

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 5 December 2007

The Council met at Eleven o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

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

THE HONOURABLE ALBERT HO CHUN-YAN

IR DR THE HONOURABLE RAYMOND HO CHUNG-TAI, S.B.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 JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

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

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

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

THE HONOURABLE MRS SOPHIE LEUNG LAU YAU-FUN, 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 VINCENT FANG KANG, J.P.

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE LEE WING-TAT

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

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

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

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

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

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

THE HONOURABLE LEUNG KWOK-HUNG

DR THE HONOURABLE KWOK KA-KI

DR THE HONOURABLE FERNANDO CHEUNG CHIU-HUNG

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

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

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

THE HONOURABLE CHIM PUI-CHUNG

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.

PUBLIC OFFICERS ATTENDING:

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

THE CHIEF SECRETARY FOR ADMINISTRATION

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

SECRETARY FOR EDUCATION

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

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT

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

SECRETARY FOR SECURITY

DR THE HONOURABLE YORK CHOW YAT-NGOK, S.B.S., J.P.

SECRETARY FOR FOOD AND HEALTH

THE HONOURABLE TSANG TAK-SING, J.P.

SECRETARY FOR HOME AFFAIRS

THE HONOURABLE MRS CARRIE LAM CHENG YUET-NGOR, J.P.

SECRETARY FOR DEVELOPMENT

THE HONOURABLE EVA CHENG, J.P.

SECRETARY FOR TRANSPORT AND HOUSING

CLERKS IN ATTENDANCE:

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

MS PAULINE NG MAN-WAH, ASSISTANT SECRETARY GENERAL

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT SECRETARY
GENERAL

TAKING OF LEGISLATIVE COUNCIL OATH

PRESIDENT (in Cantonese): Members will please remain standing for the taking of the Legislative Council Oath.

The Honourable Mrs Anson CHAN took the Legislative Council Oath

PRESIDENT (in Cantonese): On behalf of Members, I would like to welcome Mrs Anson CHAN to this Council.

TABLING OF PAPERS

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

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
Unsolicited Electronic Messages (Amendment) Regulation 2007.....	225/2007
Tax Reserve Certificates (Rate of Interest) (No. 6) Notice 2007.....	226/2007

Other Papers

- No. 36 — Audited Statement of Accounts of the Director of Social Welfare Incorporated, together with the Director of Audit's Report for the year ended 31 March 2007
- No. 37 — Report by the Trustee of the Emergency Relief Fund for the year ending 31 March 2007, together with the Audited Statement of Accounts and the Director of Audit's Report

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. First question.

Use of Trade Plates

1. **MR ALBERT CHENG** (in Cantonese): *Some members of the public have reflected to me that trade licences (T licences) and trade plates (T plates) are originally used in the delivery of vehicles, presale demonstration of vehicles to potential customers by motor dealers, and testing of serviced vehicles by vehicle repairers, but there is a trend of misuse of T plates in recent years. In this connection, will the Government inform this Council:*

- (a) *whether it has prescribed the intervals of the day in which T plates may be used; if so, of the details;*
- (b) *whether the authorities have uncovered any cases of misuse of T plates (for example, using such plates for evading the vehicle first registration tax or vehicle licence fees, or for driving vehicles which have not been tested by the authorities on their safety and whether they comply with environmental protection specifications); and*
- (c) *whether it has examined if it is against the law for car dealers to lease their T plates to customers for them to display on their vehicles for prolonged use; if it is, whether the authorities have instituted prosecutions in this regard; if it is not, whether the authorities will amend the relevant legislation to plug loopholes such as tax evasion and avoidance of the requirements for fittings of vehicles to comply with safety and environmental protection specifications?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Madam President, I now reply to the three parts of the question.

Under the Road Traffic (Registration and Licensing of Vehicles) Regulations (the Regulations), T licences are issued to a manufacturer or a repairer of or a dealer in vehicles for use in the course of his business. They are valid for a maximum of one year.

As T licences are issued to facilitate the operation of the trade, the Regulations impose no restrictions on the periods of the day in which T licences may be used. However, there are restrictions on the use and various aspects of T licences. These include:

- (i) a T licence may be used only for driving an unregistered vehicle in the course of delivery to a motor dealer or exhibitor, or a vehicle for the purpose of presale demonstration to a potential customer, or a vehicle under mechanical test;
- (ii) a T licence shall not be used unless its holder or an authorized person under his employment is present and in charge of the vehicle, for example, a customer accompanied by the T licence holder's employee during a test-drive;
- (iii) when a vehicle is being used under a T licence, the number of passengers carried on the vehicle shall not exceed two; and
- (iv) every T licence holder shall maintain a register of all journeys made by the vehicles in use under the T licences showing the date, time and place of each journey, as well as relevant particulars of the vehicle, such as its registration mark (if any). The licence holder shall produce the register for inspection on request by any police officer or the Transport Department (TD).

It is an offence for a car dealer to lease his T licence to a customer for his long-term use. According to the police, the numbers of prosecutions involving "allowing use of T licence by another person" were two in 2004, two in 2005, four in 2006, and one in the period of January to October this year. We have not identified any cases involving the use of T licences on vehicles failing to meet road safety or emission standards. Furthermore, the Regulations also provide that T licences cannot be used on vehicles failing to meet the construction, safety and pollutant emission standards as required by the Road Traffic (Construction and Maintenance of Vehicles) Regulations.

To reduce the chance of abuse in the use of T licences, we have tightened the control on T licences in various ways. On the issue of T licences, apart from examining in detail the applicant's supporting documents to ensure that he is in the relevant business, the TD will conduct further investigation on doubtful

cases. The TD has also strengthened its random checking on T licence registers. On the enforcement side, apart from enhancing the awareness of the front-line officers and conducting checks on suspicious vehicles, the police have conducted special operations on reported black spots. The police have also strengthened their liaison with the TD, and will provide the TD with the information on successful prosecutions. The TD will take follow-up action as appropriate having regard to the situation of each case, including consideration of cancellation of the T licence concerned, in order to combat against abuse in the use of T licences.

MR ALBERT CHENG (in Cantonese): *President, the Secretary said in the main reply that there were no restrictions on the periods of the day in which T licences might be used. We all know very clearly that T licences are used in test-drives and delivery of vehicles. However, I have received a report from a member of the public, together with a photo, which was subsequently submitted to the Director of the TD. The photo shows that a T plate is permanently displayed on a car, which has actually become a car plate. Furthermore, I have seen a car displaying a T plate running in the streets late at night, say, at 3 am or 4 am. Is it necessary for any driver to conduct test-drives late at night? I wonder if any vehicle repairer in Hong Kong still opens for business at night, or any car dealer still delivers vehicles to their customers at night. I have never heard of any. So, may I ask why there is no time restriction?*

Furthermore, President, this part actually belongs to the same question. While T plates are mainly used on left-hand-drive vehicles, no one is buying them in Hong Kong. Hence, there should not be any delivery, maintenance or test-drive of left-hand-drive vehicles in Hong Kong.

PRESIDENT (in Cantonese): Mr Albert CHENG, you have indeed raised two supplementary questions. The first one concerns whether there is any time restriction on the use of T plates, while the second one asked about the use of T plates on left-hand-drive vehicles. Since you have already put your questions, you need not explain them. The Secretary may choose to answer both of your supplementaries, or just either of them.

MR ALBERT CHENG (in Cantonese): *T plates. (Laughter)*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Insofar as time restriction is concerned, T licences are actually issued to facilitate the trade so that car dealers can arrange test-drives for prospective customers. We consider the existing requirement of maintaining a register a sufficient regulation, whereby such information as the detail of each journey and the date must be properly entered. We may certainly further tighten our control, but this will probably affect the operation of the trade. Therefore, at this stage, we do not have any plan to tighten our control.

MR JAMES TO (in Cantonese): *President, according to the third paragraph of the main reply, it is an offence for a car dealer to lease its T licence to a customer for long-term use. May I ask if the word "long-term" was actually used in the Regulations? Or the Regulations are indeed not strict enough such that the car dealers can let their customers use the T licences? If a car dealer holds more than one T licence, the licences can then be used by many people provided that they all comply with the law, right? It is also possible that a staff member of a car dealer can use it for a test-drive on its own, right? Is there any loophole in this regard?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Madam President, meanwhile, we may look at the use of the T licences as prescribed in the law. Just as I have stated in the second paragraph of the main reply, T licences can only be used for, among others, driving unregistered vehicles in the course of delivery to a motor dealer or exhibitor; test-drives by customers provided that the licence holder or the person under his employment is present and in charge of the vehicle, and that a vehicle using a T licence should carry no more than two passengers. There is actually no reference to the word "long-term" in the law. The above requirements are, however, tantamount to restricting the use of vehicles under a T licence to only test-drives or delivery to customers after maintenance. I consider that sufficient regulation has been imposed in this regard. Should we identify any problem, we will be very willing to follow it up.

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

MR JAMES TO (in Cantonese): *The Secretary has not answered where the meaning of the word "long-term" can be found.*

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

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Madam President, the long-term use of T licences has not been specified in the law, and what I have mentioned just now are all short-term uses.

MR ANDREW CHENG (in Cantonese): *President, the Secretary mentioned in the last few sentences of the main reply that she was also worried about the possibility of abuse. In order to combat such behaviour, the Government will consider cancelling the T licences having regard to the situation of each case. Mr Albert CHENG asked in his supplementary question whether the Secretary would consider imposing certain restrictions on the periods of the day in which T plates can be used when cases of non-compliance are penalized, apart from the cancellation of T licences for cases of non-compliance, so as to prevent abuse in the use of T plates by car dealers.*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Madam President, I noted Mr Andrew CHENG's suggestion. However, if we selectively impose restrictions on people who have only contravened the law once They may have contravened the law for just once, and are actually engaging in the sale and purchase of vehicles. Therefore, we must be very careful in dealing with each and every case.

