Affairs Bureau, but as we appointed some new Directors of Bureau last year, new internal work arrangements have been made. Now the issue is transferred to the Bureau headed by Mr LAM.

MR ALBERT HO (in Cantonese): President, can the Secretary make a further clarification as to why this has anything to do with that Bureau? We are talking about stalking practices and debt collection practices, how come these are related to the Constitutional and Mainland Affairs Bureau?

SECRETARY FOR SECURITY (in Cantonese): This is because last year when we reallocated the work of several Bureaux, this area of work which used to be the responsibility of the Home Affairs Bureau was transferred to the Constitutional and Mainland Affairs Bureau and it has since taken over the work.

The Law Reform Commission considers that credit providers and their agents are entitled to take reasonable steps to collect debts. We agree with that view. Therefore, in the course of formulating policies to combat undesirable debt collection practices, we have always been striving to strike a proper balance. On one hand we should protect the legitimate right of the creditor to collect debts while on the other hand, we should ensure that debtors should not be put under undue pressure and that third parties are not subject to any unnecessary harassment. We would think that under the existing arrangements, apart from the stalking practices that I have mentioned earlier, a suitable balance has been struck.

Having said that, the Government is well aware of public concern about this matter and we would keep a close watch on the developments, and in line with the findings of the study undertaken by the Constitutional and Mainland Affairs Bureau on the Law Reform Commission Report on Stalking, we will consider whether or not to tighten the regulation imposed by other pieces of existing legislation, thereby ensuring that problems arising from defaulted debt payment can be fully addressed.

Madam President, I so submit.

MR MARTIN LEE (in Cantonese): President, can the Secretary inform this Council, if this policy area is now the responsibility of the Constitutional and Mainland Affairs Bureau, why we do not see any official from that Bureau here in this Chamber?

PRESIDENT (in Cantonese): This is a good question to ask. But I would have to consider whether or not this is part of the speech made by the Secretary for Security just now. Mr Martin LEE, can you employ your wit and try to draw some relationship between your question and the speech made by the Secretary for Security earlier?

MR MARTIN LEE (in Cantonese): This question came to my mind when he was giving a reply to Mr Albert HO's question and when I raised this question, he had not sat down yet.

PRESIDENT (in Cantonese): Secretary for Security, do you have anything to add to your speech made just now?

SECRETARY FOR SECURITY (in Cantonese): Madam President, it is me who represent the executive authorities to attend this motion debate today. I would be glad to answer questions from Mr Martin LEE to the best of my ability, but I really cannot answer the question he has just raised.

PRESIDENT (in Cantonese): Maybe let us do it this way: Would the Secretary for Security relay this question to the Constitutional and Mainland Affairs Bureau in the hope that officials from the Constitutional and Mainland Affairs Bureau can give an explanation to Members in this Council or in any other committees of this Council later.

SECRETARY FOR SECURITY (in Cantonese): Madam President, I will certainly do it.

PRESIDENT (in Cantonese): Mr Albert CHAN, you may now speak in reply. You have six minutes and 45 seconds.

MR ALBERT CHAN (in Cantonese): President, I do not know if it is because "Eunuch LAM", the Secretary for Constitutional Affairs and Mainland, knows

that I plan to amend Mr LEE Wing-tat's motion and urge for his dismissal that he does not dare to show up today.

President, I think many Members are shocked to hear the last part which the Secretary has just said and that is, why the topic of stalking — I have been following up this topic in this Chamber for almost eight years, but why all of a sudden it is to be handed over to the Constitutional and Mainland Affairs Bureau for it to handle? Even if this topic is now handed over to another policy bureau for action or the Government decides to legislate against stalking, I can tell the Secretary clearly that this will not solve or alleviate the problems caused by debt collection practices. Although the Secretary has prepared a speech on the topic, the speech he gives does not address the main points of my speech at all. From the outset I have said that this is a kind of non-criminal harassment involving practices suspected to be triad-related.

The Secretary has mentioned that in respect of authorized institutions, the Hong Kong Monetary Authority and banks have issued relevant guidelines and these are very useful. However, Secretary, this is precisely the crux of the problem. If these guidelines are useful, the Government can make use of them to enact laws and enhance regulation. Then the problem can be addressed. But the Government just recognizes the gravity of the problem, right? In 2005, the number of complaints about non-criminal harassment received by the police was some 26 000 cases and it fell to some 10 000 last year. One of the reasons is that the public do not have any confidence. I can tell the Secretary clearly that not only do the public have no confidence, even the debt collectors know very well that the police are incompetent. A member of the public tells me that a collector calls him and wants to collect a debt from him. He tells the person to stop calling him, or else he will inform the police. To his great surprise, the collector tells him to inform the police, for he knows that the police are good for nothing. Secretary, these are words quoted directly from the collector. All the collectors and debt collection agencies know that the police are good for nothing in this matter, for these people have done nothing which gives reasons for the police to institute prosecution or take any action. The picture is clear enough. If the collector says to the debtor, "Watch your steps. I know which school your kids go to and where you work.", what can the police do? Obviously, the present mechanism is completely useless.

The Secretary says that the banks can make some improvements. I agree that of the complaints received over the past couple of years, those involving

large banks had dropped. But complaints against the finance company Promise and the telecommunications company PCCW have soared sharply. Secretary, the public does not have any interest in complaining to the police. This is because they know very well that it is useless. It seems that an epidemic has seized the top officials in Hong Kong and that is autism. It is passing on from one top official to the other. At first, it is "Eunuch LAM" who has fallen ill of that, then Norman CHAN and now it is the Secretary for Security. The Secretary is completely detached from society and he is callous to the pain and suffering of the masses. He fails to sense the gravity of the problem. Even though the Secretary says that complaints have fallen greatly in number, there are still some 10 000 cases a year, that is, some 10 000 members of the public are subject to non-criminal harassment and these some 10 000 members of the public report to the police because of this problem. This shows that the guidelines issued by the Bureau have not brought about an overall improvement. The Secretary cannot shut himself up in the Government Headquarters and locks himself up behind the iron gate and pretend that no problem has ever existed.

Maybe I can try to form a debt collection team and target the top officials and I can try to imitate those non-criminal stalking acts and call their wives and children to urge the Secretary to legislate as soon as possible. After this team is set up, I will call them by phone at midnight and then at 7 am again or even contact their grandchildren and urge them to ask their grandfather to legislate as soon as possible. Apart from looking up the Secretary, I will also look up other Directors of Bureau and even the sons and grandsons of Donald TSANG and I will make an exact replica of these practices. I call upon all members of the public in Hong Kong who have been affected by these debt collection practices to do the same kind of non-criminal harassment to the top officials, such as telling them to be careful, that they know which schools their grandchildren attend, or they may look up their grandchildren or the friends of their grandchildren. This is to test what they would think. These top officials hold such high positions and they have an annual salary of at least four to five million dollars and they have security guards and travel in limousines. They will of course live in peace. But for these ordinary members of the public — as I have said many times, the old folks are so scared that they dare not return home at night and they can only loiter on the streets. Some old folks are so scared that they take out their lifelong savings and pay off the debts of their sons. In law, the debt collector has no right to do that. Now the banks and credit card companies are

rotten to the core. It is because in law, debts of 10 years or more can no longer be collected. But for no reason at all, they took no action to recover the debt in the past but now they have found a debt collection agency to collect outstanding credit card debts which date back to more than 10 years ago. When someone asks them to provide the evidence, they have refused.

Last night at half past nine I got a fax from a Mr LEE. He complained that a credit management company of the Gold Partners Capital Holdings Group appointed by the Standard Chartered Bank said something to him that caused him fear and unease. This case is about those debt collection agencies that the Secretary says which have guidelines, and the Standard Chartered Bank which is a big bank overseen by the Securities and Futures Commission. This fax document was received at 9.30 pm and the contents were a complaint about the methods used by the bank. This person wanted to negotiate with the bank but the bank refused. This is because it had hired a debt collection agency and so it did not want to talk with him any more. Secretary, can you accept this? The Secretary says that the situation has improved. I am not questioning his sincerity. I think that he is autistic and he only listens to words of people close to him and he is blind to social problems and the plight of the masses. Secretary, this is the plight of the masses; if the officials continue to be autistic, political disasters and crises will follow on the heels of another. If the Government still refuses to legislate, I will certainly initiate a campaign to harass the top officials in a non-criminal manner. I will call upon all the people who are harassed by debt collectors to begin this wave of attack on the top officials. Thank you, President.

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Second motion: Reducing the duties on motor vehicle fuels.

I now call upon Mr LAU Kong-wah to speak and move his motion.

REDUCING THE DUTIES ON MOTOR VEHICLE FUELS

MR LAU KONG-WAH (in Cantonese): President, just now I heard Albert CHAN speak and I felt that his blood pressure was rising sharply like the oil prices now. Indeed, the issue of oil prices rightly deserves our attention.

This problem of soaring oil prices has made its effect felt all over the world. Oil prices surge from US\$20 a barrel six years ago to close to US\$140 a barrel this year and the momentum has not yet been arrested. Some economic analysts even predict that oil prices may reach US\$200 a barrel in the next 12 months.

Steep oil prices ignited flames of discontent around the world. In places like Spain, France, Indonesia and Thailand, spates of demonstrations and industrial action like strikes of all scale erupted. Industries like transportation, logistics, tourism, fishery and shipping, all have to face very rough times. And this predicament is not only experienced by a few industries because high oil prices have not only sparked off inflation but complicated problem are caused to people's livelihood and the economy. The result is that public discontent and grievances can easily arise.

An example is the transportation industry, and by that I mean not only containers and logistics, but also companies which deliver fruits, vegetables, or chilled and frozen foods. In Spain, once there is a strike in the transportation industry, the nerves of the people are racked and everyone is worried about food shortage. So everyone goes to the supermarkets and a food-buying frenzy

starts. Though in the end it is found out that there is no problem with food supply, it comes as no surprise that food prices will surge. If transportation costs for imports and exports keep on rising, those who are affected in the end will certainly be all the people of Hong Kong.

Also, those trades affected by high oil prices include the school buses and nanny vans which ferry the school children to and from school; the courier services, the coach bus companies and even companies that deliver distilled water. So every trade and industry has to face the problem of steep oil prices. And what we are talking about are not figures of a few cents or a dollar. If we look at the prices for motor vehicle diesel, two years ago it only cost \$8 to \$9, and even though only half a year is past for this year, there have been eight or nine occasions in which prices are raised. The latest prices for Euro V diesel have gone past \$11 per litre. This means a more than 40% increase within two years. In such circumstances, operators will certainly choose to transfer the rising costs to the consumers in a bid to maintain their profit margin. The result is that shops increase their prices and passengers have to pay expensive fares. The expenditure of the people increases and no one in Hong Kong is immune to that.

President, the abovementioned problems caused by oil prices are not merely individual incidents but a big issue with widespread implications affecting social stability. Steep oil prices have worsened inflation and led to price hikes in every sphere of people's livelihood. The latest released inflation figures for April show that the inflation rate is over 5% and this is the second highest ever in 10 years. If the authorities do not face the problem squarely, I am sure serious consequences will result. The Chief Executive has said that a response to that would be made in the policy address to be released in October. But as I see it, it would be too late to take actions in October and the Government should react by introducing matching measures immediately, and waiving the diesel duty is the first step to take.

Recently, an owner who runs a container transportation company said to me that two years ago, fuel expenses took up about 12% of the operating costs and because of the constant rise in oil prices, fuel expenses now take up 30% to even 40% of the total expenses. There is also an operator of minibuses who said that three years ago, his fleet of 60 minibuses used to have a monthly fuel expenditure of about \$800,000. But now it has risen to \$1.2 million a month. Seen from these developments, there is a growing pressure for minibuses to

resort to a price hike. Are members of the public not those who will be affected in the end? Some people may think that the motion debate today is only catering for the interest of the trade. I do not think that this is the entire story, for public interest is at stake. Some other people think that the Government should not yield to the radical action of a number of drivers some time ago. While I do not think radical actions should be encouraged, would it not be another form of radical thinking to overlook the hardship faced by the public only because some people have been staging some radical acts? It may be justifiable for the Government to leave aside some minor issues, but it cannot afford to overlook a major issue where public interest is at stake.

Also, there is another issue that I think the authorities are obliged to pay attention to. The Government in December 2007 launched a concessionary measure of introducing a 50% reduction in diesel duty for Euro V vehicles. The measure is meant to encourage the trade to switch to using these vehicles. However, the fact is when the Government has not yet legislated for the mandatory switch to zero sulphur Euro V diesel, and when everyone has not yet switched to Euro V vehicles, most of the petrol filling stations in Hong Kong are not selling ultra-low sulphur diesel any more. And on top of that, the increase in the price of Euro V diesel is higher than ultra-low sulphur diesel. The result is while owners have not yet switched to using new vehicles, they are indirectly forced to buy expensive fuels. The trade also tells me that vehicles consume zero sulphur diesel faster than ordinary diesel. Since the fuels have become more expensive and more fuels have to be used, it is therefore understandable that such a widespread discontent and grievances are found in the trade.

Apart from diesel duty, I would like to turn to another point and that is the reduction of the duty on unleaded petrol by half. The last time when there was any change in the duty on unleaded petrol was 10 years ago. At that time the international price for oil was about US\$20. As I have said in the beginning, the increases made since then are four and a half times to date. It is true that most owners of private cars are from the middle class. But they are the ones to face steep oil prices and they have to live with rising prices and inflation. They are the ones who pay the most taxes but they can hardly get any welfare benefits. They cannot benefit from subsidized housing provided by the Government. Most of them have to repay housing mortgages. Given this situation, can we not do something to ease their financial burden? Furthermore, for those who live in remote areas, a car is considered a necessity rather than a luxury item. The Government points out that private cars are not a kind of tools for people to

earn their living. But there are certainly a large number of people who need to drive to earn a living. This is a fact that the Government must never overlook.

President, the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) has proposed a motion and an amendment and our aim is to give the Government a choice. It seems now that the Council has reached a consensus in support of the proposal to waive diesel duty entirely, and we think that the Government should respond quickly. The DAB hopes that the Government will never fall behind the tempo, so to speak. It must pick up a faster tempo and do something at once to vent the grievances among the people and in turn maintain social stability. Thank you, President.

MR LAU Kong-wah moved the following motion: (Translation)

"That, as international oil prices have repeatedly reached record highs, this Council urges the SAR Government to reduce the duties on unleaded petrol and Euro V diesel by half, so as to relieve the pressure of inflation and persistently high oil prices on the public and the relevant industries."

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

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

I now call upon Mr WONG Kwok-hing to speak first, to be followed by Mr Frederick FUNG, Mr CHAN Kam-lam, Ms Miriam LAU and Mr SIN Chung-kai; but no amendments are to be moved at this stage.

MR WONG KWOK-HING (in Cantonese): Madam President, with the worsening of inflation worldwide, inflation on the domestic front has seen the greatest climb for more than a decade. Now the inflation rate in Hong Kong has reached 5.4%. Although there are many factors contributing to this rise in inflation rate, the main factor is definitely the rise in oil prices which has led to inflation. Last year the international oil prices rose from some US\$50 a barrel

to some US\$80 a barrel. Recently, international oil prices have reached almost US\$140 a barrel. Not only is the rate of increase shocking, but also the effects of this steep rise in oil prices on the economy are slowly beginning to surface. It is true to say that oil prices are eating into our economy like a predator. Madam President, I have brought with me an oil barrel which is a telling symbol of this predatory effect of high oil prices. It is an empty barrel and it signifies the absence of oil and hence the drained up lifeline of the people. This is meant to tell the Government what the situation is like as experienced by members of the Federation of Hong Kong Transport Workers Organisations and the Container Transportation Employees General Union as well as the hardship of the professional drivers. Secretary, there is no more oil now. But the oil merchants, those predators, are quick in imposing price hikes quick and slow in reducing prices. This is joint manipulation of prices in disguise and exerting control of the market. We think that the regulation by the Government is undetermined and powerless. There are altogether three parts in the amendment I propose today. First, we urge that the diesel duties currently charged at \$0.56 per litre should be abolished completely; second, the duty of unleaded petrol should be reduced from \$6.06 per litre to \$3.03; and third, we urge the Government to provide subsidies on diesel prices to the more seriously affected industries such as the transportation industry.

In recent months, numerous large-scale demonstrations were staged in many countries in the world because of the high oil prices. These places included places in Europe such as Spain where tens of thousand drivers took to the streets in protest, barricaded the border highways and created big traffic jams. Demonstrations took place also in France and Belgium, forcing the French government to exert pressure on the European Union to suspend the charging of the fuel tax. In Belgium, the rise in oil prices caused a 100% hike in seafood prices within one month. As for Asia, waves of protest swept across places like Malaysia, Thailand, Korea and Taiwan. In Thailand, the truck drivers plan to rally 100 000 heavy-duty trucks and block the roads of Bangkok and they demand that their Government should provide a fuel subsidy to the amount of HK\$7 per litre. The Hong Kong Motor Transport General Workers Union, the Container Transportation Employees General Union and other affiliated trade unions under the Hong Kong Federation of Trade Unions representing professional drivers of various types of vehicles, as well as the industry, have always been pressing for the abolition of the diesel duty, reducing the petrol duty and providing subsidies to the most affected industries and vehicles.

With respect to the demands of the industry, although Financial Secretary John TSANG said earlier and also Eva CHENG, Secretary for Transport and Housing, also said yesterday, that the demands were being considered, the industry has yet to see any specific measures introduced. In contrast, oil prices are going up all the time and fuel prices have been revised upward for 10 times this year. The result is that the price of one litre of petrol is increased by \$2.6 as compared to the price six months ago. The rate of increase is more than 30%. This drastic increase in oil prices has overtaken the slow response of the Government. Therefore, no one knows how many more hikes in fuel prices are to take place before the transportation industry can obtain any concessionary reduction in fuel duties from the Government.

Earlier on, some employees in the logistics industry said that out of the \$500 income for each trip, oil price alone took up more than \$400. When added with other expenses, the income of the drivers has been greatly reduced. According to the Container Transportation Employees General Union, the blow dealt by high oil prices has eroded the competitiveness of the freight transportation industry. In recent months, the number of container tractors in the industry has decreased by 2 000 to 3 000. Madam President, on the other hand, I got some complaints from drivers of dump trucks who said that because of the constant rise in oil prices, they were hard-hit and their real wage had fallen drastically. So I hope that the Government can consider their situation. I have made an appointment with officials of the Development Bureau to meet them on behalf of the employees in order to reflect their situation to the officials. Despite the fact that the Development Bureau said that it would devise standard charges for the industry to protect the income of the drivers, this is, after all, only a stop-gap measure. The most important thing is reducing the oil prices.