At present, the trade is required to produce different information for the application of T licences, for instance, a valid business registration certificate. If the business concerned is already in operation, it will be required to produce copies of sales invoices of the latest month for verification. For instance, since the TD should have information on the cars that were sold after test-drives, so it can be used for verification. For this reason, we think that more can be done in the approval of applications by carefully examining all the relevant information.

MR HOWARD YOUNG (in Cantonese): *Madam President, the Secretary has clearly highlighted the scope of use of T licences in parts (i), (ii), (iii) and (iv) in the second paragraph of the main reply, in which the major consideration is safety. May I ask if there is another hidden concern, that is, the possible failure of insurance to cover the use of T plates outside the prescribed scope, whereby the victim of an accident may not get any compensation? Is there such a risk?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): It is presently required by the existing regulation that third-party insurance must be procured. As far as we understand it, the driver or the person being knocked down will still be covered by insurance even if the accident involves a violation of law.

MR ABRAHAM SHEK (in Cantonese): *President, I wish to follow up the supplementary question raised by Mr Albert CHENG earlier on concerning the need for left-hand-drive vehicles to use T plates. I wish to hear the Secretary's reply.*

PRESIDENT (in Cantonese): Can you make yourself clearer?

MR ABRAHAM SHEK (in Cantonese): *I wish to follow up Albert CHENG.....*

PRESIDENT (in Cantonese): I know, but could you please repeat the question as Members may have forgotten what Mr Albert CHENG's supplementary question is about.

MR ABRAHAM SHEK (in Cantonese): *Fine. I wish to hear how the Secretary will reply to the part of Mr Albert CHENG's supplementary question concerning left-hand-drive vehicles.*

PRESIDENT (in Cantonese): On the use of T plates on left-hand-drive vehicles?

MR ABRAHAM SHEK (in Cantonese): *The use of T plates on left-hand-drive vehicles.*

PRESIDENT (in Cantonese): Then what?

MR ABRAHAM SHEK (in Cantonese): *Why do left-hand-drive vehicles need to put on T plates in Hong Kong?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Madam President, there is currently no provision prescribing the type of vehicles of which test-drives can be conducted in Hong Kong. Certainly, the vehicles concerned must meet the requirements on manufacturing and emission which I have mentioned earlier on. A customer may purchase a vehicle in Hong Kong, but it may not be used here but will probably be shipped out of Hong Kong. We will not rule out the possibility of such business operation.

PRESIDENT (in Cantonese): Second question.

Work of Inspection Staff of Television and Entertainment Licensing Authority

2. **MISS CHOY SO-YUK** (in Cantonese): *President, I did not expect my turn of asking the main question would come so soon. (Laughter)*

President, the media recently uncovered that a number of inspection staff of the Newspapers Registration Section under the Television and Entertainment Licensing Authority (TELA) had, without permission, left their work for tea, movies and even workout in fitness centres, while they were on field duties. In this connection, will the Government inform this Council:

- (a) *when the investigation conducted by TELA into the aforesaid incident will be completed and whether the investigation report will be made public;*

- (b) *given that it has been reported that TELA has been using 3G video phones to monitor the work of its field staff since 2005, and supervisors at various levels also regularly conduct surprise checks and verify the work report of its staff, of the number of cases uncovered last year by TELA involving the breach of rules by inspection staff and, among such cases, the number of those which were substantiated, and the penalties imposed on the staff concerned; and*
- (c) *given that TELA has previously submitted for classification three newspapers on which an identical set of nude photographs of an overseas female celebrity was published, but it failed to discover during its inspection that such photographs were also published in the NOW magazine, whether it will investigate if there was any dereliction of duties on the part of TELA staff; if it will, of the details; if not, the reasons for that?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): Madam President, TELA is one of the government departments involved in the enforcement of the Control of Obscene and Indecent Articles Ordinance (the Ordinance). Actions carried out by TELA include monitoring of articles on sale in the market and inspecting retail outlets selling these articles.

Officers responsible for the above actions are mainly Inspectors and Assistant Inspectors of TELA. They monitor articles such as newspapers, magazines and comic books available in the market and submit those suspected of breaching the Ordinance to the Obscene Articles Tribunal (OAT) for classification. They also provide assistance in handling enquiries and complaints from the general public in relation to the Ordinance.

The Inspectors and Assistant Inspectors of TELA conduct joint operations with the police against shops selling obscene and indecent articles regularly. They also carry out inspections at newspaper stalls, convenient stores, video shops and other outlets on the street or inside shopping centres, so as to check places where newspapers and VCDs are sold against the provisions of the Ordinance. Apart from enforcing the Ordinance, they are required to inspect cinemas and amusement game centres under the Film Censorship Ordinance and the Amusement Game Centres Ordinance respectively.

My reply to the Honourable CHOY So-yuk's main question in *seriatim* is as follows:

- (a) TELA has completed investigation regarding the recent media report on some of its inspectorate staff who had been absent from duty without leave. Since the investigation report contains personal data and details of the disciplinary actions, it will not be disclosed. According to the established practice of the Government, details of individual cases involving disciplinary actions will not be disclosed and all closed cases shall be kept confidential. Although the report may not be disclosed, findings of the investigation indicate that some of the staff have been involved in breach of regulations. TELA has handled the case seriously by taking disciplinary actions against the officers concerned according to the established civil service procedures, which include suspension from duty and issuance of written warning, and one of the officers has left the service. Members can rest assured that the case has been handled seriously and I would like to reiterate that the Government will not tolerate any officers for dereliction of duty or breach of regulations.
- (b) TELA regularly reviews its measures in monitoring staff on field inspection duties. Apart from surprise checks by managerial staff and verification of inspection reports by supervisors, TELA has introduced a new monitoring measure in 2005, that is, the use of automatic location identification feature of 3G phones to monitor the whereabouts of inspection staff. Up till now, TELA has uncovered five cases involving the breach of regulations (the case in question not included). After internal investigation, TELA has handled these cases in strict accordance with the established civil service procedures.
- TELA will strengthen measures to monitor its staff on field duties by increasing the number of surprise checks by supervisors and more frequent use of the automatic location identification feature of 3G phones.
- (c) Actions carried out by TELA under the Ordinance include monitoring of newspapers and magazines on sale in Hong Kong.

Given the large number and broad variety of local and foreign newspapers and magazines being sold in Hong Kong and the huge number of outlets all over Hong Kong, there is genuine practical difficulty to inspect all newspapers and magazines sold in Hong Kong and to inspect all the retail outlets. Therefore, the strategy adopted by TELA is to focus on monitoring those publications that are available at newsstands and convenience stores that are readily accessible by the public. In respect of the foreign magazine mentioned in the third part of the main question, TELA had carried out monitoring inspection in accordance with the above procedures. As the magazine under complaint was not found in local newsstands or convenience stores during inspection at that time, no further action has been taken. The case concerned neither involves selective enforcement, nor dereliction of duty on the part of TELA staff.

MISS CHOY SO-YUK (in Cantonese): *President, in the Secretary's main reply, we can clearly see that, as a matter of fact, some TELA staff members had really breached the regulations. In respect of prosecuting newspapers and magazines, some were prosecuted, but some were not because such publications were not found during inspection. From this, we can see that there are lots of problems with TELA with regard to its criteria, scope and work of prosecution as a whole. May I ask the Secretary whether he will conduct a comprehensive review of the overall enforcement standards of TELA, including the scope of work of its staff, the vetting system and the scope of prosecution, and so on? If so, when will it be conducted?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): Madam President, as I had said in the Question Time of the last Legislative Council meeting, we shall conduct a review of the relevant legislation and other aspects.

We should understand that, whenever such issues are involved, we would certainly consult the views of the public. Regarding the staff, I wish to take this opportunity to give a brief explanation. There are about 40 staff members undertaking field inspection duties. Members can imagine that, as I have mentioned in the main reply, there are so many newsstands, convenience stores and other outlets in Hong Kong, it is impossible for them to inspect all such

places. This is the aspect that I wish to explain briefly. Miss CHOY So-yuk has mentioned just now that she hopes we can conduct a review. We shall do it as soon as possible.

MR CHAN KAM-LAM (in Cantonese): *From the Secretary's main reply, we can see that the Government has already adopted a lot of measures to prevent absence of duty of the inspection staff. This also serves to illustrate that there may be some problems in the entire system. Regarding this kind of operation with multi-level monitoring, I wish to find out whether or not the Secretary and TELA would examine the entire law-enforcement procedures again, including the various aspects such as the monitoring and vetting of newspapers and magazines, and so on, so as to see whether some problems really exist and a comprehensive review is necessary?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): Madam President, I have said that we shall conduct a comprehensive review of the work of TELA, from legislation to enforcement. However, as the scope involved is rather extensive, it will take some time. I hope Members can understand this.