Madam President, the problem of high oil prices is not only a problem for the transportation industry, as the impact of high oil prices is felt in various areas affecting people's life. Buses, minibuses, taxis and ferries have all raised their fares because of this reason. The five franchised bus companies in Hong Kong have raised their fares as a result of the rise in oil prices. Taxis and minibuses have also raised their fares not long ago because of increasing operation expenses. And there are also ferry companies, as the new operator which has made a successful tender bid also says that fares are to be increased from 5% to over 20%.

Also, the aviation industry is suffering from a severe blow due to this reason and consideration is made to imposing a fuel surcharge. As for the fishery industry, as fishermen will run into losses each time they sail into the seas, many fishermen just stop doing so. As the catches reduce, the prices of fish are going up all the time.

In my amendment, I therefore propose that the diesel duty should be abolished completely, the petrol duty should be reduced and a subsidy on diesel prices should be offered. These proposals are made in the hope that the difficulties experienced by the transportation industry can be eased and that the impact of inflation can be mitigated. These proposals are not only beneficial to the transportation industry but also helpful in reducing the pressure exerted on the community as a result of surging prices. This will in turn protect the livelihood of the people. Since the Government can be so generous in waiving the wine duty to the amount of some \$500 million, why can it not consider reducing the fuel duties which are so closely related to people's livelihood and completely abolishing the diesel duty? Some time ago, the Federation of Trade Unions held a press conference on the subject of fuel subsidies and we proposed to follow the measure adopted in the Mainland of providing subsidies on fuel prices. Currently the Mainland gives subsidies at a total amount of 0.2% of the GDP. The GDP of Hong Kong last year was \$1,616.2 billion, and as the total annual consumption of motor vehicles fuels is about 1.5 billion litres, when worked out from these figures, the annual subsidies on fuel prices payable by the SAR Government are about \$4 billion, and that sum only takes up about 3.5% of the fiscal surplus last year. It can be said to be just of minimal impact on the Treasury. But it can lead to a reduction in fuel expenses by 30% in the freight transportation industry. The effect is marked indeed.

Madam President, among the numerous amendments to the motion, my amendment proposes the provision of subsidies on fuel prices and that is a sensible proposal to make. Last year when the international oil prices rose from some US\$60 to some US\$80, the industry had proposed to abolish the diesel duty. Now the international oil prices have surged to more than US\$140, the mere abolition of the diesel duty at \$0.56 per litre will reduce the retail price by less than 5%. Over the past three financial years, the revenue from diesel duty was \$647 million in 2007, \$715 million in 2006 and \$697 million in 2005. The assistance given to the industry is minimal. Therefore, I hope that the Government can approach the issue from subsidies on fuel prices and offer assistance to the industry and vehicles that are hard-hit. I hope that the

Government can sense the plight of the industry from this drained up oil barrel. I also hope that Members can support my amendment and that the Government can take speedy action to abolish the diesel duty, reduce the petrol duty and give subsidies to the industry. Thank you, Madam President.

MR FREDERICK FUNG (in Cantonese): President, oil prices have been increasing at a frantic pace in recent years. The price of crude oil per barrel has soared from US\$60 in late 2006 to almost US\$140 now. Over a short span of just about six months, the price has soared by more than 100%. Earlier on, Alexey MILLER, Chief Executive Officer of Gazprom (a national natural gas company in Russia) even predicted that in the foreseeable future, the price of crude oil per barrel would further soar by some 100% to US\$250 per barrel. As a matter of fact, the incessant price hike of oil no longer has anything whatsoever to do with the normal supply-demand relationship in the market. There are many complex reasons for this, but the fact is that oil is no longer just a commodity of speculation in commercial markets, and oil prices have turned into the arch-enemy of people's livelihood. Governments of different countries have started to tackle the sequelae of the problem, as the outbreak of an oil crisis seems imminent. Will steep oil prices bring forth greater political turbulence and recession?

In the past months, there were large-scale protests against soaring oil prices all over the world, some of which even turned into riots, causing casualties. In Portugal, France and Spain of Europe, tens of thousands of truck drivers joined the strikes against soaring oil prices. They all drove onto the expressways, paralysing the border traffic between France and Spain. Besides, high oil prices also triggered off street protests in many Indian cities. As a result, the traffic in two major Indian states was brought to a halt, necessitating the closure of shops and suspension of classes.

In Hong Kong, the transport sector also launched a series of protests last week, including a procession of trucks, in a bid to urge the Government to waive the diesel duty as a means of helping the sector to tide over its difficulties. Unfortunately, some unhappy incidents occurred, and some drivers took the extreme action of bringing the traffic in Central and Wan Chai to a virtual standstill, thus causing inconvenience to other motorists and the public.

Naturally, we do not encourage any such severe actions that affect the public life. But the Government must realize that all these protests are actually a warning, a warning reminding the authorities that Hong Kong is not immune to the social turbulence brought about by soaring oil prices. The Government can no longer use "determination of oil prices by the market" as a shield and watch the situation worsen with folded arms. Quite the contrary, it must put forward active measures in the areas of taxation and market regulation, with a view to relieving the pressure on the relevant industries and the public.

President, as Legislative Council Members, have we heard the voices of the public and the transport sector? The original motion today only proposes to provide duty concession in respect of Euro V diesel. There may be some environmental reasons, but as a matter of fact, the utilization of Euro V diesel by the relevant industries is not at all popular. Besides, there is only one single source of supply (from oil refineries in Singapore), so the prices of this type of oil are far higher than those of ultra-low sulphur diesel. The proposal on reducing the duty on Euro V diesel alone can neither help the majority in the relevant industries nor provide any relief.

My amendment therefore proposes to remit all diesel duties, including the duties on ultra-low sulphur diesel and Euro V diesel. The proposal is a positive response of the Association for Democracy and People's Livelihood (ADPL) to relevant industries' demand. But I wish to emphasize that we have not ignored environmentalism. The point is that high oil prices have already achieved some kind of environmental effect to a certain extent. Since oil prices have remained high, the burden has become increasingly heavy and it is not at all easy to meet the costs of owning a vehicle. Members can observe that more and more environment-friendly vehicles consuming less fuel, such as hybrid vehicles, have emerged in the market. Some people have even given up driving and started using the public transport system instead. Therefore, the argument that diesel duties must not be reduced for environmental reasons is not tenable at all. The reason is that high oil prices can already achieve a certain degree of environmental effect, leading to improvement. We must identify the correct focus. The people who need help now are all those in the transport industry who are plunged into great hardship due to the lack of any choices. Their average monthly income has shrunk by 30% to 50% as a result of soaring oil prices.

President, the remission of all diesel duties will only mean a loss of \$700 million in taxation revenue. This is really nothing when compared with

the "flooded" Treasury. I hope that the Government will not uphold any double standards, by being so quick and stern in slashing profits tax and the standard rate of salaries tax but so hesitant when it comes to the issue of diesel duties that closely affects people's livelihood. I do not know whether the Secretary will, when replying to me later on, repeat the argument that even the remission of all diesel duties will not provide too much relief because fuel duties constitute only some 5% of overall pump prices and thus a small proportion of the transport sector's operating costs. But Secretary, do you know that such remission is absolutely necessary at a time when prices are high, inflation is rampant and oil prices are soaring? What must be considered instead is how we can ensure that the remission can be reflected entirely in pump prices, so that users can really benefit and oil companies can be prevented from eating up the duty remission.

President, the authorities may well advance the sophistry that the aim of diesel duties should be to control the number of vehicles and ease traffic congestion, thereby abating air pollution. However, as I have pointed out, this aim can already be achieved to a certain extent by high oil prices. Even if we disregard the First Registration Tax, we will still see that oil prices are already high enough to deter people from driving. Therefore, the imposition of fuel duties is clearly not the most important means of controlling traffic growth and abating air pollution. By asking for the remission of all diesel duties, the ADPL and I aim only to ease the operating pressure exerted by high oil prices on the transport sector and help it save operating costs. It is hoped that in this way, the transport sector can be under less pressure to shift the rising costs to the general public and add to their already heavy burden at this time of rampant inflation.

Besides remitting all fuel duties, the Government should also take actions in respect of market regulation. The authorities must make sure that the duty remission can be reflected entirely in pump prices. Oil companies must be prevented from eating up the duty remission, so as to ensure that the duty remission will not lose the intended effect. Local oil companies' pursuit of excessive profit has long been criticized by the public. They have been quick to increase prices but slow in reducing them. According to some academics, the pre-tax pump price of \$9.6 per litre set for April this year by local oil companies was far higher than those set by most other countries. We cannot help asking: While remitting diesel duties, should the Government exert pressure on oil companies and ask them to explain clearly why oil prices in Hong Kong are higher than those in other places? We demand that oil companies must increase the transparency of their pricing mechanisms.

Some oil companies have explained that since operating costs are high as a result of exorbitant gas station rents, pump prices of fuels in Hong Kong are higher than those in other places. Some in the transport sector have therefore requested rental reduction, so that oil prices can be lowered. The ADPL thinks that this proposal should merit our consideration under the premise that we must first ensure that all rental reduction must be reflected in pump prices.

President, the soaring of oil prices no longer has anything whatsoever to do with the normal supply-demand relationship in the market. Extraordinary measures should be introduced under extraordinary circumstances. The Government must start with the remission of fuel duties and then take actions in respect of market regulation. A multi-pronged approach should be adopted to ease the pressure exerted by high oil prices on the public and the relevant industries.

Thank you, President.

MR CHAN KAM-LAM (in Cantonese): President, international oil prices have been soaring frantically in recent years. Why do I say so? When Alan GREENSPAN was still the Chairman of the Federal Reserve Board of the United States between August 1987 and January 2006, the international oil price per barrel hovered around US\$20 throughout the 1990s, except for a brief while during the Gulf War. And, even after the 11 September incident, the oil price was still around US\$25 per barrel. However, oil prices in recent years have been leaping upward, reaching record highs time and again. Recently, the price per barrel has even gone up to nearly US\$140 per barrel, an increase of 450% when compared with the price six years ago.

At present, international oil prices are soaring. At the same time, food prices have also been rocketing as a result of the bioenergy programme of the United States. All countries in the world, rich and poor alike, have been adversely affected. The worst victims are of course developing countries and low-income earners. Battered by soaring oil prices, governments all over the world have been trying hard to work out solutions, but it seems that none of them has been able to put forward any workable measures. Varying degrees of social unrest and instability have emerged in different countries, as shown by the occurrence of protests and strikes and the spreading of numerous rumours. In some places, contingency measures are even put in place to forbid the refuelling

of foreign vehicles, shorten working hours or subsidize the living expenses of college students.

Owing to the price hike of oil, the inflation rates in many Asian countries have shot up, leading to currency depreciation, the decline of stock markets and the huge outflows of capitals. High oil prices may well trigger off a global economic and political crisis. We must not slight the gravity of the situation. The disastrous consequences of high oil prices will not be less serious than those of a Magnitude 8 earthquake because they have unnoticeably inflicted heavy and colossal damage to all countries in the world. As a matter of fact, we can all notice the fear, outrage and despair written on the faces of the protesters all over the world. Why all the fear, outrage and despair? All is because there are no signs of any substantial decline in oil prices in the immediate future. Surging oil prices may even result in a serious recession worldwide.

It can be said that the frantic hike of oil prices has catalyzed the popular discontent which has been mounting all the over the world since the flame of inflation was ignited in the second half of last year. Whether this flame of indignation can be extinguished swiftly will all depend on the ability of governments and the solutions they put forward.

Hong Kong is a tiny and open economy which imports all the oil it needs. Consequently, the price hike of oil will necessarily boost inflation and affects people's livelihood. In recent months, oil prices have been shooting up almost out of control, thus causing goods prices in Hong Kong to go up incessantly. As a result of the frantic price increases of oil, local oil companies have increased the prices of their fuels for eight or nine times so far this year. The pump prices of diesel have increased by 24% since the beginning of this year, thus plunging the transport sector into immense misery and directly affecting the livelihood of all its 320 000 employees. According to a non-comprehensive statistical survey, about 10 logistics companies have closed down over the past six months. The Government estimates that the operating costs of the transport sector have only increased by 4%, but people in the container freight industry have pointed out that the proportion of fuel prices in their operating costs has soared from 12% two years ago to 30% now. For this reason, after deducting the expenditure on wages and maintenance, not much money is left. Transport trade organizations have also pointed out that the current pump price of Euro V diesel is \$11.61 per litre, so assuming that a container lorry runs 80 km to 100 km per day on average, the fuel cost per vehicle is already as high as \$20,000 a month, accounting for 40% of the total operating costs. Some

professional drivers have remarked that almost all they earn must be spent on purchasing fuels from oil companies.

They have been struggling so hard in such an adverse business environment, but it seems that the Government is totally indifferent to their plight. It is only natural that the transport sector is so discontented. Not long ago, they finally failed to control their outburst. Several hundred commercial vehicles staged a slow procession. Unfortunately, some drivers suddenly took the drastic action of blocking the heart areas around Queen's Road Central and Connaught Road Central. In the end, the police had to arrest the drivers concerned. Naturally, we are strongly against such extreme actions as a means of expressing one's views. These days, the three major bus driver unions are also brewing the staging of industrial actions to protest against the bus companies' refusal to increase the rates of pay rise on the ground of rising oil prices. What we must emphasize is that in regard to the severe blows dealt by exorbitant fuel prices to the transport sector, the only thing Hong Kong can do is to reduce or abolish fuel duties and then force oil companies to transfer all the benefits of duty reduction to users through price cuts.

President, the Government has been emphasizing that the imposition of vehicle fuel duties is based on three considerations: government revenue, traffic control and environmentalism. I must point out that in recent years, the Hong Kong Treasury has been recording huge reserves, so the Government should have the financial ability to reduce such duty rates. Last year, the government revenue from fuel duties was about \$3.3 billion. It is estimated that even if the duty on unleaded petrol is really reduced by half and all duties on Euro V diesels are remitted as proposed in my amendment, there will just be a reduction of Treasury revenue by some \$1.6 billion. Since a surplus of a hundred billion was recorded last year, such reduction will not exert any financial pressure whatsoever on the Government.

Concerning the control of vehicle usage as a means of abating air pollution and easing traffic congestion, I must point out that since oil prices have been soaring, the levying of fuel duties is not necessarily the only means to achieve these two policy objectives. Many private car owners have gradually switched to public transport modes. Therefore, such a reason for levying fuel duties no longer exists.

I must emphasize that as one of the few tiny market economies in the world, the SAR Government should adopt a proactive attitude in response to this

global economic crisis. At this very time when our financial situation is far better than that in 2004 when the motion of reducing the ultra-low sulphur diesel duty by half was moved in this legislature, the SAR Government should formulate a viable strategy to cope with the economic risks and make efforts to promote the logistics industry as one of our four pillar industries and even our overall economy. That way, freight transportation in Hong Kong can be facilitated, leading to economic boom.

Besides, the SAR Government should also actively consider the DAB's earlier proposal on urging the Mainland to establish an oil futures market in Hong Kong based on our country's energy strategy. With the establishment of a sound and stable oil futures market, we can put in place an oil pricing structure that can truly reflect the demand and supply in Asia. We can thus enable our country to have a say in the global energy market and establish itself as a major oil pricing centre in the Asia-Pacific region, thus extricating it from the predicament of having to pay premiums for oil import. I believe that this will be useful to the economic development of our country and Hong Kong. This will also help resolve the problems with oil prices and supply in the region, thus enabling us to better cope with the formidable challenges posed by rising global oil prices.

President, I so submit.

MS MIRIAM LAU (in Cantonese): Madam President, soaring oil prices have resulted in mounting discontent and massive petitions all over the world. Similarly faced with the hike in oil prices, the Hong Kong transport sector is also seething with indignation and discontent. Last week, a slow procession of vehicles was staged to call on the Government to remit all diesel duties.

Lest exorbitant oil prices may impact people's livelihood, governments all over the world have adopted various relief measures in recent years. In Asian countries such as China, Indonesia, Malaysia and Taiwan, price control is put in place and subsidy is paid as a means of resisting the onslaught of high oil prices. In Taiwan, a subsidy of NT\$7.4 (about HK\$1.85) per litre is available to passenger vehicles, and the subsidy for taxis is NT\$3.9 (about HK\$1) per litre. In Malaysia, the government offers a discount of RM0.3 (about HK\$0.72) off the price of one litre of petrol or diesel. But despite the demands of the Hong Kong transport sector, the SAR Government has taken no action except repeating its

earlier undertaking of reviewing the duty concession for Euro V diesel (sulphur-free diesel) at a later time.

When oil prices are high, other trades can increase their prices, shifting costs to consumers or users. But the transport sector cannot do so. This is the situation faced by the transport sector: in the case of those public transport modes under fare regulation (such as franchised buses, green minibuses and franchised/licensed ferries), even when they are permitted to increase their fares, the rates of increase are simply unable to make up for the extra costs incurred by the hike in fuel prices. As for those public transport modes not under any fare regulation (such as red minibuses, school children buses and non-franchised buses), the operators concerned simply do not dare to increase their prices. The reason is that there are many public transport options in Hong Kong, and if people think that the fares are too high, they may switch to other transport modes or simply get around on foot. In that case, transport operators will suffer even heavier losses. As for the freight transportation industry, it is even more reluctant to increase prices lightly because of both internal and external competition. Rather than considering any price increases, operators must even reduce prices in order to attract customers. They must themselves absorb the extra costs incurred by fuel purchase.

About four years ago, I requested the Government to lower the duty on ultra-low sulphur to \$0.55 per litre, which was about half of the duty rate of \$1.11 per litre at that time. The pump price of diesel at the time was about \$7 per litre, an increase of some 20% when compared with the price in 2000, when ultra-low sulphur was introduced. This already exerted immense pressure on the relevant industries at that time. Today, the transport sector is faced with the diesel price of \$11.76 per litre, an increase of 70% over the price four years ago and 40% over the price last year. The transport sector is now caught in very great miseries, so I must sorry to say that I cannot accept any "reduction by half". The Government must remit all diesel duties.

For the sake of equity, I request the Government to completely remit the diesel duty. The simple reason is that fuel duties are currently waived in the case of most public transport modes, including franchised buses, franchised/licensed ferries and liquefied petroleum gas taxis and minibuses. In addition, industrial and commercial diesel has always — I repeat, always — been duty-free. Some particular trades in the transport sector (including red minibuses and public buses, which similarly provide passenger transport service)

are the only exception, and they must pay diesel duty regardless of any profit or loss.

The Financial Secretary has remarked that he can appreciate the business difficulties of the transport sector. But he has also argued that Hong Kong's diesel duty is the lowest in the world, accounting for less than 5% of pump prices. It is most scandalous that despite such a low duty rate, diesel pump prices in Hong Kong are almost the highest in Asia. The Government has not done its best in supervision. For all these years, it has never put forward any solution to the problem of high oil prices for the public and the transport sector. Frankly speaking, the Financial Secretary's remarks can be interpreted in many ways. But I do not want to make any interpretations. I just want to portray the real situation. The real situation is that some dumper drivers who used to earn \$16,000 a month can now earn less than \$12,000 only. Their families' living standard has thus declined, and even their wives must find a job again. Owing to heavy fuel expenditure, the income of a refuse collection vehicle driver has gone down drastically to less than \$8,000 a month in many cases. Some have no alternative but to sell their vehicles for cash. If there is no need for paying any diesel duty, all these drivers can at least save several hundred dollars a month. To the Financial Secretary, this sum of several hundred dollars is really nothing at all. But to all these drivers, the money is of very great importance to their living.

The Government has been saying that the reduction of fuel duties is a very complex issue which involves not only the transport sector but also the environment and public finances. I hope that the Government can stop complicating this issue and turning a blind eye to some simple arguments. In many past motion debates, I already stated all these simple arguments many times, but today, I still want to state them very briefly once again. I hope this is the last time that I have to do so.

Speaking of environmentalism, it must be pointed out that the subject of diesel duties is never about environmentalism, whether any such duties are levied, or whether such duties are light or heavy. The reason is that diesel is a necessity of the transport sector. Whether any diesel duties are levied, or whether such duties are light or heavy, drivers must still refuel their vehicles in order to work, and they still have to drive on the road. So, the transport sector simply has no choice. They can only make a choice between paying the duties as required by the Government and stopping their work altogether. And, in regard to the claim that diesel is a pollutant, I must ask the Government this

question: why has it been offering duty-free concession in the case of industrial and commercial diesel all the time — I repeat, all the time?

Speaking of public finances, it must be admitted that the remission of diesel duties will of course lead to a reduction of government revenue. But will a revenue reduction of several hundred million dollars make the Government bankrupt? The answer is certainly in the negative. If the answer is yes, the Government would not have waived the wine duties completely. Having said that, I must make it clear that I support the waiving of wine duties completely, because I believe that this will bring forth economic benefits for society as a whole. For the same reason, I also ask for the remission of diesel duties completely because I am convinced that this will upgrade the competitiveness of the logistics industry, bring greater economic benefits to society, lessen the chain-effects of rising oil prices on society and ease the livelihood burdens of the masses.

What is more, it is not true to say that after the Government's full remission of the diesel duty, there will be no more contributions to the Treasury from the transport sector. The reason is that the current pump prices of fuels already cover land premium costs amounting to at least \$1 per litre. In other words, the sector will still be indirectly paying land premiums to the Government for oil companies.

However, the Government has repeatedly emphasized that the lowering of diesel duty rates has led to a total reduction of government revenue amounting to several billion dollars. This gives people the impression that the Government has done the transport sector a very great favour. I hope that the Government can refrain from exaggerating the favour any further, because the reductions of the green diesel duty rate are just meant to off-set the cost differential over the type of diesel formerly in use. In July 2000, before the introduction of ultra-low sulphur diesel (ULSD), the pump price of diesel was \$6.33 per litre. After the introduction of ULSD, the Government lowered the diesel duty by \$0.89 per litre, but the relevant industries must still pay \$6.35 per litre. In other words, rather than gaining any benefits, the relevant industries must even pay a slightly higher pump price. On 1 December last year, the Government further reduced the diesel duty by \$0.55 per litre for the sake of introducing sulphur-free diesel (Euro V diesel). Before that, the pump price of ULSD was \$9.64 per litre. And, three months after the introduction of sulphur-free diesel, in February this year, the pump price of this type of diesel already increased to

\$9.97 per litre, which was even higher than the price before. In other words, the relevant industries have been totally unable to benefit from the duty concession offered by the Government.

Madam President, I have mentioned that in some Asian places, subsidy is provided to mitigate the impacts of exorbitant oil prices on the masses. The amounts of such subsidy can be as high as a hundred billion a year. But please do not get me wrong. I am not asking the SAR Government to follow suit. I just wonder why the Hong Kong SAR Government, which is in possession of several hundred billion dollars, should still be so unfeeling when the governments in other places are so sympathetic towards their people and industries. Why is it so mean on just several hundred million of tax revenue?

Honestly speaking, besides remitting the duty on sulphur-free diesel, there are still other measures which the Government can adopt to help drivers tide over the "fuel crisis". For example, effective measures may be adopted to make the pricing structures of oil companies more transparent, with a view to preventing them from gaining excessive profit by juggling with figures. Alternatively, the Government can waive the vehicle licence fee.

While I do not oppose the provision of subsidies in principle, I think careful consideration and studies are warranted. We do not wish to see that despite the subsidies, the oil companies would suffer a loss for every litre of diesel sold and as a result, they have to reduce the supply which will lead to a shortage of oil in the market, similar to what happens in the Mainland. As far as I know, in some countries where subsidy is available, the governments have already started to reduce the subsidy because of the expenditure required is very heavy. We hope that if any subsidy is to be provided at all, it must be sustainable and within the means of the Treasury.

Yesterday morning, several dozen representatives of the transport sector and I met with Secretary Eva CHENG. The Secretary's colleagues were also present. We stressed that the relevant industries were all suffering immensely and expressed the hope that the Government could put forward a resolution on reducing the diesel duty within the current legislative session for passage in the upcoming meeting on 9 July. In this way, the relevant industries will not have to suffer for one more summer and can receive some kind of prompt relief.

Thank you, Madam President.

MR SIN CHUNG-KAI (in Cantonese): Madam President, to start with, I must declare on behalf of the Democratic Party that the Democratic Party strongly condemns the handful of people from the transport sector who blocked the trunk route of the city centre and brought traffic to a standstill early this month as a kind of threat to achieve their goal of reducing the diesel duty. The amendment put forward by the Democratic Party is based on the hope of lightening the burdens of the relevant industries and the public at this time of rising oil prices.

Since the contents of the several amendments this time around are very similar and many Members have already explained the impacts of high oil prices on the relevant industries and the public, I do not intend to make any repetition here. I only wish to concentrate on the differences among the various amendments.

To begin with, the amendments of Mr WONG Kwok-hing, Mr Frederick FUNG and Mr CHAN Kam-lam all request the abolition or remission of all diesel duties. The Democratic Party, however, observes that the amendments of these three Members are still different in some ways. First, the first and third Members mentioned above both propose the abolition or remission of all diesel duties, while the Democratic Party only asks for the remission of the duty on Euro V diesel. Second, Mr WONG Kwok-hing and Mr CHAN Kam-lam propose the permanent abolition of diesel duties, but the Democratic Party only proposes to waive the diesel duty concerned as a measure of lightening the burden of the relevant industries in response to high oil prices.

Madam President, since high oil prices have resulted in extremely serious impacts, the Democratic Party agrees that the burden of the relevant industries must be alleviated. And, it maintains that the waiving of the Euro V diesel duty can do away with all To put it simply, we support the waiving of the Euro V diesel duty.

But it should be noted that the sulphur content of Euro V diesel is 0.001%, which is five times lower than the 0.005% of ultra-low sulphur diesel (ULSD). To put it simply, 0.005% is the sulphur content of Euro IV diesel. This simply means that the use of Euro V diesel can reduce sulphur dioxide emissions by 80%. However, ULSD is currently the statutory minimum requirement for motor vehicle diesel, and the Government will make Euro V diesel (with sulphur content of 0.001%) the statutory minimum requirement for motor vehicle diesel only with effect from 2009. Cleaner diesels are usually more expensive, so I am afraid that if all diesel duties are waived, drivers may choose to use unclean

diesels in the meantime. I think the Government must consider this point very seriously. We therefore think that only the duty on Euro V diesel should be abolished. But, as also pointed out by Ms Miriam LAU just now, diesel duty accounts only for \$0.56 in the total of \$11.76. This means that diesel duty is just 3% to 4% of the total price. Even if the diesel duty is abolished, there will only be a reduction of \$0.56. Current oil prices will still be 40% higher than those recorded last year. I therefore hope that the public can regard any future remission of diesel duties as a mere relief measure, rather than expecting the remission to have any significant impacts on oil prices.

As for the provision of subsidies on diesel prices, the Democratic Party would like Mr WONG Kwok-hing to first consider the consequences of such subsidies very carefully, lest such a measure may turn into a time-bomb for the SAR Government.

It is indeed true, as pointed out by Ms Miriam LAU, that subsidies on oil or fuel prices are provided in many Southeast Asian countries. But I do not know whether Mr WONG Kwok-hing has learnt from the news that there were massive protests in quite a number of Southeast Asian countries last month, and that the cause of such protests was the governments' reduction of their subsidies on oil prices. Why do the governments concerned want to reduce their subsidies? Simply enough, the reason is that they can no longer bear the financial burden. In Taiwan, oil prices were frozen in the past six months. In other words, subsidies on oil prices were in effect provided. But at the end of last month, the Taiwan government announced that oil prices would be increased. For this reason, the Taiwan government must incur an expenditure amounting to some NT\$4 billion. And, in order to continue to freeze public transport fares, the Taiwan government has set aside NT\$12.5 billion for the provision of subsidies.

In Indonesia, the government initially intended to raise oil prices by 30% — 30% all in one go — in the hope of reducing the expenditure on subsidies by US\$3.6 billion. However, in the end, the government there gave way to protesters and announced that the plan would be deferred for one year. The Malaysian government spent as much as US\$12.5 billion on the provision of subsidies last year. This year, the amount of subsidies may go up to US\$16.5 billion. The country is considering the reduction of subsidies.

In the Mainland, subsidies on oil prices are indeed also provided, but the National Development and Reform Commission has recently announced that it

will actively and properly implement energy price reforms and further rationalize the prices of refined oil products and natural gases at opportune times. To put it simply, they also want to reduce subsidies, so that oil prices can more closely reflect market levels. In fact, as pointed out by Ms Miriam LAU just now, what happens in the Mainland is that every single litre is sold at a loss due to the provision of subsidies. Suppliers would rather sell less petrol, so the public must line up for fuel purchase. But the industries concerned frankly do not wish to see such a situation either. We do not want Hong Kong to drag itself into a similar situation, so the Democratic Party does not support the provision of any subsidies.

I should perhaps discuss a concrete example here. In 2007, the import volume of diesel was about 4.3 billion litres. This means that if there is a subsidy of \$1 per litre, the required expenditure will be \$4.3 billion. Suppose the market price is \$11.7 and we need to lower it to \$9 or so again, we will have to tackle a difference of \$2 to \$3. Since a subsidy of \$1 will require an expenditure of some \$4 billion, a subsidy of \$2 will mean \$10 billion.

Another point is that the price of oil is now US\$140 per barrel. Some investment bankers have predicted that the price may go up to US\$200 or even US\$250. If we are to increase the subsidies automatically in response to rising oil prices, the sum required may be as large as \$10 billion to \$30 billion. Can our finances enable us to do so? We therefore have very great reservations about the provision of subsidies, and we do not support the establishment of any mechanism for the provision of subsidies. Honestly speaking, when oil prices are high, it may not be such a bad idea for people to live a greener life by getting around on foot more often, for example. The relevant industries, understandably, cannot make any such changes, so I can appreciate their hardship. We therefore support the remission of the diesel duty concerned. We further hope that the Government can act quickly and abolish the duty on Euro V diesel once and for all before 9 July.

Speaking of vehicle registration tax, well, Members have also discussed vehicle registration tax today, but this should not be the subject of discussions today.

In Hong Kong, there are only about 70 vehicles per 1 000 people. My colleagues have compared Hong Kong with Namibia in West Africa. The simple point here is that Hong Kong is not a place with any large numbers of vehicles, especially when compared with the United States, where there are 800

vehicles per 1 000 people. Since Hong Kong is a tiny place, in simple terms, there are two ways of levying taxes on vehicles. Road users must also pay some fees because it is necessary to provide roads with lighting and repairs. One way is to levy a tax on ownership. The other is to impose a tax on usage. In simple terms, an ownership tax is a license fee, as in the case of Singapore, where a person must pay several hundred thousand dollars for the ownership of a vehicle. The second way concerns the "user pays" principle. I must admit that I have received some emails in which it is argued that residents in remote places have no alternative but to use vehicles. As a matter of fact, I think an increase from some \$13 to \$17 will impose a rather heavy burden on people. There should be room for downward adjustments. I have actually considered the idea of replacing "reduce by half" with "reduce by no more than 50%", meaning that it can be reduced but the reduction must be no more than 50%. Even this is not very possible, of course. The reason is that it will be necessary to deduct the tax remission from the \$17 and pass the benefit to the public. Since there are many increases in fuel duties, it will not be very likely for people to increase vehicle usage. But a slight reduction of fuel duties can be considered.

To vehicle owners, the lowering of fuel prices to around \$13 per litre will not be anything bad at all. But just to be fair, I must point out that in the context of Hong Kong, vehicle owners are in fact the more well-off members of society. Even if we are to provide any assistance, should we not target on the more vulnerable members of society?

The Democratic Party is of the view that we must weigh all the issues involved. Apart from environmentalism and traffic congestion, we must also consider equity. For this reason, we will only support a mild reduction of petrol duties. As for diesel duties, I strongly call upon the Government to introduce a resolution on duty remission for Euro V diesel (a cleaner type of diesel) before the end of the current legislative session.

I so submit.

MR RONNY TONG (in Cantonese): President, recently, during the Democratic Party's Presidential Primary in the United States, OBAMA ridiculed his rival, Hillary, for her advocating fuel duty reduction as a livelihood relief measure in her election campaign. OBAMA remarked that her advocacy was a mere

political gimmick. President, this year is an election year for us. I hope that this agenda item today will not be turned into a mere political gimmick.

President, we must recognize some facts. President, the first fact is that there are two categories of taxes, one being related to the generation of government revenue and the other to the promotion or encouragement of social policies. Tobacco duty, alcohol duty and fuel duty belong to the latter category of taxes. In regard to fuel duty, one major focus of the social policy concerned is the promotion of environmentalism in Hong Kong. But if there is any measure that can benefit the broad masses in Hong Kong while doing only very little harm to the environment, I believe that we in the Civic Party or even other Members will still give the measure active consideration. However, there must be no misunderstanding, and no one should ever think that our debate today can really benefit the broad masses in Hong Kong. I do not think that this is the case in reality.

President, first, I wish to point out that any fuel duty reduction will have no impact whatsoever on most public transport operators. Second, public transport operators which have already increased their fares have never said that they will lower their fares in response to any fuel duty reduction by the Government. They will not do so. Why? The reason is that all their fare increase applications and the Government's approval of them are based on fuel prices in the past rather than any future prices. For this reason, even if the Government now agrees to abolish all fuel duties, we still fail to see how the broad masses can really get any fare reduction benefits.

The second fact is that speaking of professional drivers, the fuel duty reduction under discussion will only benefit those professional drivers who are also employers. Many transport companies have been complaining loudly that they have suffered huge losses. In case fuel duties are reduced, will they really transfer all the related benefits to drivers? I think this will be a separate issue.

President, it is indeed very true that when considering any fuel duty reduction, we must be able to tell whether any such moves can promote environmentalism. For this reason, we totally agree that the Government should continue to provide fuel duty concession for Euro V diesel. If the Government really wants to consider any fuel duty reduction, we must say that it should reduce the duty on Euro V diesel. As for other types of fuels, we think that the broad masses in Hong Kong are very much unlikely to get any benefits at all.

We must also recognize another fact, the fact that under the structure of our fuel market, Hong Kong people are never able to benefit from any fuel duty reductions. President, please allow me to cite some statistics which all Members know. During the period from January 2007 to May 2008, there were 20 adjustments of diesel prices. And, on all the 20 occasions, the five oil companies all followed the same direction of adjustments and introduced the same rates of price increases. The case of unleaded petrol was slightly better, as there were two out of 22 occasions on which the five oil companies followed different directions of adjustments, with some slight differences in the rates of increases. What frightens people most is the fact that in the whole of 2007, the diesel prices of all the five oil companies were exactly the same. It was not until the introduction of Euro V diesel that some small price differences occurred.

President, all these facts show us that although we already discussed the issue three years ago, the situation in Hong Kong has not changed even a little bit over the past three years. President, I must therefore repeat what I said three years ago: our fuel market is marked by a high degree of market monopoly, price manipulation and clandestine operation. If the Government really reduces fuel duties today, I believe that a week later, the oil companies will certainly pocket all the duty remission on various excuses. President, before the Government deals properly with the unfair and unreasonable structure of our fuel market, I can hardly see how the public can benefit from any fuel duty reductions.

President, this year is an election year. Many political parties, including mine, must take account of voters' aspirations. But I think that when it comes to the discussions on such a sensitive issue, we must somehow take account of the public interest. What I have been discussing are some significant social policies, covering environmental protection, government revenue and what measures can benefit Hong Kong people or the majority of Hong Kong people.

President, when it comes to oil prices, the Government must first and foremost introduce competition as soon as possible to build a basis of fair competition in the local fuel market. It is only in this way that Hong Kong people can really gain any fuel price benefits.

President, we find it very difficult to decide how to vote on all the amendments today. As I have mentioned, in principle, we can accept the Government's reduction of the Euro V diesel duty because this is in line with our views on environmental protection policies. Regarding all other proposals,

such as the reduction of petrol duty and other diesel duties, we find it very hard to render our support. Therefore, we can only make a compromise by supporting all amendments advocating the reduction of the Euro V diesel duty. But we cannot accept or support any other amendments.