MRS SELINA CHOW (in Cantonese): *President, in my opinion, the issue is very serious because these officers on inspection duty can present articles to OATS, and may even lead to some prosecution decisions. Therefore, if they had left their work for tea, movies and even workout in fitness centres, and so on, they should in fact be dismissed immediately.*

I wish to ask the Secretary a question. Since he has mentioned in part (b) of the main reply that the case would be seriously handled, may I ask him whether "seriously handled" refers to dismissal? Besides, does he think this monitoring system is already adequate for preventing the recurrence of such incidents? He said that there are five cases involving the breach of regulations and this case is "not included". There are five other cases. But I am sure there are other cases which are also "not included". As such, can this system serve to handle this aspect of work more stringently?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): Madam President, first of all, I would like to make a clarification. I am referring to the five cases Mrs Selina CHOW has mentioned just now. In Miss CHOY So-yuk's main question, she asked about the situation after the introduction of the measure of using 3G video phones in our monitoring work. So my main reply is, TELA has uncovered five cases involving the breach of regulations, but the case in question is not included. Therefore, these five cases had already been uncovered and handled in strict accordance with the established procedures under the Civil Service Regulations (CSR). They had already been handled.

Mrs Selina CHOW should know it very well that the Government has a set of established disciplinary procedures. If we can prove that certain civil service colleagues have breached the regulations and also the evidence is adequate, then the Civil Service Bureau will handle the case according to CSR. For contract staff, the procedures are relatively simpler.

Therefore, I can assure Members that, when we discover such situations and if concrete evidence is available, that is, the evidence we can get is adequate to prove that the staff member concerned had really done something that constitutes absence from duties, we would certainly handle it seriously. Therefore, I can assure Mrs Selina CHOW that there is no question of them not being subject to punishment.

MRS SELINA CHOW (in Cantonese): *The Secretary has not answered my question. I just asked him a simple question: Does "seriously handled" mean dismissal? But he just said that it would be seriously handled. Of course, we must be able to prove that the staff member has really breached the regulations before we can punish him. If there is no evidence, there is no reason for us to subject him to injustice. However, my supplementary question was: After an investigation had been conducted, a staff member was proved to have breached regulations, and the breach was a serious one, would he be dismissed? In fact, the Secretary only has to answer my question in simple terms, that is: Will he be dismissed?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): Madam President, as I have said in the main reply, one of the officers had left the service.

MS MIRIAM LAU (in Cantonese): *President, the inspection staff of TELA are actually performing a law-enforcement duty. They should be subject to different treatment from that accorded to ordinary civil servants for absence of duties. May I ask the Secretary whether he will consider applying the criteria of disciplined services under circumstances that warrant more serious handling, so as to differentiate them from ordinary civil servants, thus applying the more stringent criteria of disciplined services to TELA's inspection staff?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): Frankly speaking, this is the first time I hear such a suggestion, from Ms Miriam LAU. When I return to my office, I shall examine it with my colleagues in the department and see if it can be adopted.

DR KWOK KA-KI (in Cantonese): *This case has already damaged the images of both the Government and TELA.*

Through the President, may I ask the Secretary, with regard to the five cases involving the breach of regulations that have been uncovered since 2005, how many surprise checks had been conducted and how many times of the 3G video phone monitoring measure had been taken before these five cases were uncovered? What is its percentage in the total figure?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): In fact, TELA monitors the inspection work of these inspection staff on an everyday basis. Supervisors would monitor their respective subordinate officers to see if they have been loafing. They would make use of 3G video phones to detect the positions of their subordinates and then make enquiries to them by phone. This is a routine move. During the past few years, that is, from 2005 to the present, the department had uncovered five cases. Of course, some cases might have gone undetected. We cannot be sure about this. However, we can see that after using 3G video phones, it has really achieved some effect.

DR KWOK KA-KI (in Cantonese): *President, I am sorry, the Secretary told us that the supervisors had done this every day. But may I know whether there are*

any figures on this? If so, can such figures be sent to us in written form after the meeting?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): Madam President, this is a bit difficult. Does it mean that we have to check the number of times a supervisor has called up his subordinates every day, or the number of times he has used other measures for monitoring his subordinates?

I think, on this issue, it seems not at all appropriate if we need to spend a great deal of resources to get an answer, for I worry that the ultimate answer might not be directly proportional to the manpower resources expended. If Dr KWOK Ka-ki does not mind, I shall ask my colleagues about this later on. If they already have such information at hand, I shall provide it to him afterwards. However, if Members ask me to start collecting such information now, I would worry that it may not be appropriate for us to spend public money in this way. May I know if Dr KWOK is satisfied with my answer? (Appendix I)

MR ALBERT CHAN (in Cantonese): *President, the said incident as reported in the newspapers leaves us a strong impression that, such acts in breach of rules on the part of staff definitely do not only happen recently, but have been taking place for a very long time. This showed that some senior management staff had committed acts of serious dereliction of duty in monitoring their subordinates. When such problems arise, in most cases, the Government would take stringent actions against the junior staff members involved, such as dismissing them or taking disciplinary actions against them; some may even lose their pensions. Yet, usually the senior staff members involved would not have to face any consequences, and would come out. In handling this case, will the Secretary accord the same treatment to both senior and junior staff members involved?*

If senior officers are incompetent or have committed acts of dereliction of duty, they should also be subject to disciplinary actions. The authorities should not only target disciplinary actions at junior staff members who have breached the regulations. Can the Secretary give an explicit message to the public to the effect that the Government will not be biased in favour of such senior management officers?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): All along the Government has never been biased in favour of officers of any ranks. With regard to this point, Mr Albert CHAN can rest assured that we will handle this fairly. If there is any colleague who has committed acts of dereliction of duty, regardless of his rank, we will handle the case in accordance with the procedures.

MR ALBERT CHAN (in Cantonese): *President, can the Secretary clarify that with regard to the disciplinary hearing, the acts of dereliction of duty committed by senior officers will be handled at the same time? The Secretary has said earlier that the cases of both types of officers would be handled at the same time in a fair manner.*

PRESIDENT (in Cantonese): Mr Albert CHAN, this question is mainly about the several inspection staff members who had committed acts of dereliction of duty then. Regarding this supplementary question raised by you, you may have to wait for another opportunity to bring it up again.

We have spent more than 18 minutes on this question. Last supplementary question now.

DR LUI MING-WAH (in Cantonese): *It seems government field staff are likely to be involved in some "loafing" situations. Earlier on, some cleansing workers were involved in such situations. This time, TELA inspection staff members are involved. Does this reflect that there are problems with the Government's management system? All along the Government has always given the people the impression that it has a very strict management system, but surprisingly it cannot even manage its own field staff. What kind of problems does this reflect? May I ask the Secretary to answer this question?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): Although I am not the Secretary for the Civil Service, but I can say there are 160 000 civil servants in the Government, and in addition, there are many contract staff. Had such incidents taken place, I think they were just some isolated incidents. But if Dr LUI wishes to follow up such an in-depth

and highly complicated issue, I think our Secretary for the Civil Service would be very pleased to answer his question.

DR LUI MING-WAH (in Cantonese): *President, the Secretary has not answered my supplementary question. I asked what kind of problems had been reflected by this. The Secretary only said that these were isolated incidents. However if such incidents continue to happen, they will not be "isolated" incidents anymore. Instead, they would then constitute a continuous phenomenon. As such, what kind of problems has this reflected, and how should the Government review the issue in this regard?*

PRESIDENT (in Cantonese): I shall ask the Secretary whether he has anything to add. However, Dr LUI Ming-wah, I think the supplementary question you have raised can really be regarded as a separate main question. Secretary, your reply.

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): Madam President, I have already answered this question at the very beginning.

PRESIDENT (in Cantonese): Third question.

Transport Arrangements for Students Crossing Boundary Each Day for School

3. **MR LI KWOK-YING** (in Cantonese): *President, it has been learnt that the number of cross-boundary students has been rising in recent years and their safety while shuttling between Hong Kong and the Mainland to attend school has aroused growing concern. Currently, the authorities do not allow school buses to pick up such students at the Lok Ma Chau and Shenzhen Bay Control Points, resulting in thousands of very young cross-boundary students having to change buses several times. In this connection, will the Government inform this Council whether it will:*

- (a) *reconsider allowing school buses which are permitted to operate in Frontier Closed Area to pick up cross-boundary students during the two specified periods before and after class at the Lok Ma Chau and Shenzhen Bay Control Points; if so, of the timetable concerned; if not, the reasons for that;*
- (b) *consider lowering the relevant licence fees of non-franchised buses providing direct coach service for cross-boundary students to reduce the operating costs of such buses, so that the fees charged for carrying cross-boundary students can be lowered, and hence more cross-boundary students can use the most direct and safest mode of transport travelling to and from schools; if so, of the details; and*
- (c) *reconsider issuing Closed Area Permits (CAPs) to all cross-boundary students who attend schools in Hong Kong which are located in districts other than the North District, so that they may take school buses at the Lo Wu, Lok Ma Chau and Shenzhen Bay Control Points, so as to safeguard their safety?*

SECRETARY FOR EDUCATION (in Cantonese): President,

- (a) We understand that some schools and parents would like to see the Government allowing school coaches to enter the public transport interchanges (PTIs) at the Lok Ma Chau Spur Line and Shenzhen Bay Control Points to pick up students after the commissioning of these two control points.

As the Lok Ma Chau Spur Line PTI has limited space and is located in a conservation area, its surrounding environment has to be carefully protected. Furthermore, as the vehicles using Lok Ma Chau Road may create noise problem to residents in the neighbourhood, we would need to impose restrictions on the traffic flow in order to comply with the conditions laid down in the environmental permit. Hence, we could only allow very limited public transport to access the PTI. Nevertheless, after careful consideration of the assessment on its environmental impact, we consider it feasible in allowing school coaches to enter the PTI on a limited scale to pick up students before and after school. Further

discussions on the implementation details will be conducted with the relevant parties.