President, I hope the SAR Government can consider the whole matter carefully and realize that any reduction of petrol duty will deal a heavy blow to our environmental protection efforts. Besides, we also hope that the Government can realize that any fuel duty reduction at this very time will certainly impart a wrong message that extreme actions will force the Government to yield, or force the Government to yield in an election year. This is something very dangerous. I hope that the Government can consider the whole matter very seriously.

Thank you, President.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, just now I have listened carefully to the speeches made by Mr LAU Kong-wah and Members who propose their amendments. I wish to point out that all along the Government has been keeping a close watch on inflation and the rise in oil prices, as well as their impact on the public. The Hong Kong economy has extended the run of distinctly above-trend growth to 18 quarters. Fuelled by strong demands, inflation intensifies. For the last two quarters or so, domestic inflation has registered obvious growth and the cause is mainly due to the global rise in food prices.

The lynchpin of the Hong Kong economy is the service industries. Compared with other places, our economy does not rely too heavily on oil, hence the rise in oil prices does not have too much a bearing on inflation. I would like to point out that despite the steep rise in oil prices in recent months, of the overall inflation rate of 4.8% during the first four months of this year, only 0.3% is caused directly by rising energy prices.

Although there is no marked impact of the hike in oil prices on domestic inflation, due to the fact that certain trades such as aviation and transportation use larger amounts of fuels, they are more seriously affected. On last Tuesday as well as yesterday, the transport sector made their views on oil prices known to the Government. Although we do not agree with some of these people from the transport sector who expressed their views by blocking the traffic, we will

continue to meet trade representatives and listen carefully to their demands. I hope that in the motion debate today I can hear how Members analyze the issue in detail and in an all-round manner.

Madam President, later on Members will put forward their views and arguments. I will listen to their speeches first before making a comprehensive response. Thank you.

MR LAU WONG-FAT (in Cantonese): Madam President, recently, international oil prices have been soaring almost out of control. The resultant negative impacts have been felt in practically all countries and places in the world. Hong Kong is naturally no exception. The chain effects of soaring oil prices have fuelled overall inflation, victimizing the broad masses. The logistics and transport sectors and also middle-class vehicle owners are the worst-hit victims, and they all suffer immensely.

As a matter of fact, the ever-rising oil prices have menacingly wreaked havoc on people's livelihood more and more severely. Popular discontent is mounting rapidly, thus posing severe challenges to the building of a harmonious society. Faced with such a situation, how can any "people-based" government still remain indifferent and refuse to take any actions?

Madam President, the frantic increases in oil prices are no doubt an international trend. But if the Government treats the issue lightly and fails to deal with it properly, oil prices may be transformed into a highly destructive hurricane. The Government talks about the need for a sense of crisis all the time. If it really means what it says, it should seek to tackle the current record-high oil prices as a matter of disaster relief.

Disaster relief must not only be swift but also vigorous enough. The Government will be doing something pragmatic and within its ability if it can expeditiously waive diesel duties to relieve the plight of the transport and logistics sectors and the fishing industry. Although this measure does not involve too much money from tax proceeds, it will still provide some kind of relief to the relevant industries. More importantly, the measure can serve to show that the Government really cares about the difficulties and feelings of the relevant industries and wants to come to their rescue in times of adversities. This will allay the worries and anxieties of the relevant industries and contribute actively to the maintenance of social harmony.

Madam President, speaking of the exorbitant prices of unleaded petrol used by private cars, I also think that the Government should implement similar measures to lighten the burden of private car drivers, rather than continuing to watch soaring petrol prices with folded arms on the excuse of controlling traffic growth or environmentalism. At present, after adding the petrol duty of \$6.06 per litre, the pump price of unleaded petrol is standing at the record-high level of \$16.58 per litre.

It must be pointed out that many private car drivers are just middle-class people who are not exactly so rich. Since many of them live in the remote parts of the New Territories which are not easily accessible by public transport, driving is often their only alternative. For this reason, I maintain that at this very time when government finances are in such good shape, when the Government has the financial ability, it must discharge its moral obligation and lower the petrol duty at these extraordinary times. I support the proposal on reducing petrol duty by half at this stage. I also propose that in the long run, the Government should introduce an adjustment mechanism which allows for increase and reduction in petrol duty, so as to cushion the impacts of petrol duty on private car drivers.

Madam President, according to estimations, Treasury revenue will only decrease by \$1 billion or so as a result of the remission of diesel duties and reduction of petrol duty. The impact will not be great. Oil prices are not just an economic issue. They may lead to rather serious political consequences. If the Government is willing to receive less tax revenue, in return, it will be able to lighten the burdens of the logistics industries, the transport sector and drivers. Social harmony will also be promoted. And, the concept of "people-based" governance can thus be realized. It will be more than value for money to do so.

Madam President, I so submit.

MS LI FUNG-YING (in Cantonese): Madam President, last week, several hundred tourist coaches and container lorries took part in the slow drive held in Central, Kwai Chung and Tseung Kwan O to protest against high oil prices and ask for the remission of all diesel duties. At the end, some drivers even blocked the trunk route in Central, bringing the traffic there to a standstill for almost an hour. The Financial Secretary then undertook to review whether there was any room for the downward adjustment of fuel duties. This was indeed a belated undertaking. Battered by ever-rising fuel prices, the transport sector has long

since been voicing their demands in various forms, and this Council has also been following this issue closely. But as recently as last month, when she replied to a question in this Council, the Secretary for Transport and Housing still emphasized that diesel duties accounted for less than 5% of pump prices, and that our fuel duties were the lowest in the region. She was therefore unwilling to make any commitment to abolishing diesel duties. The transport sector's recent action of blocking the traffic was therefore largely the result of the Government's refusal to heed the voices of the sector. I certainly do not encourage any extreme action of blocking the traffic. But I still wish to call upon the police to treat the drivers concerned leniently, so as to avoid any further intensification of social conflicts.

Madam President, untruth cannot stand the test of analysis, as the saying goes. Once we roughly review the changes in diesel prices in the past 10 years, we will realize that professional drivers have truly been under very great livelihood pressure. With soaring oil prices, such pressure has been mounting incessantly instead of showing any signs of relief. In 1998, light diesel was sold at \$0.66 per litre. In March this year, it was sold at \$6.04 per litre, an increase of almost 10 times. In 2000, when the Government introduced ultra-low sulphur diesel (ULSD), this type of diesel was sold at \$2.08 per litre. In March this year, ULSD was sold at \$6.14 per litre, an increase of almost three-folds. The overall inflation rate in 1998 was 2.8%, but in the first quarter of this year alone, we already recorded an inflation rate of 4.8%. In September 1998, the average wage in the transport sector was \$13,818. In December 2007, the average wage was just \$13,302. Rather than any increases, there was a decrease of some \$500. Statistics speak louder than anything. Over the past 10 years, transport workers have been faced with the very harsh reality of ever-rising fuel prices and incessant wage decreases. Their business environment has been so poor, but they must still cope with the pressure from rises in goods prices.

What about the Government's policy on the transport sector? In 1998, it lowered diesel duty from \$2.89 per litre to \$2. There has been no change in the duty rate ever since. In 2000, when ULSD was introduced, the duty rate was set at \$1.11 per litre. And, the duty on the most recently introduced Euro V diesel is set at \$0.56 per litre. But such a duty rate is not meant to improve professional drivers' business environment. It is simply intended as a financial incentive to induce the transport sector to switch to a more environment-friendly fuel.

Madam President, I understand that the transport sector is faced with many difficulties. Globally, oil prices are high. Further, oil companies are always quick to increase prices but slow in price reductions. As a result, the transport sector must bear ever-increasing operating costs. Worse still, it must also face the competition from nearby places. All these problems cannot be solved by abolishing the diesel duties. But this does not mean that the Government should and can remain indifferent to rising fuel prices and the plight of the sector. When government officials stress that diesel duties in Hong Kong are the lowest in the region, can they see how transport workers are suffering? When they argue that diesel duties account for less than 5% of pump prices, can they see that every single dollar of reduction matters very much to the sector?

Madam President, the wealth gap in Hong Kong has reached an alarming level. With rampant inflation, the living standards of most employees have been declining, and all trades and occupations are marked by the potential eruption of conflicts. The social movement of the transport sector this time around must not be treated as an isolated incident. I call upon the Government to take prompt actions. It should start with the remission of diesel duties, so as to reduce the impact of inflation on the public, especially the grassroots. If the Government continues to put up delay on the excuse that relief measures are already found in the Budget, there will be eruptions of popular discontent. In that case, the whole of Hong Kong will suffer.

Thank you, Madam President.

MR WONG YUNG-KAN (IN Cantonese): Madam President, the fishing boat fuels used by Hong Kong fishermen have been soaring continuously over the past 10 years. In 1997, at the time of the reunification, one 200-litre barrel of fuel was sold at \$180. In October 1999, the price was \$240. In February 2000, it went up to \$350. The increases went on and on: \$460 in May 2004; \$800 in 2006; \$930 to \$1,000 in January 2007; \$1,100 in December 2007; \$1,300 in April 2008; and, \$1,750 at the beginning of June this year.

It can be seen from all these figures that prices have been soaring. We have discussed with the Secretary many times before and told the Secretary that high fuel prices will directly affect fishermen's operation and livelihood. In the case of a 1 000 hp or 1 500 hp trawler, if it operates 27 days a month, it will need 150 barrels of fuel. This will mean some \$260,000 in fuel expenditure.

In 2008, the fuel cost per operation is close to \$300,000. How can fishermen still carry on? They can only reduce the number of operations and seek to save costs by operating during daytime instead of night time. Fishermen have themselves improved their trawls. The Government has never offered any assistance and conducted any research. Fishermen can only rely on themselves.

A couple of days ago, I talked with some fishermen. They told me that they did not know whether they could still resume operation after the fishing moratorium because with the high fuel prices, they could not even make ends meet. How can they still resume operation? The present price per barrel is \$1,750, and the price is still rising. No one knows how big the increases will be. Well, fishermen must really pray to God.

Madam President, the diesel used by fishermen has all the time been duty-free. But even so, the price has still risen to \$1,750 per barrel, so fishermen are indeed very miserable. I have told officials of the Bureau many times that oil companies must be closely regulated. But it has turned out that it is totally impossible for the Government to do so, and oil companies can increase prices as much as they like. The case of fishing boat fuels is different from the case of land transport fuels. As we see from television, the prices of land transport fuels are increased cent by cent sometimes. But no one can predict the prices of fishing boat fuels. Today, the price may be \$1,700 per barrel. But tomorrow, it may be \$1,800. No prediction can be possible.

For this reason, fishermen have repeatedly requested the Government to regulate the prices of such fuel products. The Government should really make more efforts in this regard, shouldn't it? If the present situation continues, the relevant industries will all face very grim prospects because high fuel prices have brought the whole world to a standstill. The Government should also know that in Japan, Europe and even France, there have been blockades of ports by fishing boats. Why? Do fishermen really want to take such extreme actions? The only reason is that they have been made unable to start any fishing operations. We have seen from television that several thousand off-shore fishing boats in Japan have stopped operation. Reason? High fuel prices again.

The Hong Kong Government has replied that there is no specific policy on this matter. I therefore support one of the proposals in Mr WONG Kwok-hing's amendment, the proposal on providing subsidies on fuel prices for individual industries. I have recently learnt from some websites that the

European Union provides the relevant industries with a subsidy of € 30,000 once every three years. And, owing to high fuel prices these days, they are now considering a subsidy of € 100,000 each time. European countries have never provided any subsidy for any individual industries. But it has now done so to solve the problem faced by fishermen.

Why do the authorities refuse to consider such a practice? Why do they refuse to consider the practice adopted by the Mainland? Since the end of 2005, the Mainland has been providing fishermen with a diesel subsidy, which is RMB 300 yuan to RMB 330 yuan per Kilowatt, subject to a ceiling of 1 000 Kilowatt. Since the Government regards the fishing industry as an important industry, why does it not adopt this measure?

The Government has replied that there is no such policy. Things are so difficult these days. Instead of trying to work out any solutions, it simply keeps talking about other policies. But when were these policies formulated? They were formulated several decades ago. No new policies have been formulated. Why does the Government not consider the various needs of the fisheries industry, the transport industry or the transportation industry? I therefore think that the Government has failed to discharge its duty.

The Secretary will surely argue that they will have to apply for huge funding if any such subsidy is to be provided. At present, the cross-district transport subsidy available to each eligible applicant is \$600. I think it may be better to provide enterprises with subsidies, so that fares can be lowered. In this way, all can gain benefit. Not every person can be eligible for the transport subsidy. For example, a person earning \$6,000 a month will not be eligible. If subsidies are provided to enterprises, all people, including the middle-class or all other people, will get the benefit once they travel on any buses or ferries. Should the Government follow the practice of the Mainland?

Besides, I also wish to mention the case of Macao. The Macao Government will extend a loan of \$500,000 to a person engaged in the fisheries industry. The loan will be interest-free for three years. After three years, the borrower can make repayment by installment. This is the latest measure put in place in Macao.

I also hope that the Government can consider yet another measure. In Macao, fishing boat licences are issued free of charge. This measure has been

in operation since last year. I have already mentioned this measure to the Secretary. Will the Secretary also give some thoughts to it? Fishermen now hope that the Secretary can consider the waiving of fishing boat licence fees as soon as possible, so as to help fishermen cope with their livelihood difficulties.

Madam President, with these remarks, I hope that the Government can consider the formulation of a new policy to support the sustainable development of the fisheries industry. Thank you, Madam President.

MR JEFFREY LAM (in Cantonese): Madam President, global oil prices have been rising in recent years, reaching one "record high" after another. It seems that just no price is too high, and this has made the business environment of the transport sector increasingly difficult, adding to their plight and impacting other related industries such as manufacturing industries and the tourism industry. Spates of chain-effects have resulted.

Ms Miriam LAU has already described the difficult business environment of the transport sector, so I am not going to make any repetition here. What I want to discuss is the fact that besides hitting the transport sector head-on, soaring oil prices have also impacted other industries relying on land logistics. Hong Kong manufacturers operating production plants in the Mainland, for example, must first transport huge quantities of finished products back to Hong Kong for export. The costs of goods transport are indeed very substantial. In the case of the tourism industry, tourist coaches must be arranged to take visitors to and from major scenic spots and shopping areas every day. To satisfy visitors and impress them with our premium hospitality services, vehicle trips cannot possibly be shortened for the sake of saving fuel costs. And, even when people call a lorry for home or office removal, they will find that the fees have gone up due to rises in fuel costs.

To stop all these chain-effects, the most effective way is to tackle the problem at source. This means that we deal with oil prices to relieve the pressure on the transport sector. Since 1 December last year, the Government has fixed the duty on Euro V diesel at \$0.56 per litre, which is about half of the \$1.1 on ultra-low sulphur diesel (ULSD). But despite the duty reduction, the import prices of diesel have nonetheless risen. When compared with the pump price of ULSD in June last year, the current pump price of Euro V diesel is 34.6% higher. Although we cannot arrest the rises in global oil prices, the

Government may still start tackling the problem by reducing fuel duties to lighten the burden of drivers. Every single dollar and every single cent thus saved will be very useful, as people often say.

One reason for the levying of diesel duties is environmental protection. It is hoped that the transport sector can be induced to use a greener type of diesel for the abatement of pollution. Sadly, ever-rising prices of diesel in Hong Kong will only induce drivers working between Hong Kong and the Mainland to refuel their vehicles in the Mainland. As we all know, diesel prices in the Mainland are far lower than those in Hong Kong. But the Euro V diesel used in Hong Kong is much cleaner than diesel used in the Mainland and very useful in improving our air quality.

As for unleaded petrol, current pump prices have increased by 22.9% when compared with the prices in the same period last year. The transport expenditure incurred by private car drivers living in remote areas has thus become increasingly heavy. As a matter of fact, the transport-related expenses of middle-class private car drivers have become increasingly heavy. Fuel prices, tunnel tolls and maintenance fees have all increased, imposing a heavy burden on them. Even though they do their best to save fuel by, for example, avoiding sudden acceleration and deceleration, removing unnecessary articles from the boots of their cars and taking the shortest routes, the fuel thus saved cannot offset the price rises.

Madam President, the chain-effects of soaring fuel prices on the transport sector and related industries and also the heavy burden brought by the price hike on private car drivers will only boost inflation in the end. Therefore, we must prevent fuel prices from rising as soon as possible. Also, for the avoidance of any adverse effects on air quality, the Government should actively consider the full remission of the diesel duty and reducing that on unleaded petrol by half. It is estimated that these two measures will respectively reduce government revenue by about \$400 million and \$1.43 billion. This will not exert any substantial financial pressure on the Government because it now records a surplus of more than \$100 billion and has a huge fiscal reserve. At present, pre-tax fuel prices in Hong Kong are far higher than those in other places. The Government must make sure that the pricing structures of oil companies are always highly transparent. Oil companies must not be allowed to increase prices quickly while remaining slow in price reduction. All benefits of any duty remission must be fully reflected in pump prices.

On this urgent topic affecting our economy, I, as the Chairman of the Panel on Economic Development, hereby sincerely invite Secretary Eva CHENG and the authorities concerned to conduct further discussions and negotiations on possible solutions. I hope the Secretary can consider this seriously. I very much hope that this topic can be included in the agenda of the regular meeting to be held next Monday. In this way, early actions can be taken.

However, I must add that the Liberal Party has some reservations about the proposal in an amendment on providing subsidies on diesel prices to the more seriously affected industries. The reason is that this will interfere with market operation. It is difficult to define the "more seriously affected industries", and not only this, it will be difficult to monitor who will ultimately benefit from such subsidies. What is more, the measure will also lead to a whole series of chain-effects. What I mean is that whenever other industries encounter any financial or operational difficulties, they may turn to the Government for various subsidies. Once a precedent is set, the consequences will be unimaginable. No generosity at the expense of taxpayers must ever be allowed.

Madam President, I so submit.

MR DANIEL LAM (in Cantonese): Madam President, the strikes and slow drives and protests staged by the transport sector at many places in Hong Kong can show fully that soaring oil prices have come to seriously affect the livelihood of most people. Many professional drivers and those New Territories and Outlying Islands residents who must commute to the urban areas for work every day are the worst-hit.