As regards the PTI at the Shenzhen Bay Port Area, due to its limited size, we could only allow very limited public transport to access the PTI. We understand that currently there are not too many cross-boundary students travelling via the Shenzhen Bay Port and that some cross-boundary coach operators have indicated interest in operating cross-boundary school coach service via the control port. We will keep a close watch on the traffic flow and the operation of the PTI with a view to examining the feasibility of allowing school coaches to enter the PTI to pick up students on a limited scale.

- (b) To address the study needs and safety of cross-boundary students, we consider the use of the cross-boundary school coaches a more desirable long-term solution. We have been assisting the schools concerned and the cross-boundary coach operators to examine the feasibility of introducing cross-boundary school coach services, including route coverage in the Mainland and Hong Kong, coach fare, provision of escort on board, and so on.

After the on-site visit, the schools concerned and the cross-boundary coach operators are now actively studying the mode of operation for specific routes and will introduce the related services to parents. The Government will follow up the matter closely so as to facilitate the provision of cross-boundary school coach service as soon as possible.

- (c) We have all along been encouraging parents to enrol their children, especially those of tender age, in schools near the place of their residence. Parents are also expected to take into consideration the transportation arrangements when they choose schools for their children.

At present, the granting of permission for some cross-boundary students who attend schools in the North District to take school coaches at the Lo Wu Station Road is a special arrangement. In fact, the Lo Wu Station Road is a country road and is also the only emergency vehicle access to the Lo Wu Control Point. Owing to

its site constraints and the impracticability of road expansion, the Lo Wu Station Road has very limited capacity. Besides, in view of the concern over the safety of road users, we have the need to gradually reduce the number of cross-boundary students using the Lo Wu Station Road. We cannot rely on the issue of CAPs as a long-term solution to meet the transportation needs of cross-boundary students.

In order to cope with the physical and safety constraints of the Lo Wu Station Road, there is a need to restrict the number of CAPs issued. Thus, it is impracticable for us to issue CAPs to cross-boundary students attending schools in other districts.

On the issue of CAPs to students not studying in the North District to access the Lok Ma Chau Spur Line PTI or Shenzhen Bay Port Hong Kong Port Area PTI to board school coaches, we would, as I mentioned earlier, first study the implementation details of the opening up of the Lok Ma Chau Spur Line PTI on a limited scale and accord priority to students studying in the North District before making other considerations.

MR LI KWOK-YING (in Cantonese): *President, since the launch of the education voucher scheme, the age of students has become increasingly younger, resulting in a school child of about four years of age losing her way at the arrival hall of the control point. The Secretary stated in part (b) of the main reply that the Administration would examine the feasibility of introducing cross-boundary school coach services. However, according to information provided by the coach operators, the major problem lies not in route coverage and provision of escort on board, which are only technical issues relatively easy to resolve. It lies in the coach fare. As the cost of carrying one student per month is \$1,300, which far exceeds the amount of \$800 that parents can afford, may I ask the Secretary, in relation to coach fare, whether he has any solution, for instance, any special measures to lower the operating cost to a level affordable to the parents so as to allow the students a safe journey to school?*

SECRETARY FOR EDUCATION (in Cantonese): I believe Mr LI will understand that we operate under an open market and the coach fare will also have to be determined by the market. I have heard, however, that the sector

concerned has proposed to set the coach fare at about \$800, which is a level comparable to that mentioned by Mr LI just now. As to the specifics, as I said in the main reply, we will keep a close watch on the progress of the discussion between the operators, schools and parents currently. If there is anything we can do to facilitate the progress, we will do so by all means. If our assistance is needed in the process, depending on what the issue is, we will try our best to furnish assistance to them.

MR CHEUNG MAN-KWONG (in Cantonese): *President, it was mentioned in part (c) of the main reply that they have all along been encouraging parents to consider the transportation arrangements when the latter choose schools for their children. However, the difficulties encountered by cross-boundary students are not only in transportation, but also in crossing the boundary, or more exactly, the cross-boundary transportation problem. The Government is duty-bound to help them. Nevertheless, it was mentioned in the main reply that the Lo Wu Station Road cannot be expanded, the area of the Shenzhen Bay Port and Lok Ma Chau Spur Line are limited and the cross-boundary coaches are yet to be launched. It seems that all solutions will not work. Will the Government tell us, when the number of cross-boundary students keeps on increasing, whether the Government will truly do something for example, introducing a concrete proposal at the start of next school term to facilitate a smooth journey for cross-boundary students to attend school, instead of perpetually providing solutions that will not work or being non-conclusive like "cooking congee without rice"?*

SECRETARY FOR EDUCATION (in Cantonese): I think Members should note that the number of cross-boundary students at present is, in fact, very stable because the number of schools in the North District is limited. These schools have school places to spare for cross-boundary students because the birth rate in Hong Kong has declined and the number of students dropped. However, the number of schools in Hong Kong is limited and the quotas are stable. A new factor at present is, as Mr LI said just now, the launch of the education voucher scheme for kindergartens that has encouraged some school children, who originally do not plan to enrol in kindergartens in Hong Kong, to make use of this opportunity to come to Hong Kong for schooling. This is a problem we have to deal with. In this regard, the quota we offer is not unlimited. It is limited.

With regard to Mr CHEUNG Man-kwong's question just now on whether there are other solutions, in fact, we have several boundary crossings, including Sha Tau Kok, Man Kam To, Huanggang, Lok Ma Chau Spur Line and the Shenzhen Bay Port. We are actively considering Man Kam To because at present it only allows vehicular access. Although the main question today does not cover Man Kam To, we have been working on it and are now considering allowing cross-boundary school coaches to use it as a crossing point because it has sufficient capacity. Individuals cannot access that crossing and they have to take a school coach to cross the boundary there. If we can apply the arrangement which Members discussed just now to Man Kam To, we anticipate that one third of the students now using the Lo Wu Control Point can switch to the Man Kam To Control Point. As to the Lok Ma Chau Spur Line, we have just started working on it and have not yet set the number. Subject to the condition of operation after the implementation of the arrangement, we will examine the possibility of further expanding the capacity to meet the increased demand. Although we have a series of solutions to address the issue, we still have to observe the situation for a period of time before tackling the difficulties one by one.

MR CHEUNG MAN-KWONG (in Cantonese): *President, my supplementary question just now was only about the timing. That is, after the Government has adopted various measures, including those mentioned in the Secretary's subsequent reply, can the arrangement be made at the start of the next school term? Will these measures work or will they still be "cooking congee without rice"? My supplementary question is only on this point.*

SECRETARY FOR EDUCATION (in Cantonese): We will certainly spare no efforts in doing it, but we are not the direct service provider. We hope that the other three parties can reach an agreement acceptable to all. If they need our assistance, we will certainly render it. Our target is to address all the issues as far as feasible before the start of the next school year.

MR CHEUNG HOK-MING (in Cantonese): *President, concerning this topic, in fact, the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) has accompanied the Education Bureau and Transport Department officers to visit these two control points on-site in October. Judging from the*

situation on-site, the problem can be solved with minor technical modifications to the two PTIs. Unfortunately, according to the Secretary's main reply, the status of these two Control Points still remains at the stage of consideration. There are only two problems that the Secretary has to consider. In relation to the technical problem mentioned just now, judging from the situation on-site, it can be tackled with slight modification of the PTIs. What is the technical problem now? The other consideration may well be the policy. It seems that the Government is now considering franchised coaches — the students can only access the Control Points by taking franchised cross-boundary coaches, rather than nanny vans or school coaches. In terms of policy, does the Government have any difficulties? I hope the Secretary can explain this point to us.

PRESIDENT (in Cantonese): Mr CHEUNG Hok-ming, you have put a supplementary question on the technical issue and one on policy. It is up to the Secretary to decide how to reply, which one to reply, or replying neither of them. Secretary for Education, please.

SECRETARY FOR EDUCATION (in Cantonese): I will first answer the supplementary question on policy because, just as Mr CHEUNG Hok-ming has said just now, the technical issue is not difficult to tackle. Our main consideration is policy.

Concerning the policy, our consideration is not on the franchise, but rather, on the fact that, as I mentioned in the main reply, the Lok Ma Chau Spur Line Control Point is located in a conservation area, and we were subject to restrictions when we conducted the environmental impact assessment. Thus, the number of coaches and other vehicles going in or out of the Control Point is restricted. Moreover, noise and nuisances are also factors to be considered. Thus, we cannot allow an unlimited number of cross-boundary vehicles accessing the Control Point. We plan to allow school coaches to have the access, but the number will not be large, I believe, with a maximum of a few coaches crossing the boundary per hour. On the whole, although the number of vehicles accessing the Control Point remains restricted, we think this will be conducive to solving the problem.

Regarding the Shenzhen Bay Port, as pointed out in the main reply, its present usage rate is very low with less than 100 students using it every day;

thus, it has a large capacity. However, geographically it is located on the western side. The main destinations after crossing the boundary there is not the North District, but Yuen Long or Tuen Mun where less students attend schools. We will take it into consideration when there is such a need in future. However, as I replied to Mr CHEUNG Man-kwong's question just now, the eastern side will better meet the current need because it leads to the North District and Tai Po direct.