According to press reports, over the short span of five months since the beginning of this year, there have been 10 increases in the price of Euro V diesel, thus boosting the fuel costs of the transport sector by 30% to 40%. It is believed that if the problem cannot be solved, all the additional costs will eventually be transferred to consumers. This will certainly boost the inflation rate and even impact the livelihood of the grassroots. For example, garbage lorries may stop operation due to high fuel prices, and school buses may also do so. All these worries are not at all unwarranted. Rather, they may come true at any time.

Madam President, the Heung Yee Kuk supports this motion, which urges the SAR Government to reduce the duties on unleaded petrol and Euro V diesel by half, so as to relieve the pressure of inflation and persistently high oil prices on the public and the relevant industries. The Heung Yee Kuk also thinks that the Government should take immediate actions, and if possible, it should even respond to the appeals of the relevant industries and the public by suspending the imposition of fuel duties for one year to ease people's hardship.

Having said all this, I must also point out that the levels of fuel duties in Hong Kong are actually not very high. But pre-tax pump prices of fuels in Hong Kong are much higher than those in other nearby places. This is actually the root cause of the unbearable fuel prices in Hong Kong. Unfortunately, although many in society have been saying that this is the crux of the problem, the Government has never taken any concrete actions. Nor has it ever tried to lay a foundation for liberalizing the local fuel market. As a result, soaring oil prices have led to such strong reaction from the public.

Madam President, soaring oil prices are admittedly a common headache faced by governments all over the world. But since the Government has already admitted that the intent of fuel duties is to control the number of vehicles and it has been proven that this intent cannot be realized Besides, fuel prices in Hong Kong are higher than those in other places mainly because the Government failed to introduce market competition at an early time and allowed several oil companies to control the market. After analysing all the causes and consequences, we cannot see why the Government should refuse to reduce fuel duties immediately. There is no excuse for the Government to refuse to do so.

Madam President, I so submit.

MR CHEUNG HOK-MING (in Cantonese): Madam President, global oil prices have soared from some US\$10 per barrel ten years ago to US\$140 per barrel now. The frantic increases in fuel prices have directly affected the livelihood of all the 320 000 employees in the transport sector of Hong Kong. On 5 May, drivers of dumpers staged strikes at four locations in Hong Kong, and several hundred lorries also participated in the slow drive protest in many districts on 10 June. The following day, a strike was also held on Wan Po Road, Tseung Kwan O. The actions taken by the transport are meant not only

as a warning to the SAR Government. Rather, the intention is to tell SAR Government that the red light is already showing, and it must squarely address the situation.

Years ago, in a bid to utilize resources effectively and alleviate traffic congestion, the Hong Kong Government resorted to the expediency of imposing fuel duties as a means of encouraging people to use means of public transport. However, over the past ten years, fuel prices and related duties have been rising incessantly. This has embittered not only transport sector employees but also the general public. The relevant industries are plunged into business difficulties, and not only this, even the ordinary citizens are also under the immense pressure exerted by the high fares resulting from transport operators' rising fuel costs.

The problem of incessant increases in fuel prices is not unique to Hong Kong. It is a major problem faced by the whole world. Recently, there have been spates of protests in Europe, America and Asia. Some French fishermen even blockaded the ports in France for two weeks. And, in the United Kingdom, several hundred lorries blocked the main trunk routes outside London on the 27th of last month. In Hong Kong, the grievances of the transport sector and people's discontent were totally manifested by the recent series of strikes and processions. I hope that the price hike of fuels is no more than just a crisis to the SAR Government, rather than a calamity as described by foreign transport sectors.

Over the past few years, Mr WONG Yung-kan has been moving motions in the Legislative Council to urge the Government to assist the development of the agriculture and fisheries industries. Sadly, as reported by the media, some fishermen have reduced the number of their fishing operations due to the 240% increase in fuel prices over the past one year. As fishermen reduce the number of their fishing operations, the supply of marine fish will decrease, thus leading to higher fish prices. Some fishermen have simply sold their fishing boats and move ashore in order to cut losses. After reading this news story, I am very disappointed. Has the SAR Government ever listened to Members advice anyway?

Madam President, high goods prices are the outcome of a vicious cycle. As a result of high fuel prices, transport fares, seafood and any daily necessities

one can think of all become more expensive. For example, the tariffs of LPG for domestic use, gas and electricity have all gone up again and again, adding to people's already heavy burdens. The worst that can result from high fuel prices is that not only the transport sector but also other industries, such as the tourism industry and even the whole financial system, will also suffer. I am not being over-worried. I simply hope that the authorities concerned can come to their senses. The operation of society depends entirely on the co-ordination of all its segments. The DAB does not wish to see any situation under which local drivers are forced to sell their vehicles in order to cut losses.

Benjamin FRANKLIN once remarked to the effect that one never has any bargaining power over one's necessities. It is beyond any doubt that fuels are an economic necessity of society. The SAR Government and even all other governments in the world cannot control the import prices of fuels, but they can always control their duty rates.

The French government has advised the European Union to abolish the fuel surcharge and provide fishermen with a subsidy of US\$500 million. The Singaporean government has already abolished diesel duties. With all its surpluses now, the SAR Government should have the ability to introduce fuel duty remission. The Chief Executive once said, "We will seize every opportunity to start long-term strategic initiatives as well as taking measures to provide immediate relief or deal with crises that impact on our overall interests. We must lay a solid foundation for our long-term development." I believe the SAR Government can certainly hear the demand for fuel duty reduction and diesel duty remission expressed by the relevant industries in the recent series of strikes and protests. I believe the SAR Government is certainly aware of how the masses are battered by inflation. The relevant industries and the masses are all waiting impatiently. They hope that instead of just holding discussion without making decisions, the Government can take some concrete actions as early as possible. I urge the SAR Government to heed the people's advice and respond actively to the demands of the relevant industries and the public.

Madam President, the blockade of the streets in Central by large lorries, the strikes of drivers and the fare increases of public transport operators can show clearly that discontent in society is brewing as a result of high fuel prices. The SAR Government has all along been noted for its efficiency, so it should be quicker than us in sensing the aspirations of the public. I hope the SAR Government can take the people's advice and assist the development of the

relevant industries. And, I also hope that it can do something good to the people's livelihood by lowering the duty on unleaded petrol and abolishing all diesel duties, so as to ease the pressure of inflation and relieve the people's plight.

Madam President, with these remarks, I support the motion.

MR LEE CHEUK-YAN (in Cantonese): President, as global oil prices keep soaring, many people predict that oil prices may increase to US\$200 per barrel. In a way, this may be good to everybody in the long run. In the short run, people will of course face very serious difficulties. But in the long run, this may be good not only to Hong Kong but also the whole world. If the present rounds of price hike can really wake up the whole world, if ways of developing alternative sources of energy can really be worked out, if the development of Hong Kong and the even the whole world can thus be promoted, new prospects will surely emerge. And, the third wave of energy adjustment may result in the end. In the 1970s, when oil prices soared frantically, nuclear power was developed. Despite all the controversies surrounding nuclear power, we cannot deny that it has changed our reliance on oil as a means of power generation. However, whether there can be any new developments to prompt the conduct of more research on energy sources, and whether the world's economic structure can really be transformed, can only depend on whether soaring oil prices can bring forth any rays of hopes in the years ahead.

President, speaking of the motion topic today, I must point out that every year, when the Hong Kong Confederation of Trade Unions meets with the Financial Secretary, it will put forward the request for full remission of fuel duties. We put forward this request every year. I have read the editorial of *Ming Pao* today. It is argued in this editorial that the middle class will in fact be made to subsidize the relevant industries if fuel duty remission is introduced. Members must think about one question. Following the reasoning of this commentary, are we supposed to argue that with wine duty remission, the middle class is also made to subsidize red wine drinkers? We must not divide all Hong Kong people simplistically into two categories — those who foot the bill and others who get the benefits. Are we supposed to argue that the middle class is once again made to pay for the pay rises of civil servants? We should not argue like this. I think this editorial is really absurd because its view will split up our society. Decisions on all issues should be based on some policy considerations.

This is also the case with the remission of wine duty, and the policy consideration is to develop Hong Kong into a red wine centre. Whether one agrees to this policy consideration is a separate issue. But the fact remains that there is a policy consideration.

The request for fuel duty remission is clearly also based on various policy considerations. If the Government does not introduce fuel duty remission, there will be adverse impacts on environmental protection. The reason is that the number of commercial vehicles will not decrease under all circumstances. As Members know, the Hong Kong economy must need dumpers, garbage collection vehicles, vans, lorries and concrete mixers. All these vehicles are indispensable. Even if fuel duties are increased drastically, the need for such vehicles will still be there. They are not luxury goods; they are economic necessities.

It is therefore entirely wrong to argue that fuel duty remission must not be introduced for environmental reasons. The reason is that whether fuel duties are increased or decreased, such vehicles will still need to operate on the roads. Therefore, my first point is that the policy of fuel duty remission is obviously based on the hope that the operating costs of the relevant industries can be reasonably lowered in the midst of rampant inflation. Actually, the amount of money involved is very small. I therefore think that in the very first place, people should not drag in the issue of environmentalism and speak as if we want to ignore environmental protection.

At present, franchised bus operators and industries are not required to pay any fuel duties. In that case, following the reasoning the *Ming Pao* editorial, should we thus argue that the middle class is once again made to subsidize the bus companies and even all the industries in Hong Kong? We must not look at things with from such a confrontational perspective. One simple question is: since there is fuel duty remission for franchised bus companies, why can't other commercial vehicles receive the same treatment? The Secretary argues that franchised buses are means of public transport, so fuel duty remission is given for passengers' benefit. This is perfectly right, and I have never said the otherwise. But still, why can't other kinds of commercial vehicles receive the same treatment? Is that because these commercial vehicles do not provide any service to the Hong Kong economy? Is that because the Hong Kong economy can operate without any support? All segments of the economy interlock with one another and make their respective economic contributions. Even goods

transportation vehicles make contribution to the Hong Kong economy. That being the case, why can't they enjoy fuel duty remission like franchised bus companies and industries? The imposition of fuel duties is itself an unreasonable and unnecessary policy. Having said all this, President, I cannot help pointing out another problem. Honestly, I think even if the Government introduces fuel duty remission, the relevant industries will not get too much help, because they are all faced with an ogre. The Government is not the ogre because the fuel duty it levies is just \$0.56 per litre. Even if the Government introduces fuel duty remission, but if the oil companies can continue to monopolize the market, the relevant industries will still be entirely at their mercy. The plight of the relevant industries will only continue.

Therefore, what is more important should be how we can regulate oil companies and tackle the problem of market monopolization. The situation of the sulphur-free diesel market is very unsatisfactory because there is only one supplier. In the case of ultra-low sulphur diesel, there are several suppliers. The point here is that when there is just one supplier of sulphur-free diesel, there will soon be price rises. Any fuel duty remission introduced by the Government will only enable oil companies to reap greater profit. If the Government does not prevent oil companies from making excessive profit, if it does not check their monopolization of the fuel market, then, coupled with the absence of fair competition, oil prices will only continue to soar unreasonably. According to a study conducted in Hong Kong, the after-tax pump prices of fuels in Hong Kong are higher than those in Taiwan and Singapore by \$2 to \$3. This is really absurd. Why should our prices be \$2 to \$3 higher? Therefore, if we do not deal with the ogre (oil companies), oil prices will only continue to soar.

President, the Government must realize that fuel duties should actually be reduced because the relevant industries are caught in very great miseries and in dire need of assistance. Besides, I also advise the Government to waive all vehicle licence fees, I mean, commercial vehicle licence fees. Thank you, President.

MR ALBERT HO (in Cantonese): President, the motion topic today involves two points. The first one is whether fuel duties should be adjusted. I hope Members can remember that what we are talking about is a kind of tax, not any sort of subsidies. The levying or otherwise of fuel duties must not be equated with the provision or otherwise of subsidies to any particular industry. The

reasoning here is actually very straightforward. The second point is that Members must bear in mind that government revenue should not be considered in our discussions on this type of tax, because the Government is not supposed to generate more revenue from this tax, and the levying of this tax is based on environmental considerations. This means that the second point should be perceived as involving environmentalism and the people's livelihood.

Let me perhaps discuss the first point. I share Mr LEE Cheuk-yan's feelings about the reasoning adopted in the editorial of a major newspaper today. We are both very surprised, thinking that they should not adopt such reasoning. Their viewpoints are simply wrong, for they think that abolishing such duties is the same as subsidizing certain industries. Their reasoning is hard to understand. Speaking of the abolition of wine duty mentioned just now and also the abolition of estate duty, should one argue that all Hong Kong people are hence made to subsidize the richest people in Hong Kong? We must not think that way. Those for the abolition of estate duty and those against the measure all have their own arguments, but in any case, the issue of subsidies is not involved. The reason is very simple. The case of abolishing wine duty is just the same.

As far as I know, the levying of fuel duties was based entirely on environmental considerations. Naturally, when formulating the measure, the Government also took account of people's livelihood. If not, it would not have granted exemption to franchised bus companies. The rationale here is very simple — the Government does not want to increase the livelihood burden of the masses. This is how public policies are formulated. We must never argue that the remission of such duties is the same as providing subsidies to certain industries, or, worse still, the same as subsidizing certain industries at the expense of the middle class. I simply cannot see any connection between the two here.

Regarding environmental protection, we must emphasize that people must work to earn a living no matter what. They have no choice. Container truck drivers, for example, must put up with all hardship, however great. If they do not, can they stop working? They can only endure all the hardship in the meantime, watching their income decrease and the whole industry decline. Do we want to see such a situation? No, we do not, the reason being that this industry has indeed made many contributions to Hong Kong. But in the meantime, the livelihood of many people engaged in this industry is being

impacted. How are we going to improve our environmental facilities in the future? Taxation is not the only way, and there are many alternatives. But in the meantime, when fuel prices are soaring at incredible rates, we must consider the survival of this industry and the livelihood of those engaged in it before anything else, because the matter will closely affect social stability.

After analysing the motion and amendments today, we have made the special point that we are prepared to accept the remission of the duty on Euro V diesel. The reason is that, as Members also know, there are in fact choices. Euro V diesel and Euro IV diesel are very different from each other. The former is much more environment-friendly. Therefore, we think that we may insist on introducing remission for the duty on this type of diesel only. A Member seeks to delete the remission proposal concerning the duty on Euro V diesel. We cannot support any amendment to this effect. We do respect, and we are concerned about, the livelihood of those in the transport sector, but at the same time, we will also pay heed to environmentalism as far as possible. I think we are able to strike a balance on this issue. And, we believe that the duty remission for Euro V diesel will also benefit the relevant industries and give them some breathing space.

I also wish to mention one last point. Some people say that we have chosen to yield to populist social movements (or to be exact, not populist social movements, but irresponsible movements that verges on violence). Others, like the newspaper editorial, even criticize that some politicians have chosen to support the motion today in order to stay in the limelight and curry favour from electors. Frankly, I do not know what their logic is. Actually, the rights and wrongs will not be confounded by any such extreme actions of a handful of people, nor can such actions in any way determine our social policy considerations. If we think that we should do something Do people really think that we should refrain from doing what we should do when a handful of people choose to fight for what they want in such an inappropriate and violent way? Rather, I have been wondering why we should oppose this very righteous motion today. Some say that since the motion is put forward by the DAB, the Democratic Party will certainly oppose it. That will be partisan struggle. This is not the case in reality. This is not the kind of relationship among political parties. Some may say that the DAB has scored a huge credit today, and even the Secretary gives them support. But we will not consider this point. What we do consider is that the topic is about the common livelihood difficulties faced by all Hong Kong people. We think that despite all their political differences,

political parties must still unite on this particular issue. We are therefore prepared to support Mr LAU Kong-wah's motion. I also hope that no one will look at this very topic with any tinted glasses and look upon the objective of the motion with any prejudice. I think the objective should merit our support.

In conclusion, I call upon the relevant industries to remain calm. The stronger their grounds are, the calmer they must remain. Society will always support them. However, if a righteous cause is fought in an improper way, others will find it very difficult to render support.

I hope that the Government can pay heed to the various political parties and groups in the legislature. I believe that all Members do share the same objective. Although there may not be unanimous support, I still believe that many of them will share common convictions or aspirations on this matter — they all hope that the Government can take care of the livelihood of those in the transport sector and even answer the demand of those middle-class people who must use private cars.

I so submit.

DR LUI MING-WAH (in Cantonese): Soaring oil prices have come to affect every country and every person in the world directly or indirectly. Naturally, industries relying on oil and users of various types of vehicles must be the direct victims. Recently, many container lorries and private cars blocked the trunk routes in Central, causing severe traffic congestion. All this can show that rising diesel prices have come to affect the transport sector, making their continued operation very difficult, to the extent that they found it necessary to drive slowly in protest and disrupt traffic. They know that they will break the law, but they still want to arouse social attention and request the Government to introduce diesel duty remission.

The protests of the transport sector have brought home to us the necessity of considering two questions. First, the transportation industry is a service industry. When costs increase, why can they not increase service fees correspondingly and shift the costs to goods owners? There are two reasons. First, in the past, many drivers refuelled their vehicles in Shenzhen, where fuels were cheaper. But there has been a diesel shortage in the Mainland these days, so drivers of cross-boundary vehicles must come back to Hong Kong for

refuelling. The differences in fuel prices between the two places have plunged them into a dilemma. Second, since the container terminal charges in Hong Kong are far higher than those in the Mainland, the volumes of goods exported through Hong Kong have decreased, thus reducing the size of the market. Despite the reduction of 5 000 cross-boundary lorries, there is still excessive freight forwarding capacity. Owing to fierce competition, bargaining power naturally declines. Asking owners of export goods to accept fee increases may simply drive them away. Drivers are naturally unwilling to take the risk. Therefore, the industrial actions taken by the transportation sector can actually show the fundamental problem with the Hong Kong economy. In an economy devoid of any manufacturing industries, service industries such as the transportation and maritime industries will like a rootless tree waiting to wither. It will be difficult for the Government to handle the resultant problem.

The use of "heavy artillery" by the transportation sector this time around, that is, the blockade of traffic by many container lorries to force the Government to yield to the request for diesel duty remission, should be criticized. But the reasons for such actions should be appreciated. What is more, with the advent of the Legislative Council Election, some Members have chosen to apply pressure on the Government in order to win electors' support. It seems that the Government does not have any alternative but to admit defeat and yield to the public demand for abolishing the 5% diesel duty. But is this going to be the last demand of the transportation industry? Furthermore, we can predict that at this very time when prices are rising, when inflation is so rampant, all trades and occupations will be affected and plunged into difficulties. I believe they will similarly take extreme actions and put forward various demands to the Government for relieving their plights. How the Government should cope with all such demands will indeed be a headache. If the situation cannot be handled properly, political problems will result, thus affecting social stability. The consequences will be very serious, and caution is advised.

If the Government abolished diesel duties, the economic principle long-held by the Government will be violated. What I mean is that under the principles upheld by a free market economy, the Government is not supposed to favour any particular industries and provide them with any subsidies. Nor is the Government supposed to interfere with goods prices. My analysis is that if the Government adopts a piecemeal approach, different trades and industries will surely exert pressure on it one after another. In this way, there will be no peace in society. The Government should adopt a broader perspective. It should

start by making adjustments to the overall economy and promote the re-establishment of manufacturing industries in Hong Kong. It is only in this way that service industries such as the logistics and maritime industries can find service targets and survive. I hope that the Government can grasp the opportunity and seek to revitalize our economic structure. It is only in this way that Hong Kong can enjoy sustainable economic development and its people can live happily with social harmony. Thank you, President.

MS EMILY LAU (in Cantonese): I rise to speak in support of Mr LAU Kong-wah's motion. As rightly pointed out by Mr Albert HO, although there is always this difference in affinity, we will still support what is right, President.

However, I agree to what Mr HO and many other Members said just now. And, I must make an appeal to the transportation sector: Do not resort to violence. I call upon them, and also the President, to join the 1 July March. People can pitch in for whatever reasons — tax reduction, democracy, freedom and anti-discrimination. All Hong Kong are welcome to join in. They may hire a lorry for the purpose. But, well, too many lorries may scare the Government again. But the important thing is that no one must block the Central or any other places. Hong Kong people respect people who are peaceful, rational and non-violent. All this is especially true when talking about a march of several hundred thousand people. The use of violence will achieve the opposite result.

Members have put forward many opinions, and I do not intend to repeat all such views. However, I still wish to add that I do appreciate the hardship of the industry. That is why I agree with Mr Albert HO that since there have been so many duty remissions, the industry should also be granted duty remission to relieve their difficulties. I support the abolition of estate duty, wine duty, hotel accommodation tax, profits tax and so on. But I must say that the reduction of profits tax is just too big.

If the authorities want to return wealth to the people, they must not return wealth only to the rich. Many middle-class people and grassroots are living a very miserable life, so the Government should also do something for them. But will money really go into the pockets of the masses as result of the Government's efforts? Members all know the answer, President. But we should follow up this as a separate matter.

I know that many Panels have convened many meetings, and members all think that under the current situation, the only beneficiaries will be oil companies. Oil companies will get the benefit. But there will be none for the public. Members of the public have stood forward to ask for our assistance, so I definitely hope that the authorities can heed people's advice and relieve their plight.

I also agree with Members that this matter must be handled before the end of this term of the Legislative Council. President, we must not allow the matter to be delayed until after October this year. The authorities are in possession of more than \$1,000 billion in fiscal reserve, so why don't they give a helping hand to those people who are suffering so badly? Refusal can never be justified.

However, I have some reservations about the provision of subsidies. Is it entirely impossible to provide subsidies? Subsidies are also provided in many other places and countries. But I think there must be sufficient discussions and negotiations before we can follow suit. Up to now, I have not heard many demands for subsidies from the public. Speaking of taxes, suppose some people have already been given tax remission, should they help out others? I think this can be considered. However, I do not support the provision of any subsidies.

Regarding environmental protection, I agree to Mr Albert HO's remarks, and I support the Democratic Party's position. So long as there are alternatives, I always hope that taxation can induce people to choose the more environment-friendly option. This is something we should do. Some Members have remarked that the issue does not have anything to do with environmental protection. Well, in good times, people always talk about environmental protection. But in times of adversities, they will just put it all aside. There are so many floods, draughts and effects of global warming. I therefore hope that Members, including our respectable Mr LEE Cheuk-yan, can give the matter some serious thoughts. There may not be any direct connection between environmental protection and people's livelihood. But if we do not do our utmost, if we do not do our best regardless of how small our contributions will be, it will be very difficult to deal with global warming. I hope that Members can all do their utmost, instead of forgetting all about environmental protection once tax reductions come into the scene. We should not behave like this. We must do something, President.

I therefore hope that the Secretary But he will not let the Legislative Council steal the show, President. Even if he thinks that efforts must be made, he will always act before us or act a long time afterwards. He just will not work with us here. Nevertheless, I still hope that the authorities can heed our advice and announce the required measure as early as possible (before the end of our tenure).

I must also call upon drivers not to stage any more protests of this kind. They must not block Central, Wan Chai, Causeway Bay, Mong Kok and Tsim Sha Tsui any more. I call upon everybody to join the march on 1 July. Thank you, President.

MISS CHOY SO-YUK (in Cantonese): President, the motion today is about a long-standing concern of the DAB, that is, the issue of rising prices in Hong Kong. The public are very concerned about all goods prices and livelihood-related matters. We have also staged various protests against price rises and inflation. We do think that in some cases, the Government should be capable of doing more. The proposal on fuel duty reduction contained in Mr LAU Kong-wah's motion today, for example, happens to be one of the many important things which we think the Government should first do.

President, many people think that since I am a strong advocate of environmental protection, I will naturally oppose the motion because once fuel duties are lowered and fuel prices drop, more people will use cars or take taxis. President, Ms Emily LAU and Mr Albert HO have both pointed out the relationship between environmental protection and this motion on fuel duty reduction. I agree to their views. However, I also think that even from the environmental perspective, the motion should be supported. The reason is that the motion in fact urges the Government to reduce the duty on an environment-friendly fuel. In other words, the motion encourages people to use an environment-friendly fuel.

If we can lower fuel prices in Hong Kong, we can at least alleviate the problem caused by the use of industrial diesel. Our hope is that as fuel prices in Hong Kong and the Mainland are brought closer, fewer local drivers will refuel their vehicles in Shenzhen or other parts of the Mainland. The sulphur contents of the fuels used in the Mainland are much higher than those of the fuels used in Hong Kong. The standard adopted in the Mainland is 2%, or 0.5% in the

highest case. But in Hong Kong, the standard is only 0.005%, and soon it will be further reduced to 0.001%. Any measures that can reduce the use of unclean fuels will be welcomed by environmentalists like me.

I also agree with Members that the duty reduction for green fuels is just one of the ways to relieve people's plight when fuel prices are high. Another more important problem is connected with the oligarchic control of the several oil companies. Fuel prices have always been Even if fuel duties are all abolished, fuel prices in Hong Kong will still be far higher than those in the nearby Pearl River Delta region. This is not the first time that the DAB raises this point. For many years, we have been extremely concerned about the Government's inability to control and monitor the fuel prices set by oil companies. We are of the view that a change is required, and we also hope that in case the Government considers any reduction of fuel duties, it can seriously formulate a mechanism for preventing oil companies from increasing fuel prices at any time they like.

President, after this motion had been put forward, I received a letter from the Hong Kong Fishery Alliance. In this letter, there are several proposals that should merit our concern. Let me read aloud the part of the letter on fluctuating fuel prices, "The recent soaring of fuel prices has rendered fishermen practically unable to carry on operation. According to media reports, diesel prices in Hong Kong are the highest in the whole world. We request the Government to monitor fuel suppliers and order them to give the reasons for exorbitant prices, especially the high prices of fishing boat industrial diesel. They increase prices arbitrarily. Sometimes, prices are changed several times a day. There is a complete lack of transparency, in marked contrast to the practice of prior announcement adopted by suppliers of land transport fuels. We urge the Government to conduct an in-depth investigation and offer an explanation to fishermen!"

This is really different from the practice adopted by suppliers of land transport fuels. I have heard that they can increase prices whenever they like and at whatever rates without offering any explanation. So, this does warrant serious consideration by the Government. The letter also pinpoints several indirect problems. Mr WONG Yung-kan has been mentioning all these problems. Let me also read out the part on these problems in the letter, "Besides, the Agriculture, Fisheries and Conservation Department has never formulated any active policy on helping fishermen to cope with their business difficulties. Fishing is just treated like any other ordinary trade or industry.

The Department simply ignores fishermen's special identity as indigenous residents of Hong Kong. It avoids any discussions on the reduction of catches resulting from the Government's long years of reclamation and sewage disposal projects. It refuses to conduct any scientific discussions. It allows the ocean environment to be defiled and even blames fishermen for over-fishing. How shameful! We ask the Agriculture, Fisheries and Conservation Department to provide us with information about the fishermen protection policies adopted by nearby places and countries, including the Mainland, so as to prove that our grievances are not unjustified, and to enable the public to know the truth. We also ask the Government to expeditiously implement measures to ease fishermen's plight." These are all the proposals Mr WONG Yung have been advocating. He always says that we must squarely address the difficulties encountered by individual trades and industries. Fishermen, in particular, are indigenous residents of Hong Kong, and they have put forward their views on fuel prices. I hope that the Government can heed the voices of Members today and really take the first step forward, as a response to our protests against price rises and inflation.

President, with these remarks, I support Mr LAU Kong-wah's motion.

MISS TAM HEUNG-MAN (in Cantonese): Madam President, there seems to be no one playing the part of the opposition insofar as this motion topic is concerned. All political parties are standing in the same united front to demand that the Government should reduce diesel duty. Since this is the case, I think the debate today should focus on the reduction of fuel duties and how they are to be reduced.

Earlier on many Honourable colleagues have talked about how owners and drivers of commercial vehicles are having a hard time in the face of steep oil prices. I do not want to repeat these now, but on the contrary, I wish to respond to the "balloon" that the Government is sending out.

From the media report, the Government says that diesel duty can be abolished completely. This can show that the Government has readily accepted good advice and opinions. Although abolishing the diesel duty cannot greatly reduce the burden of these drivers of commercial vehicles, at least it serves to show that the Government is sincere. However, even if the Government abolishes the diesel duty, that does not imply that the Government can consider the issue settled once and for all.

Currently, the Government charges the diesel duty from the oil companies and the Government must ensure that the oil companies can reduce fuel prices as much as the Government has cut the fuel duties. I suggest that the Government should impose this condition: if the oil companies do not reduce the prices or if the reduction made is insufficient, then they should be penalized. Penalties can be imposed in the form of paying a fine or barring them from bidding for land for petrol filling stations.

Madam President, now the price of diesel is \$11.76 per litre and the duty accounts for less than 5% of the price. Even if the duty is reduced, the effect on the transportation industry would be merely better than nothing. The reason behind steep petrol prices in Hong Kong is the lack of competition among the oil companies and so a monopoly is formed.

According to a member of the transportation industry, during the past six months, the monthly expenses on fuel have increased by \$6,000 to \$7,000. Even if the diesel duty is abolished completely, their burden can only be reduced by \$1,500 a month. It can therefore be said that waiving the diesel duty would only be better than nothing. However, a cent saved is always better than no money saved. Therefore, we must lend our support to abolishing Euro V diesel duty.

Reducing the fuel duties is only a booster for the transportation industry. The way to solve the problem at root is that the Government should enact a fair competition law across the industries and crack down on the joint manipulation of prices by the oil companies and their practice of being quick in imposing price hikes but slow in reducing the prices. If not, there is no way at all that the plight of the transportation industry can be removed.

The Government always stresses that the transportation and logistics industries are the economic pillars of Hong Kong. But on this occasion the Government has waited until the transportation industry has rallied itself in resistance and political parties have exerted pressure before giving in to the demands of the industry. I hope that the Government can tell us that it really attaches great importance to the transportation and logistics industries and it cares so much for them. If the Government is really concerned about the hardship of the vehicle owners and drivers in the transportation industry, then

when the Secretary is to reply later, would he propose other mitigation measures besides reducing fuel duties so that the financial pressure exerted on these people as a result of high oil prices can be relieved.

Lastly, I wish to stress one point and that is, we understand that many Honourable colleagues would like to see the petrol duty reduced so that owners of private cars, especially those from the middle class, would benefit. However, I believe all the people of Hong Kong, including those from the middle class, if given a choice, would prefer the blue sky to a tax cut. When added to the fact that the transport network and public transport in Hong Kong are getting better and better, most of the people in Hong Kong do not actually need to own a private car. All these reasons tell us that there is no need for us to make a rash decision to reduce the petrol duty as a matter of necessity right at this moment.

Madam President, many financial analysts predict that oil prices may rise to US\$150 a barrel this year and this means that the transportation industry will continue to suffer under high fuel prices. I do not hope to see the recurrence of cars blocking the roads of Central again and causing traffic congestion. I hope that the Government can consider formulating more measures to help the transportation industry tide over the difficult situation so that it can offer continued support to the economy of Hong Kong.

I so submit. Thank you, Madam President.

MISS CHAN YUEN-HAN (in Cantonese): I have been listening to the speeches of a number of Members and have come to know that as Members generally consider that the prevailing prices of all goods and services are soaring, with those of fuels having been increased for ten times over the past year, they have therefore relayed the views of various people with whom they have come into contact. For example, I was perturbed when I heard about the fishermen's situation mentioned by Mr WONG Yung-kan in his speech. Fishermen must have fuels to go off-shore, but unlike motorists who can check the prices at petrol filling stations before they decide whether or not to purchase the fuels, fishermen have to purchase fuels at prices arbitrarily determined by suppliers. I think with soaring fuel prices, suppliers may make every effort to defend their interests. The Government should really consider this issue.

Recently, we can see that friends from the transport sector have repeatedly expressed their views and have even taken to the street and staged protests. Although we do not agree to their actions, which have led to traffic congestions, we can feel their sentiments. Some people have blamed the organizers for not putting the crowd under proper control, but I understand that it was very difficult to do so when everyone was so overwhelmed by discontent. When the union of the transport sector under our trade unions knew that this debate would be held by the Legislative Council, they were very anxious and have even requested some of our colleagues to amend the motion moved by Mr LAU Kong-wah.

In fact, Members have recounted a lot of stories, and Mr WONG Kwok-hing has also mentioned just now that while dumper truck drivers can gain \$1,000 per day, they have to pay \$900 for the fuels. Another example is that we can also see some transport practitioners charging \$500 per trip, but the fuel cost has already accounted for more than \$400. Therefore, when the fuel cost is so high, their discontent will be even more widespread.

Madam President, about half a month ago, I have raised an oral question on oil prices. Actually, Mr WONG Kwok-hing is the one who is good at this subject, but why was it raised by me? It was because some drivers whom I came across when I was handing out flyers in the street said to me, "Miss CHAN, the expenses are far beyond us." They have expressed such opinions in general, and most of the drivers I came across are among the younger group.

Madam President, last Sunday (that is, a few days ago), in the street — if someone was at the scene, they might have thought that I was being kidnapped. At around nine to ten o'clock that day, I was about to take a taxi home. When I got on the taxi, the driver began to grumble. He was just in his 30s, and he was very young, not old at all. When he began to speak, I first thought he had some opinions about the Transport Advisory Committee, and so I briefly asked him some questions. Then, he began to talk about a lot of things, the scope of which was so wide that it was not only about oil prices. He even said that he was at a loss as to what to do with his life and his future. He just went on and on to a point that he lost himself in his words. Finally, he said, "Miss CHAN, perhaps we can pull off somewhere and have a cup of coffee, shall we?" As it was already past ten o'clock, I did not want to go home too late, so I did not respond to his invitation. Subsequently, he parked his car at Anton Street, which was the necessary access road for me to go home. That street was very narrow, and he parked his car aside and chatted with me. We talked for a long time, and I

could not He had a lot of grievances and he really wanted to pour out his thoughts to me. Madam President, he is only in his 30s and is very young. The Government is still saying that the economy is very strong and that it is now a time when securing a job should not be a cause of concern. However, I wish to say that this is a real story.

As I was very tired that evening, I gave him my name card and suggested talking with him some other time. Therefore, if this friend is listening to my speech now, I would like to apologize to him. There were still many other things he wanted to talk to me that evening. Madam President, I knew that I would have to attend a meeting at 8.30 am the next morning and it would be too exhausting to stay up too late, so I could only give him my name card apologetically.

Madam President, I told these two stories because I believe that a number of Members in this Chamber, especially those who have contacts with the grassroots of the community, are aware of the problem. Just now, I heard that a lot of Members have raised the question of whether this debate is held for the election, and whether we will totally ignore environmental protection this time. My view is that elections are often held, and members of the Hong Kong community are very smart. If we just make efforts before elections, they will not cast their vote of confidence for us at all. They will observe us over a period of time. I have participated in the direct election of the Legislative Council for 13 years, and I have been saying to Honourable colleagues all the time that it is pointless just to make efforts before the elections — Madam President, you may also agree — we have to make continuous efforts with our heart and our sincerity instead. As members of the public will observe us, if we just make efforts before the election, who will bother to pay attention to us? Members of the Hong Kong community are very smart. Therefore, we find the way we were described in certain press reports very unacceptable. They really have to examine our cases. I believe my cases are worth their studies. I think members of the public will observe us over a long period of time before they cast their vote of confidence for us. They will not make a hasty decision based on one single thing done by someone at one time or a particular action by a certain person.

Therefore, I wish to point out that when the Government makes a decision based on our different opinions, I am very worried that the Secretary is the type of people described in certain newspapers — I also criticized him yesterday on

the issue of the Mandatory Provident Fund — on this issue in question, the Secretary may also think that we do all this in a bid to win votes, but I think we are not like this. As the Secretary is also an educated person, he may only take a perspective "from above" but not "from below". He may not clearly understand how infuriated the public is. Whenever I convene residents' meetings, local residents will say, "Miss CHAN, putting other things aside, do you know how much a can of fried dace with salted black beans is? Do you know how much a catty of pork is?" Even in the discussion of health care financing, we will discuss these issues.

The Secretary is now shaking his head. I hope that he really understands this, and I hope he will not decide that nothing must be done just because we have expressed different opinions today. I consider that many things have yet to be done. I have been telling the Government (I told Mr TUNG at that time) that when even grass-roots workers rise to oppose the Government, the problem will not be as simple as this. We should not assume that at the most there would only be 500 000 people taking to the streets calmly, for the situation would be very different then. Although such situations seldom happen in Hong Kong, there are numerous such examples in other parts of the world, which have led to a lot of social unrest.