MS LI FUNG-YING (in Cantonese): *The Secretary has replied for a long time, but, be it the western side or the eastern side, in relation to the time arrangement, his reply is nothing but "cooking congee without rice". Hence, can the Secretary, instead of making remarks like studies will be actively carried out, the matter will be followed up as far as possible, or things will hopefully be implemented soon, give us a clearer idea of the timing? The Secretary's reply today is very important, as it may directly influence parents' choice of school before the start of the new school term. In relation to the timing issue, can the Secretary give a clearer answer as to whether the problem can be resolved before the start of the new school term next year?*

SECRETARY FOR EDUCATION (in Cantonese): Perhaps, first of all, let me restate here that the issue of cross-boundary students is the result of a change in our education policy, which has led to an increase in their number. This is unexpected. Members have to understand that our control points have a limited capacity. If they follow the normal course of directly taking a train to Hong Kong, it will not cause a problem. However, having considered that they are students of a tender age, we find it necessary to make special arrangements. As we want to arrange school coaches for them, we have to consider the actual situations of the control points. Thus, my reply just now is that in view of the actual situations now, we find it necessary to make special arrangements.

Regarding the timing, I think Members are also aware that in the past few months, we have conducted a number of on-site visits as well as meetings with schools and parents. As for the coach fare, we have also convinced the operators to consider reducing the fare from over \$1,000 to \$800. This is some progress. I certainly hope that we can get it done overnight, but to get it done well, it takes time. I stress once again that I wish to solve this problem before the start of the new school year as far as possible.

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

MS MIRIAM LAU (in Cantonese): *The Government holds that using cross-boundary school coaches is a more desirable long-term solution. The Secretary stated that the coach fare might be lowered from more than \$1,000 to \$800 now, which seems very cheap. However, I wish to remind the Secretary that to parents in general, the fare of \$800 is a very heavy burden. In fact, cross-boundary vehicles have to pay many charges in the Mainland and thus their cost is much higher than that of local public buses. In the short term, they will have to use the PTIs at the control points. It was mentioned in part (a) of the main reply that the Government would actively study the opening up of the Lok Ma Chau Spur Line PTI on a limited scale. When will the study be completed? Can a specific date be provided? Concerning the limited scale, can the authorities focus on the restriction on the time, rather than on the vehicle? Because students will only be travelling to and from schools for certain periods of the day. They will not use the whole period of time even if it is opened all day long. Can the Secretary just impose a restriction on the time so as to meet the need of cross-boundary students?*

SECRETARY FOR EDUCATION (in Cantonese): I am very sorry. Members, I am afraid the text in your hands is a little different from my speech. Regarding this point, the text states that it is being actively studied, but in fact, it has been decided that it can be opened up. *(Laughter)* Although a decision has been made to open up the control point, but further study is required to settle on a specific number.

With regard to the coach fare, the students concerned can apply for transport assistance from the Student Financial Assistance Agency. At present, some cross-boundary students have already applied for the assistance. According to my information on hand, there are about 600 such applications; on average, they each obtain about \$4,800 a year. Calculating it by 10 months, they can get about \$480 every month. Compared with the \$800 mentioned just now, this is a big help.

PRESIDENT (in Cantonese): Fourth question.

Economic Benefits Brought by Hong Kong Disneyland

4. **DR DAVID LI:** *Madam President, when the Government announced the Hong Kong Disneyland project in 1999, it estimated that the "net economic benefit in present value over 40 years" would be \$148 billion. The Government also stated that "in addition to the substantial quantified economic benefits as assessed above, the theme park and its associated facilities are also expected to bring about significant non-quantifiable benefits". In this connection, will the Government inform this Council whether it has conducted separate assessments of the quantifiable economic benefits that Hong Kong Disneyland has brought to the local economy since its opening, and of the non-quantifiable benefits (for example, knowledge transfer to the local technology and creative industries); if it has, of the respective assessment results?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT:

Madam President, the Government had briefed the Legislative Council on the economic assessment of the Hong Kong Disneyland project in November 1999. The Government's assessment made in 1999 was a long-term projection of the economic benefits of the Hong Kong Disneyland project over a span of 40 years based on Phase I of the project, which involved the identification and estimation of the various components of economic benefits against the economic costs to be incurred for the project.

The economic assessment done in 1999 had examined six scenarios using different assumptions about tourist growth rate, market penetration rate, and so on, to test the robustness of results. Under these six scenarios, it was estimated that Hong Kong Disneyland would attract an attendance ranging from 4.1 million in the most conservative case scenario to 5.2 million in the base case scenario in its first year of operation. It was further estimated that such attendance would rise steadily thereafter to 5.47 million in 2006, and 10.57 million in 2044 under the base case scenario. This would bring about a net economic benefit of \$80 billion in the most conservative case scenario to \$148 billion in the base case scenario, at 1999 prices, over a 40-year period. All these scenarios indicated that the project would be economically viable. The Government, with the assistance and input of its financial advisers, considered at that time that the base case scenario should be a reasonable basis for conducting the economic assessment.

In the light of the comments made by Members of the Legislative Council and academics in 1999 on the levels of some of the assumptions to project economic benefit for the Hong Kong Disneyland project, Government Economist conducted two further test scenarios whereby the key assumptions were scaled down by 20% and 50% respectively from that of the most conservative case scenario. The results of these further tests were that the Hong Kong Disneyland project would remain viable economically with the net economic benefit, at 1999 prices, reduced to \$48 billion (if scaled down by 20%) and \$30 billion (if scaled down by 50%) over a span of 40 years.

As the economic viability of the project is assessed from a long-term perspective, and since the park has opened for just over two years, the Government has not conducted another assessment of the quantifiable economic benefits which Hong Kong Disneyland has brought to the local economy since its opening.

Hong Kong Disneyland is one of the Government's strategic initiatives for reinvigorating tourism, and for positioning Hong Kong as a premier destination for family travel. It provides a world-class theme park with quality family recreational facilities for public enjoyment. In 2006, the number of overnight family visitors and children visitors under the age of 16 increased by 15.8% and 23.5% respectively, as compared to 2005. 36% of our overnight family visitors brought along children to Hong Kong, up from 26% in 2005. The presence of Hong Kong Disneyland in Hong Kong helps to anchor this important market segment. Recent guest satisfaction surveys conducted by the park management show that 90% visitors rated their experience in Hong Kong Disneyland as positive, and 92% expressed intent to visit the park again.

Apart from quantifiable economic benefits, the Hong Kong Disneyland project has also brought non-quantifiable benefits to Hong Kong. Firstly, it is a globally renowned theme park. Its establishment in Hong Kong helps enhance Hong Kong's brand value as a cosmopolitan city featuring cultural diversity and creative vigour, and strengthens Hong Kong's position as a major tourist centre in the region.

Secondly, Hong Kong Disneyland is one of the largest employers of full-time entertainment staff in Hong Kong, providing employment opportunities for about 4 300 performers, technicians, costumers, designers, pyrotechnicians, stage managers and other supporting staff. It also helps to develop talents in

these fields by offering 12 scholarships for students of the Hong Kong Academy for Performing Arts and 160 placements in the internship programme for students of the Hong Kong Institute of Vocational Education in this academic year.

Thirdly, Hong Kong Disneyland has recently introduced an innovative technology at the main entrance turnstile of the park to speed up admission of visitors. A number of local and regional enterprises have shown interest in this new technology. Such knowledge transfer will be beneficial to our technological development.

Notwithstanding these benefits, the first two years of Hong Kong Disneyland's operation were not satisfactory, and the park is still taking time to adapt to the local operational environment. We note that the attendance of the park did not meet the projected attendance under the base case scenario in its second year of operation. The Government will continue to urge the park management to formulate cost-effective business strategies, improve the park's operational efficiency and work more closely with the local travel trade, with a view to harnessing the full economic potentials of this international theme park.

DR DAVID LI: *Madam President, would the Government endeavour to make the operational and financial performances of Hong Kong Disneyland more transparent, as part of an agreement to extend the theme park?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT: Madam President, as the Government is an investment partner of the Walt Disney Company in the Hong Kong Disneyland project, the Government has to respect the principle of commercial operation of the Company. That said, we have repeatedly urged Hong Kong Disneyland to enhance the transparency of its operation. We will certainly keep up our pressure on this, in the context of our discussion with the Walt Disney Company on the park's extension.

PRESIDENT (in Cantonese): Members, there are altogether 14 Members waiting for their turns to ask supplementary questions. Will Members who have the opportunity to put questions please be as concise as possible.

MR JEFFREY LAM (in Cantonese): *Madam President, the Secretary said that the assessment done in 1999 was based on the prevailing economic condition. We recall that the economy was in a severe recession at that time where the prospect was uncertain. At present, the economy has revived substantially, the unemployment rate has dropped to 3.9% and a large number of visitors come to Hong Kong under the Individual Visit Scheme. Recently, the Government said that it would inject additional fund for the expansion of the Hong Kong Disneyland to boost its attendance. Moreover, according to recent reports, the Walt Disney Company would build a Disneyland on Chongming Dao in Shanghai. May I thus ask the Secretary, in view of these factors reported recently and the recent economic factors, whether the economic benefit target set in 1999 will be varied?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): If we really intend to make an injection, we will first assess whether the injection will bring about genuine improvement to the operation of Hong Kong Disneyland. Members also know that the existing operation of Hong Kong Disneyland is not satisfactory, so we have to examine the return. By then, we will prepare an economic assessment and submit it to the Legislative Council, as we did in 1999, before making any decision. Therefore, a lot of factors have to be considered. At that time, the Government definitely will submit the entire project to the Legislative Council for approval, as we did in 1999, for the project will involve an injection of fund, which is subject to the approval of the Financial Committee.

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

MR JEFFREY LAM (in Cantonese): *No, President. In considering whether an injection should be made, will the construction of a Disneyland on Chongming Dao, Shanghai, be taken into account?*

PRESIDENT (in Cantonese): This is not part of the supplementary question you asked earlier. However, Secretary, do you have anything to add?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): I have also read reports about the possible construction of a Disneyland on Chongming Dao in Shanghai. However, since this piece of information is not confirmed, I will not comment on it.