Madam President, having said all these, I very much hope that the Government will think about it when making its decision. For example, the Government considers that Mr WONG Kwok-hing is the most radical in this respect because we gathered our opinions from diesel vehicle drivers, container truck drivers and so on. They are very miserable. Even if all taxes are reduced, the fuel price will only be reduced by some \$0.5 per litre. Should the Government examine the issue from their perspective and consider providing subsidies to them? Can this rate of reduction possibly be adequate to tide them over the difficult times? Is it good enough to remove the fuel duties? Everything has to be discussed among all parties and laid down in a contract. In this connection, I care a lot about formal procedures. If the Government agrees to a reduction today but is reluctant to do so tomorrow, what should we do? Members have to think of a way out, and you will surely have some good ideas.

Madam President, having mentioned this point, I wish to say that we should never allow those oil traders who are "quick in raising the prices and slow in reducing them" to gain benefits any more. I call on the Government to

monitor all oil traders properly. I hope that the Government will eventually respond to public opinions instead of responding to the opinions of political parties.

Madam President, I so submit.

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

MRS SELINA CHOW (in Cantonese): President, Ms Miriam LAU should be very glad because a number of Honourable colleagues have expressed concern about the issue she has repeatedly raised with well-intended exhortations. In the past, some people would say that this concerned the interests of the industry, but now everybody seems to understand that the transport industry is very closely related to people's livelihood and our daily life. Therefore, I believe she should be much gratified.

Honourable Members are all very sympathetic towards the industry. In fact, everybody can feel the pressure of the soaring oil prices. Regarding the traffic gridlock in Central a few days ago, there is a general consensus that such a radical approach should not be supported. Having said that, I believe everyone will unanimously express the hope that the Government can really consider the current difficult situation and adjust the fuel duties, especially diesel duties. Although some Members have already provided detailed explanation, it seems that some people are still unable to fully understand the issue of diesel duties. Even Ms Miriam LAU has complained about it. Ms Miriam LAU heard Mr SIN Chung-kai mention Euro V diesel in his speech earlier on. He said that Euro V diesel is more environmentally-friendly, and thus he fully supports that something be done by the Government on its price. As for the use of low sulphur diesel, he regards this as a regression. However, it seems that Mr SIN has not listened to the numerous voices from the industry. At present, regarding Euro V diesel, even if the Government provides a 50% duty concession, that is, \$0.56 per litre, to subsidize the industry, the energy efficiency of using Euro V diesel on Euro I to Euro III vehicles is very low. In fact, even the current effort of the Hong Kong Government to provide a subsidy of \$3.2 billion to encourage the industry to shift to Euro IV vehicles has only received a lukewarm response. If these vehicles are so desirable, and the Government is offering a subsidy in the form of a 10% to 15% duty concession

as an incentive, the vehicle owners should have replaced their vehicles immediately. However, the industry is reluctant to do so, why? The reason has to do with the energy efficiency as well as the vehicles.

At present, as Euro V diesel is currently used on the vast majority of Euro I to Euro III vehicles, even the reduction of the duties by half will not be very helpful to the industry. Therefore, some people have expressed the hope that the duty on ultra-low sulphur diesel can be put on a par with that on Euro V diesel, which will really be of help to the industry. Actually, while Euro V diesel is now prescribed as the standard, to the industry, the assistance provided by the Government is not significant, and regarding energy efficiency, or even from the perspective of environmental protection, it is not necessarily helpful either. However, President, the Government has undertaken to conduct a study. I think it should do so expeditiously and launch initiatives as soon as possible instead of adamantly insisting that Euro V vehicles are excellent, which has made people think that they are more environmentally-friendly and are thus bound to be more desirable, but this is actually not the case.

President, I wish to specifically point out here that many middle-class car owners have been paying to the Government a petrol duty of \$6.06 per litre for more than a decade. They have been paying such a high duty rate for more than ten years since the beginning of the 1990s. At present, everybody is faced with difficulties, and the oil prices have been soaring over the past few years, not to mention any other thing. The pump price was \$13 in June 2006; \$13.5 in June 2007; and \$16.58 this year, the price hike is really sharp.

I have noticed that the Government has been constantly hinting in the past couple of days that it is ready to examine diesel duties but is reluctant to reduce petrol duties, why? The reason provided by the Government is really exasperating. It said that car owners do not have this aspiration. Subsequently, I received a lot of telephone calls. Many people called and asked: "Who said that there is no such aspiration?" Of course, this is only the wishful thinking of the Government. It is very strange that whenever there is organized traffic blockage, the Government will be scared, but when there is no one to organize such a move, and when the voices are not coming from all the people together or when no demonstration is staged, the Government will not pay any attention to it and will even insist that people do not have such an aspiration. When I look closely at the relevant figures, I found that this year, that is 2008, vehicles with a value of less than \$200,000 account for 25%, while those with a

value of less than \$300,000 account for almost 60%. These are all vehicles owned by the moderately well-off middle-class families, and the Government has totally ignored them, and has even said that these people have not expressed this aspiration.

Therefore, we very much hope that the Government can look into this: After levying a duty at the rate of \$6.06 per litre for years, and considering the steep oil prices now, can it provide any assistance to this group of middle-class people? If the Government's response is: "As this group of people can afford it, just let them pay more.", then I would think that this approach is not in line with the principle of balancing the interests of all sectors of the community, especially when the middle class has never made any excessive requests. They only hope that the Government can charge them less duty in difficult times. I think the Government should respond positively instead of putting words into their mouths. Thank you, President.

DR KWOK KA-KI (in Cantonese): Madam President, the motion today is very clear. It seeks to reduce fuel duties.

Actually, it is just normal that everyone has his own aspiration, especially with the current inflation and oil price hike. However, the interesting point is that this motion involves what the Government has previously and recently done, and that is why we consider it necessary to discuss this issue.

Many Honourable colleagues have requested the reduction of diesel duties just now in order to do something to alleviate the hardship currently faced by the transport sector. This is not a new request; people all over the world, for example, people in Europe and other places, have also put up such a request. Initially, I was not interested in discussing this issue, but now I think this is worth considering.

However, the Government is actually the one who started it all. Two years ago, the Government submitted a consultation paper to this Council pointing out that as Hong Kong's tax base was too narrow, there was a need to consider introducing the goods and services tax. According to the Government's consultation paper released at that time, the proposal was well substantiated. The Government produced piles of documents and informed us that Hong Kong's tax base was very narrow.

However, two years later, the Government has suddenly forgotten all about what it has said before. Members may recall that despite such a narrow tax base, the Government has introduced concessionary measures concerning four major tax items, which has further narrowed the tax base. Actually, this is a very short sighted approach.

The Government has reduced the profits tax by 1% at a cost of \$4.4 billion to the public coffers. The lowering of the standard tax rate of salaries tax has cost the coffers \$900 million. The lowering of duty on wine has cost a further \$580 million. No matter how hard we try, we cannot figure out why concession for this tax item targeted at the affluent class should be offered. Then, the waiving of the tax levied on hotel accommodation charges will cost the coffers \$350 million annually. Even the Federation of Hong Kong Hotel Owners Limited has indicated that they do not really care too much about it. The Government can waive such a tax item if it so wishes, but it will not have any implication on their hotel room rates. The Government is inconsistent in its words. It can do something harmful to Hong Kong's tax base for its momentary political pleasure.

While the Government has implemented these measures, it will not be a problem if everyone is given a fair share. However, how does the Government face all the taxpayers now? Why has it selectively reduced certain tax items? Why should wine drinkers obtain more tax reduction, but those who are facing the problem of soaring oil prices now do not have any tax cut? Why does the Government do so? If the Government considers that the tax base is too narrow, it should broaden it, at least it should not do further harm to it. Why has it made these decisions in March?

From today's newspaper, I know that if today's motion on reducing fuel duties is passed, 20 to 30 tax items will be involved, and the Government will be under very great pressure. However, the Government must face this consequence because it has selectively helped certain people, and thus it should bear this consequence. If the Government really proceeds with this, all tax items have to be reduced in the light of the situation of the public.

In fact, it is the Government who has caused such a situation, and it all began with its Budget because it has pushed the financial stability of Hong Kong to a dangerous level. It should not blame the others but should only put the blame on itself.

Of course, everyone readily understands that this tax item, especially the diesel duty, only accounts for 5% of the fuel price. Many other factors also have a bearing on the fuel price, including the international oil price and the serious monopolization by oil traders in Hong Kong. This is something we have been discussing for a long time, and everyone knows that they can even raise the price by mutual agreement. The Government is beginning to deal with this by, for instance, introducing the fair competition law. However, in the first place, I do not know how this fair competition law riddled with loopholes can deal with these oil traders; secondly, I believe there are still many ways for these oil traders to bypass the supervision of the Government, and the Government may even leave the door wide open for them to pass through. It all started with the inadequate supervision of the Government, which has made it possible for oil traders to raise prices at will.

Of course, there are things that we cannot change, including the international oil price. This is a relatively important issue and is related to international politics, geopolitics and the impact on the economy, which are beyond our control.

I hope that the Government will not say one thing and do another, or say that: Sorry, if fuel duties are reduced, a few dozens of tax items will have to be reduced; and let us not pay attention to things in the past, whether it be duty on wine, hotel accommodation tax or profits tax, as they have already been reduced, so let us not dwell on them anymore.

The Government has ignited these fires but does not know how to put them out. As the Government has already set off these fires, it has to bear the consequence that it will be burnt by the roaring flames, that is, it will have to bear all the responsibilities.

I so submit. Thank you, Madam President.

MR ALBERT CHAN (in Cantonese): President, regarding the request to reduce fuel duties, the League of Social Democrats has already made a concrete demand and proposal when the Financial Secretary presented the Budget last year. I do not know whether or not the political parties which have proposed and given support to this motion today had made such a request when the Budget was scrutinized.

The League of Social Democrats was well aware of the inflation problem and the impact of fuel duties on the public, the transport sector and industries last year. This has not only dealt a fatal blow to the transport sector, fishermen have also pointed out repeatedly that the significant increase in fuel costs have put them in a tough situation and made life very difficult for them, and every time they go off-shore, they do so at a loss. In the light of the support provided by other countries for their major trades and industries, if the Hong Kong Government still adopts an indifferent attitude in this respect, it can be said to be very cold-blooded. Of course, these policy areas are not just the problem faced by one single Secretary today.

In fact, regarding the impact of fuel duties on the economy of Hong Kong and the measures to be adopted, the Hong Kong Government should regard this as an economic or social crisis and arrange for various bureaux and departments, under the leadership of the Chief Secretary for Administration, to explore remedies. Just as in 1998, when I raised the issue on negative equity to the senior officials of the Government, a lot of political parties and Members, not to mention the Government, paid no attention to it and accused negative equity owners as bad losers. The political parties only took the lead to stage a petition to request government assistance when the problem surfaced. When I discussed the issue with the Government in 1998, the Government also adopted the same attitude, saying that the problem of negative equity or properties would diminish in six months' time, just that politicians like me were trying to spread worrying stories to frighten people.

When we pointed out the problems with the economy and the tax items while making recommendations on the Budget at the end of last year, the Government also adopted the same attitude and paid no attention to them when preparing the Budget. I clearly told the Government that the domino effect or the chain effect to be triggered would be very serious. Let me quote the comments made by a member of the public whom I met a few days ago. He is engaged in the dry cleaning industry. He said that a barrel of fuel oil — because those machines are fuel-driven — cost him only \$300 a couple of years ago, but the price has risen to \$1,600 per barrel recently. Even so, the suppliers may even cut corners by reducing the volume of fuel oil in each barrel. In the past, one barrel of oil can last for more than one hour, but now it will be used up in less than one hour. Therefore, the problem they are facing is very serious. He plans to close down his business because he is unable to pay the rent and he is in debt. The property owner has requested a bailiff to reclaim the

property at the end of this month. He has no way out because when a closure order is imposed on the property, his machines which worth more than \$2 million will have to be confiscated. Therefore, the chain effect triggered by such problems is beyond the understanding of those senior officials who hold high, important positions and who have regular income and their own chauffeur.

I really hope that senior government officials can reach out to the people at the district level. Very often, senior government officials nowadays only meet the big wigs and political parties in support of the Government, while entirely refusing to meet the underprivileged groups or members of the public in agony. Just as a few days ago, when the transport sector staged a petition outside the Government Headquarter, there was no senior official to receive them even after a few hours, thus intensifying the ill feelings of some friends from the transport sector who rushed out and blocked the road with their container trucks. I think their act is not necessarily ungrounded. Oppression will lead to rebellion. Many Members accused the container truck drivers for blocking the road. Why did they not accuse the senior officials for not meeting the container truck drivers? Why did they not accuse the senior officials for not addressing problems of the people's livelihood? Why did they not accuse the senior officials for failing to provide any concrete assistance to the freight transport sector to alleviate the difficulties they have been enduring over the year?

We cannot just rebuke some people from the grassroots who have acted on impulse and taken actions that caused inconvenience to other members of the public. Their impulsive acts were not without any cause. My blood pressure has also shot up. The problem is that senior officials are indifferent to the needs of the general public. Sometimes, the problem is that oppression will lead to rebellion, and there is collusion between business and the Government. Why do senior officials listen to the views of the big consortiums? Regarding rate reduction, were there very strong voices? It is just because this is a request made by the big consortiums that the Government has done it for them as soon as possible, while members of the general public who staged petitions and demonstrations and waited outside the Government Headquarter are not received by any official. What kind of attitude is this? Only when the entire city is thrown into chaos and an international scandal has emerged, as in the case of the recent incident in which a closure order is imposed on a hotel premises, will senior officials realize that a problem has occurred, as if they have just been awakened from a dream. This is the problem with governance now. To date, the senior echelons of the Government still lack the awareness for crisis. It

only treats everything as a triviality as if nothing had happened except for some noises and yelling from politicians and members of the general public.

President, if government officials hold on to this mentality of detaching from the public and maintain their haughtiness and arrogance, while failing to explore means to help alleviate and address the hardship faced by members of the general public, I believe that public discontent will definitely pile up and grow increasingly and intensely. At that time, the roads blocked will not be limited to those in Central. I hope that officials will understand the current hardship faced by members of the general public as a result of inflation and price hike and stop turning a blind eye to the situation, making scornful remarks and blowing its own horn on how strong the Hong Kong economy is, (*The buzzer sounded*) members of the general public are suffering badly. Thank you, President.

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

MR LEUNG YIU-CHUNG (in Cantonese): President, Honourable Members may have noticed that our recent meetings, whether debates or questions, have been surrounding a very important subject, that is, how the Government can curb the current soaring prices and alleviate the inflation problem.

I remember that in response to this issue, the Government has advised that a full range of measures has already been introduced, just that some of them have not been launched yet, among which are rent reduction and the upward adjustment of the Comprehensive Social Security Assistance payment, the provision of funds and financial assistance, and so on. President, it is true that these measures can surely bring good news to the grassroots, but to what extent can they solve the problems? This is questionable. Why do I say so? When we talked to the residents, everyone considered that even with these measures provided by the Government, they are still unable to catch up with the pace or rate of the rapid increase in prices. Therefore, measures provided by the Government to alleviate the price increase and the inflationary pressure have not achieved any apparent effect.

Recently, we have seen that some friends from the transport sector have expressed their discontent by staging processions. Some people may criticize them for copying the action taken by people in other countries. It is true that in

other countries, people have constantly staged processions and demonstrations to express their discontent about the soaring oil prices. However, I believe that friends from the sector are not just copying their action, but they also genuinely share their feelings. When they find that people from other countries have responded vigorously to this issue, and as they are facing the same problem, they may ask why the others can express their discontent but they cannot. Therefore, they have also expressed their discontent about the current oil price.

President, not just friends from the industry but also many members of the public are very discontented with the oil price. Why? Everyone knows that the oil price will trigger a chain effect because high oil price will naturally lead to the rise in the cost for the transport sector and also prices of other goods and services. Therefore, this is a very serious problem. Even our call for fuel duty reduction today is made not just for friends from the transport sector but also for society as a whole. This is a matter of chain effect. Therefore, I hope that Honourable Members will not adopt a narrow perspective and think that this is only for a group of friends from the sector. It is true that friends from the sector will be the first to bear the brunt because the amount they have to pay for filling their oil tanks is changing everyday, and has been continuously increasing and spiralling. They have to pay a bit more everyday. This is the most realistic situation.

However, besides this reality, some institutions or companies have transferred the cost of the spiralling oil prices to consumers. This has led to the daily rise of prices of goods purchased by consumers and so, they also face the same problem. Therefore, we should not be so slow in addressing this problem. Some Honourable colleagues have also pointed out just now that the Government has been spreading information that diesel duties may be reduced. In fact, even if there is a reduction, it is already too late because these problems have existed for too long.

With these remarks, I want to ask the Government why the authorities have always been slow in response when problems emerge. Why can they not introduce measures earlier in anticipation of problems, in order to provide solutions in good time when problems are envisaged? Of course, such information has yet been confirmed, and I do not know whether or not it is true, but I hope it is, so that in the face of serious inflation and soaring prices, the pressure of the industry and the general public can be alleviated. This is

something we must do. I hope that the Secretary will give us a positive reply later.

When I went through recent editorials today, I found that there has been quite a lot of discussion on whether or not fuel duties should be reduced. Some people pointed out that reducing diesel duties and fuel duties may not necessarily be beneficial to society because the issue of environmental protection is involved. If the Government reduces such duties today, there may not be any incentive or room for introducing duty reduction to encourage the public to use environmentally-friendly fuels. President, I think duty reduction is certainly one of the means to encourage the public to use environmentally-friendly fuels, but I believe this is definitely not the only means.

If we really consider the issue from the perspective of environmental protection, various approaches are actually available for the Government to achieve this. Therefore, I think those who made the comment in these editorials that these measures will hinder the promotion of environmental protection have underestimated the ability of our Government. I believe that duty reduction is not the only means to encourage the promotion of environmental protection, is it right, Secretary? There are many other approaches. Perhaps I may not be able to think of any, but I believe the SAR Government definitely has the capability to assist the industry to use environmentally-friendly fuels through different means and promote environmental protection. Therefore, I think this may not be the best way — I mean this may not be a very strong argument.

Besides, another argument put forward is that some members of the transport sector consider that diesel duties only account for 5% of the operating cost and given the deteriorating economic environment and their lack of new direction for development, even a reduction of the diesel duty will not bring about a lot of benefits. President, we do not know how beneficial it will be but at least the Government must make a gesture of concern by providing assistance to those who are facing hardship. This is the major point. Regarding the question of whether or not it will be very beneficial, we can spend some time examining it, but as far as the aim and direction are concerned, the authorities must show that they are willing to handle the situation instead of turning a blind eye to it, especially when our Chief Executive has been advocating the "people-oriented" principle. What does it mean to be "people-oriented"? Now that so many opinions have been expressed by the industry and in society, can we still turn a blind eye and a deaf ear to them?

Therefore, no matter how many percentage points the duties account for in the operating cost, as long as the industry has expressed such an aspiration and received public support, I think the Government should face it instead of backing down or evading the problem. Therefore, I hope that the Government can face this issue squarely. *(The buzzer sounded)*

President, I so submit.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): If not, I now call upon Mr LAU Kong-wah to speak on the five amendments. The speaking time limit is five minutes.

MR LAU KONG-WAH (in Cantonese): President, after I have moved my motion, five Members have proposed amendments to it. Basically, I would like to give an overall view on them.

The remarks made and the amendments proposed by Honourable Members today have actually shown that there is consensus in three aspects. Firstly, the current oil price hike will bring about very far-reaching impact on society and have implication on social stability. Secondly, on the one hand, we sympathize with the industry for their hardship; on the other hand, we may not encourage radical behaviour because we cherish the current stable social environment. Thirdly, regarding fuel duties, although three items of fuel duties are mentioned, our views are more consistent on abolishing the duty on sulphur-free diesel, while we still hope that the Government can consider remitting petrol duties. As for subsidies on fuel prices, it seems to be more controversial and a consensus may not be reached, but we will continue to propose a motion to this effect.

As for the amendment proposed by Mr WONG Kwok-hing, as it is more controversial and may affect other sectors or industries in the future, it seems that no consensus has been reached yet.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, I wish to thank Members for giving their opinions on duties on motor vehicle fuels and the operation of the transport sector just now. I now provide a consolidated response to their opinions.

Like most major economies, it is our established policy to impose duties on motor vehicle fuels. All along, the Government has been very cautious in balancing various factors such as government revenue, environmental protection, transport and the acceptability to society in setting fuel duty rates, and will consider introducing various measures having regard to different policy considerations.

At present, the motor vehicle fuels available in the market are unleaded petrol for private motor vehicles and Euro V diesel for commercial motor vehicles. Motor vehicle fuels generate an annual revenue of about \$3.1 billion for the Government, in which \$2.7 billion comes from petrol, while the remaining \$400 million comes from diesel. As the users of these two types of fuels are different, we have to consider the duty reduction proposals of these two types of fuels from different policy perspectives.

First of all, I will respond to the proposal of reducing the duty on unleaded petrol by half. Hong Kong is a small place with limited road spaces. Besides, we have a comprehensive public transport network to cater for the transport needs of the public. Therefore, it is generally agreed in society that private motor vehicles are not a basic necessity for living in Hong Kong. The duty currently imposed by the Government on unleaded petrol is \$6.06 per litre, which accounts for about 36% of its retail price. No adjustment has been made to the relevant rate since October 1998. Compared with other developed economies, the current petrol duty rate in Hong Kong is not particularly high.

The Government imposes a duty on petrol not only to provide an important and stable source of government revenue but also to facilitate the control of problems such as traffic congestion and air pollution.

According to statistics, the rise in oil prices in recent years has not led to any decrease in petrol consumption by local private motor vehicle owners. On the contrary, despite the continuous increase in the retail prices of petrol for about 20% last year, there was still an increase of 1.4% in petrol consumption in

the first four months of this year compared with that of the same period last year. Besides, the increase in the number of private motor vehicles in the past two years has not shown any sign of slowing down, with the number of newly registered motor vehicles in the first four months of this year having increased by 42% compared with the same period last year. Therefore, if the duty on unleaded petrol is reduced by half, the usage of private motor vehicles may increase, which will cause problems such as traffic congestion and air pollution.

Reducing the duty on petrol by half may cost the Treasury about \$1.4 billion annually, but it is estimated that it will only bring down the Composite Consumer Price Index by about 0.14%. As private motor vehicles are, after all, not a basic necessity, reducing the petrol duty will not be very helpful to alleviating the pressure of inflation on the general public.

Based on the principle of "ability-to-pay" and policy considerations relating to transport and environmental protection, we consider that it is currently inappropriate and unnecessary to reduce the duty on petrol for private motor vehicles.

As for diesel, it is mainly for use by commercial motor vehicles. Therefore, the Government has all along been setting the duties on diesel at a lower level than the duty on petrol. In 1998, the Government reduced the diesel duty rate from \$2.89 to \$2 per litre in view of the economic downturn. In 2000, the ultra-low sulphur diesel which is more environmentally-friendly was introduced and the duty rate was further reduced to \$1.11 per litre. Having considered the operating environment of the transport sector, the Government has extended the relevant duty concessions for eight times. In December last year, in order to encourage the market to expeditiously shift to the more environment-friendly Euro V diesel, the Government has even set the concessionary duty rate for this type of diesel at \$0.56 per litre.

The existing diesel duty only accounts for less than 5% of its retail price, as also mentioned by some Members just now; and it is at the low end compared with other major economies within the region or even around the world. There is the view that Hong Kong should follow the example of some places by not imposing any duty on diesel. However, it should be noted that although these places have not imposed any specific duty on diesel, they may have imposed tariff, value-added tax or sales tax on diesel. Therefore, we have to consider all kinds of taxes at the same time in order to compare the level of diesel duties in

different places in a fair manner. For example, in Singapore, no diesel duties are imposed but a goods and services tax of 7% amounting to about HK\$0.7 per litre is imposed, which is higher than the existing rate of \$0.56 in Hong Kong. The diesel duty rates in other countries such as Japan and Australia are as high as 30% (which amounts to HK\$3 to HK\$4 per litre). The rates in some Western European countries such as Spain, Italy, Germany, France and the United Kingdom are even as high as 43% to 54% (amounting to about HK\$6 to HK\$11). Some Members have mentioned just now that the rising oil prices have recently triggered off demonstrations in some places in Europe. However, the above information clearly shows that our duty rate — whether it be calculated by reference to the amount of duty imposed per litre or the percentage of the duty in the pump price — is far lower than those in these countries.

Notwithstanding this, in response to the opinions recently expressed by the industry and Members, the Government has still undertaken to actively expedite the review of diesel duty rate and release the results as soon as possible. In the review, the Government will cautiously examine various factors, including the situation of the transport sector, the overall economy of Hong Kong, the fiscal position of the Government, policies on environmental protection, transport and so on, and will listen to the views of various sectors in the community. Regarding the viewpoint put forward in one of the newspaper today that reducing diesel duties is tantamount to subsidizing the industry, some Members have also queried this point in the debate just now. I wish to point out that any tax item should be introduced on the basis of tax revenue and fiscal policies, while the reduction of a tax item is not tantamount to subsidizing a particular industry. In making this decision, we have to comprehensively take into account various policy considerations, including the factors which I have mentioned just now. However, I have to stress that we absolutely disagree with the use of means which will disrupt public order or other radical means by any individual or organization to force the Government to reduce diesel duties within a specific timeframe. I believe that this approach is absolutely not supported by this Council and society. Although we do not agree with the use of radical means, the Government will carry out the policy review that I have just mentioned in a pragmatic manner.

I wish to speak on the provision of subsidies on diesel prices. Mr WONG Kwok-hing has put forward the proposal that the Government should provide subsidies on diesel prices. Although we are aware that some neighbouring countries have provided subsidies on diesel prices and imposed restrictions on oil

prices, the recent oil price hikes have already put such countries under heavy financial pressure, and they have to slash the subsidies substantially in order to reduce their financial burden, which has led to social unrest. The provision of subsidies by taxpayers for the operation cost of individual industry is contrary to the principles of free economy and equity which have all along been upheld in Hong Kong, and this approach is not acceptable to the community of Hong Kong in general. As a number of Members have pointed out in their speeches just now, the provision of subsidies on fuels can be said to be a "bottomless pit", and it will create a heavy burden on the public finance and taxpayers, and will create far-reaching implications. Therefore, we do not agree with the proposal on providing subsidies on diesel prices put forward by Mr WONG Kwok-hing.

A lot of people are of the view that inadequate government supervision on the price adjustment of oil companies has led to high oil prices. Ms Miriam LAU has proposed an amendment to request the Government to ensure that oil companies will fully reflect the duty concessions in the retail prices. Auto-fuel retail prices in Hong Kong have always been determined by individual oil companies having regard to international oil prices, the principle of commercial operation and their own operating cost. The Environmental Bureau has been closely monitoring the trend of international oil prices and the local auto-fuel retail prices and has noticed that changes in local auto-fuel retail prices are broadly in line with the trend movements of international oil prices. The Environmental Bureau has all along been maintaining close contact with oil companies and reminding them of making prompt responses to reduce the retail prices whenever there is room for downward adjustment.

In a free market economy, the Government does not have the power to determine the retail prices of fuels. However, the Government will strive to maintain a stable fuel supply and the openness of the market, and enhance competition by removing barriers to entry into the fuel market. The Government is laying down a cross-sector competition law to ensure a more effective implementation of the existing competition policy and to provide a level playing field for the business sector.

Madam President, Honourable Members have expressed a lot of valuable views during today's motion debate, which involve different policy areas and different government bureaux and departments, and the issues involved are very complicated. However, we fully understand that with high diesel prices, the transport and logistics sectors are facing difficulties in their operation.

Although the current diesel duty is already at an extremely low level, and is not a contributory factor of the high oil prices, in response to the aspiration of the industry and the views expressed by Members, we undertake to actively expedite the review of diesel duties and release the review results as soon as possible.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now call upon Mr WONG Kwok-hing to move his amendment to the motion.

MR WONG KWOK-HING (in Cantonese): President, I move that Mr LAU Kong-wah's motion be amended.

Mr WONG Kwok-hing moved the following amendment: (Translation)

"To delete "as" after "That," and substitute with "owing to the weak US dollar and rapid growth in global oil demand in recent years,"; to delete "duties" after "to reduce the" and substitute with "duty"; to delete "and Euro V diesel" after "unleaded petrol"; and to add "and completely abolish diesel duties, as well as provide subsidies on diesel prices to the more seriously affected industries" after "by half"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr WONG Kwok-hing to Mr LAU Kong-wah's motion, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr WONG Kwok-hing rose to claim a division.

PRESIDENT (in Cantonese): Mr WONG Kwok-hing has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Ms LI Fung-ying, Mr WONG Kwok-hing and Mr KWONG Chi-kin voted for the amendment.

Mr CHEUNG Man-kwong, Mrs Sophie LEUNG, Mr SIN Chung-kai, Mr Howard YOUNG, Mr LAU Wong-fat, Mr Timothy FOK, Mr Abraham SHEK, Mr Tommy CHEUNG, Mr Daniel LAM, Mr Jeffrey LAM, Mr Andrew LEUNG, Prof Patrick LAU and Miss TAM Heung-man voted against the amendment.

Ms Miriam LAU, Dr KWOK Ka-ki and Mr WONG Ting-kwong abstained.

Geographical Constituencies:

Mr Frederick FUNG voted for the amendment.

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mrs Selina CHOW, Dr YEUNG Sum, Ms Emily LAU, Mr Andrew CHENG, Mr Albert CHAN, Ms Audrey EU, Mr Alan LEONG and Mr Ronny TONG voted against the amendment.

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

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 19 were present, three were in favour of the amendment, 13 against it and three abstained; while among the Members returned by geographical constituencies through direct elections, 20 were present, one was in favour of the amendment, 11 against it and seven abstained. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negatived.

MS MIRIAM LAU (in Cantonese): President, I move that in the event of further divisions being claimed in respect of the motion on "Reducing the duties on motor vehicle fuels" or any amendments thereto, this Council do proceed to each of such divisions after the division bell has been rung for one minute.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Ms Miriam LAU be passed.

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

I order that in the event of further divisions being claimed in respect of the motion on "Reducing the duties on motor vehicle fuels" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

PRESIDENT (in Cantonese): Mr Frederick FUNG, you may move your amendment.

MR FREDERICK FUNG (in Cantonese): President, I move that Mr LAU Kong-wah's motion be amended.

Mr Frederick FUNG moved the following amendment: (Translation)

"To delete "as" after "That," and substitute with "given that"; to add "and will remain at a high level" after "record highs"; to delete "duties" after "to reduce the" and substitute with "duty"; to delete "and Euro V diesel" after "unleaded petrol"; and to add "and remit all diesel duties" after "by half"."

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

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

(Members raised their hands)

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

(Members raised their hands)

Mr SIN Chung-kai rose to claim a division.

PRESIDENT (in Cantonese): Mr SIN Chung-kai has claimed a division. The division bell will ring for one minute, after which the division will begin.

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

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

Functional Constituencies:

Mrs Sophie LEUNG, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Timothy FOK, Mr Abraham SHEK, Ms LI Fung-ying, Mr Tommy CHEUNG, Mr WONG Kwok-hing, Mr Daniel LAM, Mr Jeffrey LAM, Mr Andrew LEUNG, Dr KWOK Ka-ki, Mr WONG Ting-kwong, Prof Patrick LAU and Mr KWONG Chi-kin voted for the amendment.

Miss TAM Heung-man voted against the amendment.

Mr CHEUNG Man-kwong and Mr SIN Chung-kai abstained.

Geographical Constituencies:

Mr LEE Cheuk-yan, Mrs Selina CHOW, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr LAU Chin-shek, Mr LAU Kong-wah,

Miss CHOY So-yuk, Mr Frederick FUNG, Mr LI Kwok-ying and Mr CHEUNG Hok-ming voted for the amendment.

Ms Audrey EU, Mr Alan LEONG and Mr Ronny TONG voted against the amendment.

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Dr YEUNG Sum, Ms Emily LAU, Mr Andrew CHENG and Mr Albert CHAN abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 19 were present, 16 were in favour of the amendment, one against it and two abstained; while among the Members returned by geographical constituencies through direct elections, 22 were present, 11 were in favour of the amendment, three against it and seven abstained. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negatived.

PRESIDENT (in Cantonese): Mr CHAN Kam-lam, you may move your amendment.

MR CHAN KAM-LAM (in Cantonese): President, I move that Mr LAU Kong-wah's motion be amended.

Mr CHAN Kam-lam moved the following amendment: (Translation)

"To delete "as" after "That," and substitute with "owing to the weak US dollar and rapid growth in global oil demand in recent years,"; to delete "duties" after "to reduce the" and substitute with "duty"; to delete "and Euro V diesel" after "unleaded petrol"; and to add "and completely abolish diesel duties" after "by half"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr CHAN Kam-lam to Mr LAU Kong-wah's motion, be passed.

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

(Members raised their hands)

PRESIDENT (in Cantonese): Those against

(Mr SIN Chung-kai stood up)

PRESIDENT (in Cantonese): Mr SIN Chung-kai, you can let me finish my sentence before claiming a division.

Mr SIN Chung-kai rose to claim a division.

PRESIDENT (in Cantonese): Mr SIN Chung-kai has claimed a division. The division bell will ring for one minute, after which the division will begin.

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

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

Functional Constituencies:

Mrs Sophie LEUNG, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Timothy FOK, Mr Abraham SHEK, Ms LI Fung-ying, Mr Tommy

CHEUNG, Mr WONG Kwok-hing, Mr Daniel LAM, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Prof Patrick LAU and Mr KWONG Chi-kin voted for the amendment.

Miss TAM Heung-man voted against the amendment.

Mr CHEUNG Man-kwong, Mr SIN Chung-kai and Dr KWOK Ka-ki abstained.

Geographical Constituencies:

Mr LEE Cheuk-yan, Mrs Selina CHOW, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr LAU Chin-shek, Mr LAU Kong-wah, Miss CHOY So-yuk, Mr Frederick FUNG, Mr LI Kwok-ying and Mr CHEUNG Hok-ming voted for the amendment.

Ms Audrey EU, Mr Alan LEONG and Mr Ronny TONG voted against the amendment.

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Dr YEUNG Sum, Ms Emily LAU, Mr Andrew CHENG and Mr Albert CHAN abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 19 were present, 15 were in favour of the amendment, one against it and three abstained; while among the Members returned by geographical constituencies through direct elections, 22 were present, 11 were in favour of the amendment, three against it and seven abstained. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negatived.

PRESIDENT (in Cantonese): Ms Miriam LAU, you may move your amendment.

MS MIRIAM LAU (in Cantonese): President, I move that Mr LAU Kong-wah's motion be amended.

Ms Miriam LAU moved the following amendment: (Translation)

"To delete "as" after "That," and substitute with "the Government has, since 1 December last year, lowered the concessionary duty rate for Euro V diesel to \$0.56 per litre, yet"; to add "thereby substantially increasing the cost of the transportation industry and the burden on people's livelihood," after "record highs,"; to delete "duties" after "to reduce the" and substitute with "duty"; to delete "and Euro V diesel" after "unleaded petrol"; and to add "and completely remit the duty on Euro V diesel, and at the same time ensure that oil companies will fully reflect the duty concessions in the retail prices" after "by half"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Ms Miriam LAU to Mr LAU Kong-wah's motion, be passed.

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

(Members raised their hands)

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

(No hands raised)

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

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

PRESIDENT (in Cantonese): Members have been informed that Mr SIN Chung-kai will withdraw his amendment if Ms Miriam LAU's amendment is passed.

PRESIDENT (in Cantonese): Mr LAU Kong-wah, you may now reply and you have six minutes 45 seconds.

MR LAU KONG-WAH (in Cantonese): President, as everybody is a bit hungry, my speech will be very brief.

President, sometimes members of the public may criticize this Council for only mumbling empty words without taking any concrete action, but I hope that this motion can be passed and the Government can put our proposals into practice.

Another criticism is targeted at the Government. Members of the public have pointed out that sometimes the Government is sluggish in action. I hope that the Secretary can heed sound advice on this issue and announce a plan expeditiously so that it can be implemented within the current session.

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

(Members raised their hands)

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

(No hands raised)

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

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 11.00 am on Wednesday, 25 June 2008.

Adjourned accordingly at twenty-eight minutes to Two o'clock.