MS EMILY LAU (in Cantonese): *President, the Secretary said that the operation of Hong Kong Disneyland was far from satisfactory in the first two years and that the Government had to urge the park to formulate more cost-effective business strategies. President, the Hong Kong Government teaches the Walt Disney Company how to do business. We are shocked by this. Back then, the Government invested \$14.1 billion on the project and spent \$4 billion on reclamation, plus other land resources, I wonder how many tens of billion dollars have been spent. It is an enormous investment. According to the financial report published by the Walt Disney Company last month, Hong Kong Disneyland continued to run at a loss, and the loss incurred over the past two years reached \$1.6 billion. As an English saying goes, this is "throwing good money after bad". May I ask the Secretary whether we are still going to act this way? Is the Hong Kong Government really so competent that it can teach the Walt Disney Company to make profit? Or that the decision made in the first place was totally wrong?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, the Government certainly does not know how to teach the Walt Disney Company to do business, for the Company has been running this business for several decades. However, since we are the majority shareholder, we will be bombarded by Members of the Legislative Council for failing to fulfill our duties as the major shareholder if we do not monitor the situation. We are thus caught in a dilemma. However, though we may not be capable of teaching them to do business, we can offer them some advice on management. Therefore, we urge the park to For instance, Members may recall the problems arisen just after the opening of the Hong Kong Disneyland, which should be ascribed to their not being well — versed in the situation of Hong Kong. Therefore, we, being the Government and the major shareholder, have to give them a reminder. We are not teaching them how to run their business, but only fulfilling our duties as the major shareholder. Ms Emily LAU, this is the first point.

Second, Ms LAU asked me just now whether we were throwing good money after bad. The present study is preliminary and we are only at the discussion stage. Today, we cannot tell what conclusion will be reached in future. However, if a conclusion is reached, just as I have said earlier, I will surely submit it to the Laap Saap¹ Legislative Council for discussion. Members need not worry about it.

Third, she asked whether the decision made in 1999 was wrong. Indeed, regarding the decision made at the time, the Legislative Council also had a part to play in granting the approval. I surely respect the wisdom of the government officials and Members at the time. According to the information available at the time, that was definitely a good decision.

MS EMILY LAU (in Cantonese): *President, will the Secretary clarify whether he is again calling us the "Laap Saap" (rubbish) Council?*

PRESIDENT (in Cantonese): I think this is probably a slip of the tongue of the Secretary. He definitely did not mean it. *(Laughter)*

MS EMILY LAU (in Cantonese): *Are you not asking him to clarify the case? President, are you clarifying this for him?*

PRESIDENT (in Cantonese): He can make a clarification. Alright, let him clarify it.

MS EMILY LAU (in Cantonese): *He is not the first Principal Official who says so, for other officials have also said so. President, since he is saying this at the meeting of the Legislative Council, I hope he can clarify it.*

PRESIDENT (in Cantonese): Fine, Secretary, I think you should make yourself clear.

¹ Laap Saap is the Cantonese pronunciation of the term "rubbish", which is close to the Cantonese pronunciation of the "Legislative Council" (Laap Faat Wooi).

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, I was referring to the Legislative Council. However, probably because I have been speaking for the entire morning, as I am now answering the second question, I am a bit tongue-tied and fail to articulate accurately. Honourable Members, may I beg your pardon. I always respect the Legislative Council.

MISS TAM HEUNG-MAN (in Cantonese): *I have to thank the Secretary for being so respectful to the Legislative Council.*

I would like to ask the Secretary one question. In the second page of the main reply, it is pointed out that the economic benefits are scaled down by 20% to 50%, amounting to \$48 billion, to the most conservative case scenario. Earlier on, some colleagues asked about the Disneyland in Shanghai, but the Secretary said he did not know about it. If the Legislative Council is asked to assess the suitability of making an injection — the Secretary said earlier that the issue would be brought to the Legislative Council for discussion by then. May I ask the Secretary whether a separate assessment will be conducted on the economic benefits to be brought by Hong Kong Disneyland? As the most conservative case scenario is mentioned in the main reply, if the possibility of the construction of a new Disneyland in Shanghai is also taken into consideration, will the conservative assumption figures under this conservative scenario be scaled down further, thereby resulting in a further reduction in benefit?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, the assessment report cited by Miss TAM Heung-man just now was prepared in 1999. If an application for funding has to be submitted to the Finance Committee, a reassessment must be done, and the Government will consider it in a holistic manner by then. Therefore, I can say that the figures quoted by Miss TAM just now, such as the \$48 billion, definitely have to be adjusted before the assessment is submitted to the Legislative Council again.

DR RAYMOND HO (in Cantonese): *In the main reply, the Secretary said that since the Hong Kong Disneyland had opened for just two years, it was unable to quantify the actual economic benefits brought to Hong Kong by the park at present, but the Secretary admitted that the operation of the park was not*

satisfactory. Actually, we notice that Hong Kong Disneyland does not know the demand of local visitors and tourists well. More often than not, problems related to the handling of visitor flow arise. Since the Hong Kong Government is the major shareholder and the Walt Disney Company now has a plan for expansion, may I ask the Secretary, from the position of the major shareholder, if no specific figures are provided as two years have passed, corporations usually would have conducted detailed quantification work (Laughter)

PRESIDENT (in Cantonese): What is your supplementary question?

DR RAYMOND HO (in Cantonese): *Under such circumstances, how will the Government, being the major shareholder, make the decision? In accordance with the commercial principle mentioned earlier, does the Government agree to the expansion plan of the park?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): When we come to that stage, we surely have to draw reference from a lot of figures and the operation experience for two years or so before making the decision. By then, we will assess the overall economic benefits to be brought to Hong Kong by the expansion project. We have to be extremely prudent in making the decision, for it involves the use of public fund. Therefore, I can assure Mr HO that the review to be conducted at the time will definitely be very comprehensive.

MS AUDREY EU (in Cantonese): *President, the attendance of Hong Kong Disneyland did not meet the projected attendance. May I ask the Government whether it has examined the cause of this? Is it hopeful that the projected attendance will be achieved? If yes, what should we do and when will this be achieved? If not, should someone be held responsible for this? President, the Secretary cannot shift the responsibility onto the Legislative Council, for the approval granted by the Legislative Council was based on the calculation provided by the Government. If the calculation of the Government is wrong, who should take the blame, President?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): I absolutely have no intention of shifting the responsibility onto the Legislative Council. I just stated the fact at the time, for all large-scale projects of this kind are subject to the approval of the Legislative Council. Surely, officials will also put forth their views.

I cannot tell Ms Audrey EU who should be held responsible, for as far as I remember, the accountability system was not yet in place in 1999. If an accountability system like the existing one were in place, Honourable Members would have identified the official concerned and questioned him or her. Anyhow, I think we cannot draw a conclusion that the decision is wrong merely basing on the present performance of Hong Kong Disneyland. However, according to the internal assessment conducted by us, it is considered that there is room for improvement in the operation of the park. Therefore, as the major shareholder, we have all along made our views known to them. We should, I think, avoid starting a witch-hunt to name names of officials over these issues. I have spent a lot of time studying the minutes of meeting of 1999. A number of officials came before the Legislative Council on this issue. A number of incumbent Members of the Legislative Council and a number of officials here in this Chamber were at the meetings then (*Laughter*) However, I think we should not say which official should be held responsible and which should not, for I think officials should be treated fairly.

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

MR FRED LI (in Cantonese): *President, though the accountability system had not yet been implemented in 1999, officials should also be responsible. I think the implementation of the accountability system should not be regarded as a watershed.*

President, I would like to ask about the failure of Hong Kong Disneyland in meeting the projected attendance in its two-year operation since the opening, which is a well-known fact to all of us. We have repeatedly asked why the projected attendance has not been met, but we have only been given the answer that it is a commercial secret which cannot be disclosed. Not only the actual attendance cannot be disclosed, the disclosure of the target attendance is also

embargoed. We only know the Secretary had told the media recently that even if a Disneyland was to be built in Shanghai, given the 1.3 billion people in China, the co-existence of two parks would pose no problem. He said that we should be able to deal with the situation and Hong Kong would not be affected. As the Secretary is so optimistic about the situation, will he share with us why he can be so optimistic? If a Disneyland is built in Shanghai, it will be several times larger than Hong Kong Disneyland. If so, which aspect of Hong Kong Disneyland has given the Secretary plenty to be optimistic that the park will in no way be affected and the target will continue to be met?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): First of all, the Disneyland in Shanghai we are talking about is only a hypothetical scenario, for no one can prove whether it will really be built. However, as I have told the media, there are 1.3 billion people in China, if a Disneyland is built in the North of China, while Hong Kong Disneyland is in the South The number of visitors is not a zero-sum game. It does not mean that the number of potential visitors to Disneyland from China is fixed at that number, or that they will visit the park in the South if they do not visit the park in the North, or *vice versa*.

In this respect, I on the contrary think that the brand-name effect may be an advantage in some measure. I notice that some compatriots from the Mainland are not quite familiar with Disney characters, so if another Disneyland is opened, compatriots in the Mainland may become more familiar with Disney characters and they may visit the park in the South if they do not visit the one in the North. This is a possible scenario.

Therefore, I think it depends on individual views. If you are optimistic like me, you will think that the influence will not be substantial. However, if you are pessimistic and consider that we will definitely be put in an unfavourable situation, I can hardly say anything. On the whole, I think when we decide to apply to the Legislative Council for funding, we surely have to understand their development strategy in the Mainland, for a comprehensive assessment can only be carried out under such circumstances.

PRESIDENT (in Cantonese): Fifth question.

Family Council

5. **MR FREDERICK FUNG** (in Cantonese): *President, in his policy address delivered in October, the Chief Executive said that a Family Council would be set up this year. It has been reported that the Council will co-ordinate and oversee the three Commissions currently responsible for matters concerning the elderly, women and youth respectively. In this connection, will the Government inform this Council:*

- (a) *of the specific terms of reference and work schedule of the Family Council, its organizational structure and membership list, and how it will interface with the existing consultative framework and government departments concerned;*
- (b) *given the circumstances and needs of families of different compositions are not entirely the same, whether the Family Council will give priority in the provision of support to high-risk families that are in dire need of help, for instance, by allocating additional resources for remote areas and expediting the legislative work on a statutory minimum wage, so as to assist low-income families; and*
- (c) *given that there is currently no independent commission responsible for matters concerning children, whether it will concurrently set up a commission on children to be responsible for the formulation of policies on the protection of children's rights, or it will simply include the work in this regard directly in the terms of reference of the Family Council?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, my reply to the question raised by Mr Frederick FUNG on the issue of Family Council is as follows:

- (a) In his policy address delivered in October 2007, the Chief Executive stated that the Government was committed to promoting the family as a core social value and strengthening the family will be the primary consideration in formulating social policy and planning various services. It was announced in the policy address that a high-level Family Council chaired by the Chief Secretary for

Administration would be set up. The membership of the Family Council was just announced on 3 December 2007. In addition to five government officials, namely the Chief Secretary for Administration, Secretary for Education, Secretary for Home Affairs, Secretary for Labour and Welfare and the Head of the Central Policy Unit, there are 16 other members who come from the social welfare, professional, commercial and industrial, and academic sectors. The membership is listed at Annex.

The Family Council will advise the Government on the formulation of policies and strategies for supporting and strengthening the family and on the development of related programmes and activities, and will monitor the progress of implementation of such programmes and activities. The Family Council will also advise the Government on the integration of the family policies and related programmes across different bureau/departments, including the work of the Elderly Commission, Women's Commission and Commission on Youth, in order to ensure good co-ordination and thus greater effectiveness.

- (b) The Family Council is expected to convene its first meeting this month, and will discuss the work ahead.

Regarding family services and support, the Social Welfare Department (SWD) currently provides a continuum of one-stop preventive, supportive and therapeutic services to families in need through 61 Integrated Family Service Centres in the territory. In the past three years, the Government has also taken proactive measures and allocated additional resources to strengthen the support for those affected by domestic violence.

In addition, to provide early assistance to socially isolated families or vulnerable families that are unwilling to receive services, including those at risk of domestic violence or are affected by mental health problems, the SWD has launched a Family Support Programme since early 2007 with a view to building a mutual-help network in the community. Volunteers are recruited as Family Support Persons to work with professional social workers so as to

keep in touch with the vulnerable families and connect them to appropriate support services.

In providing strengthening support services, we actively promote family education and the development of mutual support network in the community, to build up social capital and create a society of mutual care and stronger resilience. In this regard, the Community Investment and Inclusion Fund has been promoting the development of a community safety net based on mutual help in the neighbourhood. It has supported projects which mobilize residents in the housing estates to set up a house captain system to connect with the families, such that timely assistance can be provided to the families in need.

As regards wage protection, the Labour and Welfare Bureau briefed the Legislative Council Panel on Manpower on the latest development on 15 November 2007. The Government would step up the promotion of the Wage Protection Movement for cleaning workers and security guards to garner more support from different sectors of the community, and would identify possible areas for improvement to enhance the effectiveness of the Movement. At the same time, the Government would study various issues relevant to introducing a statutory minimum wage for cleaning workers and security guards. In case the overall review scheduled for October 2008 indicates that the Movement has failed, a bill on this will be introduced into the Legislative Council as soon as possible in the 2008-2009 Legislative Session.

- (c) The family is a basic component unit in our society. The purpose of establishing the Family Council is to use the family as the core in formulating and implementing policies and initiatives relating to family support, to ensure effective co-ordination among these policies and initiatives.

The Family Council will consider effective ways to deal with child development policies and related issues. We have no plan at this stage to set up additional independent commissions for individual age or sex groups.

Membership of the Family Council
(from 1 December 2007 to 31 March 2009)

Chairman

Chief Secretary for Administration

Official Members

Secretary for Education, or his representative

Secretary for Home Affairs, or his representative

Secretary for Labour and Welfare, or his representative

Head, Central Policy Unit, or his representative

Non-official Members

1. Ms CHAU Chuen-heung
2. Mr CHOW Yung, Robert
3. Ms KAO Ching-chi, Sophia
4. Mrs KWAN HO Shiu-fong, Cecilia
5. Ms LAI Fung-yee, Angelina
6. Mr LEE Chung-tak, Joseph
7. Dr LEE Wai-yung
8. Dr the Honourable LEONG Che-hung
9. Mr LEONG Kwok-kuen, Lincoln
10. Mrs LEUNG NGAI Mou-yin, Justina
11. Dr PANG King-chee
12. Prof SHEK Tan-lei, Daniel
13. Ms TAO Chee-ying, Theresa
14. Dr WONG Chung-kwong
15. Prof WONG Po-choi
16. Mr WONG Ying-wai, Wilfred

MR FREDERICK FUNG (in Cantonese): *President, I would like to ask a supplementary question on the second paragraph of part (a) of the main reply. At present, many social policies or services provided by the social welfare sector are targeted on certain people. For instance, we have an elderly policy, a women's policy and a youth policy. And many voluntary agencies have set up youth centres and elderly centres according to these policies. The Family*

Council to be established is in fact different from the long-standing policy direction in the past. Although all those mentioned just now may be covered by the Family Council, there will be some difference. Regarding the different direction, will the Family Council formulate a series of policy agenda? If yes, will people both inside and outside the sector be consulted?

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, after the establishment of the Family Council, the three commissions, namely the Elderly Commission, Women's Commission and Commission on Youth just mentioned by Mr FUNG, will continue to operate under the guidance of the Family Council. I believe the Family Council will certainly consult views of various quarters when it starts operation.

DR FERNANDO CHEUNG (in Cantonese): *According to the Secretary's main reply, the definition of family is in fact very wide and the Secretary mentioned the SWD's services and the Wage Protection Movement in different paragraphs while a number of commissions are also involved. Although this question is answered by the Secretary for Home Affairs, its ambit is in fact very wide.*

Last year, the Legislative Council passed a motion moved by me, that is, to establish a commission on children, because special attention should be given to children's voice and perspective. My supplementary question is: In his main reply to Mr Frederick FUNG's question about the establishment of a commission on children, the Secretary said that the Government has no plan to set up other independent commissions but will consider effective ways to deal with child development policies and related issues. May I ask the Secretary in what manner and structure that child-related issues and policies will be considered within the Family Council?

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, in our present idea and concept as a whole, family is the core and issues related to the youth, women, elderly and even children will be handled with the family being regarded as the main notion. So, given such thinking, we will not set up an independent commission on children to deal with child issues which will, however, be co-ordinated and dealt with at the level of the Family Council as a whole.

DR FERNANDO CHEUNG (in Cantonese): *The Secretary has not answered my supplementary question. Just now, I asked how child-related policies and issues could be considered from their voice and perspective within the Family Council?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): As children are also members of a family, I believe the Family Council will certainly consider child issues when it starts operation.

MR WONG KWOK-HING (in Cantonese): *President, I feel sorry about the Secretary's remark in the last part of the main reply that an independent commission on children would not be set up because there will not be any continuous and comprehensive policy on children without such a commission. Last Saturday, I attended a meeting of the Hong Kong Breastfeeding Mothers' Association. They raised a question which I would like to ask the Secretary. The question is about the lack of baby-sitting or breastfeeding rooms for mothers to feed their babies in public facilities operated by the Government, such as amenities, parks and even libraries, or shopping malls run by the private sector. As a result, mothers have to sit on the toilet seat covers to feed their babies. With this example, may I ask the Secretary whether he will include the provision of breastfeeding rooms, as a policy on child development, on the agenda of the Family Council which will hold a meeting this month? Because in the past their complaints would only be discussed from the perspective of providing breastfeeding space by the Department of Health. President, I hope the Secretary can answer this question.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, overall speaking, I think we should co-ordinate and deal with these issues by taking the family as a whole concept. Should the issues mentioned by Mr WONG be regarded as matters within the ambit of children, babies or women I know that Mr WONG has proposed the setting up of an independent commission to deal with man issues. However, in the long run, is the establishment of different independent commissions for different purposes the best solution? We can ponder on this. But in the SAR Government's idea as a whole, it is hoped that the family can serve as the fundamental unit for core co-ordination which is in line with the mainstream value of Hong Kong as a Chinese society.

MR WONG KWOK-HING (in Cantonese): *President, the Secretary has answered why the relevant issues will not be included in the policies but he has not mentioned whether or not the issue of breastfeeding room will be included on the agenda of the Family Council's meeting this month in order to solve the problem. The Secretary has not answered this question entirely and I hope he can give me an elaborate reply.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, after holding the meeting, the Family Council will certainly deal with proposals from all sectors. On the one hand, it will listen to the views of all sectors and all groups and, on the other, it will determine what issues to be discussed and the priority of dealing with them according to their recommendations.

MR WONG KWOK-HING (in Cantonese): *President, I did not hear the Secretary answer my question about the breastfeeding room. He just mentioned policies of various aspects and did not answer my question. I hope the President can give the Secretary another chance to answer my supplementary question again.*

PRESIDENT (in Cantonese): Secretary, I believe you have nothing to add, right?

SECRETARY FOR HOME AFFAIRS (in Cantonese): I have answered his supplementary question already.

MR TAM YIU-CHUNG (in Cantonese): *President, the establishment of the Family Council announced by the Government coincides with the DAB's proposal in the past. But may I ask the Government whether a mechanism will be set up in the Council to assess the impact of public policies on the family? For instance, when new policies are introduced or when any change is proposed to existing policies, it will specifically review or assess the impact of the new policy measures and services on the family and policy adjustments will only be made after review. Will there be such a mechanism?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, the proposal merits serious consideration. Before the establishment of the Family Council, the Government commissioned some studies showing that the administration of the SAR Government and the public policies implemented outside the Government or some commercial operations are sometimes not quite conducive to the strengthening of the family or the enhancement of the communication and caring between family members. So, I believe the Family Council will conduct a study on whether it is necessary to assess the impact on the family whenever some policies are introduced.

MR LEUNG YIU-CHUNG (in Cantonese): *President, in part (b) of the main reply, the Secretary mentioned that in the past three years, the Government had taken proactive measures and allocated additional resources to strengthen the support for people facing domestic violence. However, it only indicates that the authorities will provide support to those affected by domestic violence. But as we all know, it seems that under such an approach, problems will only be dealt with when they have emerged and there is no preventive effect. Cases of seeking assistance or complaints about domestic violence are on the rise. From the newspapers, we can see that such problems arise from time to time and many domestic tragedies have also occurred. Will the Secretary review again whether the services of the 60 Integrated Family Service Centres located at different parts of the territory are perfect and most effective? We have repeatedly mentioned that places such as single-parent family centres can perform an important function of promoting self-help and mutual assistance. Will the Secretary review again and reconsider the establishment of such family centres or single-parent family centres?*

PRESIDENT (in Cantonese): Mr LEUNG Yiu-chung, the main question is about the work of the Family Council in future. Regarding your supplementary question, I believe the Secretary will give a reply with reference to the work of the Family Council.

MR LEUNG YIU-CHUNG (in Cantonese): *President, I can repeat my supplementary question.*

PRESIDENT (in Cantonese): I understand your point.

MR LEUNG YIU-CHUNG (in Cantonese): *In fact, I asked whether the Family Council would reconsider the establishment of a single-parent family centre or review the effectiveness of the 61 Integrated Family Service Centres.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): The Family Council is a high-level framework which will be chaired by the Chief Secretary for Administration. Comprehensive consideration will be given to work relating to the strengthening of the family, promoting the concept of the family and how to deal with families in difficulty. Certainly, at the initial stage of its establishment, priorities in respect of handling and commencement of work will be set according to the recommendations of various quarters.

MR LEUNG YIU-CHUNG (in Cantonese): *The Secretary has not answered my supplementary question. Although he said that all matters would be dealt with, I would like to seek a clear and specific reply from him regarding whether the Family Council will deal with the problem and the role it will play in reviewing the functions and effectiveness of the 61 Integrated Family Service Centres.*

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

SECRETARY FOR HOME AFFAIRS (in Cantonese): President, it will deal with the problem if necessary.

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

MR ALBERT HO (in Cantonese): *Of course, regarding respect and protection of the family institution, I believe we all support it. However, in the main reply, the Secretary has repeatedly emphasized the strengthening of the family, thus giving us an impression that the function of the Family Council is the realignment of our morals, particularly when matters related to the Commission on Youth and the Elderly Commission are all included in the Family Council for co-ordination. Now the strengthening of the family is emphasized on the one hand, it seems that*

those who are facing a broken family are under pressure and unable to turn a new leaf in life. Instead, they have to stay in the broken empty shell before being taken care of by the Family Council. May I ask the Secretary whether there will be such a policy consequence? In other words, those who are facing a broken family, such as deserted spouses, children and the elderly, have no family. If everything is co-ordinated by the Family Council, does this mean that their rights will be neglected under such a policy?

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, I do not deny that moral is involved in the strengthening of the family. No matter in a society or for individuals, we should emphasize morality, honesty and integrity. The Honourable Member asked whether broken families would be neglected, I would like to say that one of the important functions of the Family Council is to reduce the number of broken families in Hong Kong and provide a perfect safety net for those whose families have formally broken so that we can continue to offer help to the vulnerable.

MR ALBERT HO (in Cantonese): *President, my supplementary question is: As the Secretary said that the Family Council would co-ordinate various commissions with the objective of strengthening the family, does it mean that the rights of those who are facing a broken family will be neglected? Will there be such a consequence or an impression to the people?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): President, I do not believe the rights of those who have a broken family will be neglected simply because of this.

PRESIDENT (in Cantonese): Last oral question.

Funding for and Services of Kowloon East Hospital Cluster

6. **MR ALAN LEONG** (in Cantonese): *President, among the seven hospital clusters under the Hospital Authority (HA), the Kowloon East Cluster (KE*

Cluster) ranks fourth in terms of population but last in terms of funding allocation for the current financial year. Comparing with the KE Cluster, the populations of the Hong Kong West Cluster and Kowloon Central Cluster (KC Cluster) last year were respectively 43% and 47% less while their funding allocations for the current financial year are respectively 20% and 39% more. Consequently, the services of the KE cluster are under great pressure. In this connection, will the Government inform this Council:

- (a) as the Government has indicated that one of the main advantages of forming hospital clusters is the provision of comprehensive medical care in a single cluster, whether any hospital services currently provided by other clusters are unavailable in the KE Cluster; if there are, whether it knows if the HA has any plans to introduce such services in the KE Cluster based on the demographic structure of KE and the medical needs of residents in the district;*
- (b) whether it knows if the HA plans to revise the criteria for allocation of funds to various clusters to ensure that medical services for residents covered by the KE Cluster are comparable to those for residents of other districts; if there are revision plans, of the details and implementation date; if not, the reasons for that; and*
- (c) whether the Government will take other measures to alleviate the pressure on the cluster (such as allocating land within the district for the construction of private hospitals); if it will, of the details of and implementation schedule for the measures; if not, the reasons for that?*

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

(a) and (b)

At present, the HA provides public health care services on a cluster basis. The objective of the cluster arrangement is to clearly delineate the *roles* of different hospitals within each cluster and enable collaboration and complementary support among hospitals, so that a full range of health care services can be provided to residents of different districts through the overall service network of the HA.

In planning their services, the clusters adopt the principle of taking into consideration the local services demand and the development of various specialist services. Specifically, health care services having a continual need such as basic, specialist, emergency and in-patient services are provided by all clusters. Specialist services having a relatively small demand and requiring other complex supporting facilities for delivery are mainly provided to the public on a cross-cluster basis under a service network formed by two or more clusters. Neurosurgery and oncology services are examples of such services. As for those specialist services that have a limited demand and require some state-of-the-art technologies, equipment and comprehensive supporting facilities for delivery, they are provided by tertiary services centres at designated hospitals. Organ transplant and burn centers are examples of these services. The above principle for service planning could achieve cost-effectiveness and help pool together the experience of health care professionals and ensure the quality of services.

As in the case of the other six hospital clusters, the KE Cluster does not solely consider the size of local population in planning its services. It also takes account of other factors such as the role of each hospital within the cluster, the service utilization pattern of residents and the demographic profile in order to provide appropriate services for residents in the region.

The KE Cluster now provides a range of comprehensive services including out-patient services, acute and emergency services, long-term rehabilitation services and community-based specialist services, which are basically the same as those provided by the other six hospital clusters. These services cover 24-hour accident and emergency service, in-patient service (supported by the specialties of medicine; surgery, obstetrics and gynaecology, paediatrics and adolescent medicine, orthopaedics and traumatology, anaesthesia, intensive care department, neonatal intensive care department, infant high dependency department, paediatric intensive care department, high dependency department, ophthalmology, ear, nose and throat, geriatrics, psychiatry, pulmonary and hospice), day services (such as day surgery, specialist out-patient service, general out-patient service and family medicine), clinical ancillary services (such as pathology, radiology, pharmacy and non-emergency

ambulance service), rehabilitation services, and community outreach services (such as volunteer services and community nursing care). In addition, the KE Cluster also runs support service programmes for patients discharged from hospitals, pain clinic, medical imaging network and integrated rehabilitation services.

Furthermore, a cross-cluster referral mechanism is in place in the HA for referral of patients in need to hospitals in other cluster for appropriate follow-up treatment. For some specialist services, patients in the KE Clusters are referred to other clusters to receive cross-cluster services. These services include major trauma, burn, neurosurgery, organ transplant, neonatal surgery, spinal rehabilitation, oncology, AIDS service, genetic medicine and infectious disease, and so on.

When allocating its resources to the hospital clusters, the HA considers not only the population of the regions but also the demographic profiles as well as the resources required for the provision of basic and specialist health care services, for cross-cluster tertiary specialist services for residents in other clusters, and for manpower training and education. The HA allocates its resources to clusters having regard to the above factors as well as the demand for manpower, drugs and equipments, and so on, of different clusters.

The HA reviews and improves from time to time its existing mode of resources allocation for the purpose of enhancing the overall effectiveness of resources utilization. The HA and the KE Cluster would continue to closely monitor the utilization of health care services in the KE region, and adjust the resource allocation where appropriate in the light of the changes and development of service demand in order to ensure the provision of adequate health care services to residents in the region.

- (c) To cope with the increase in service demand in the region, the HA has in 2007-2008 provided the KE Cluster with an additional allocation of about \$30 million on top of pre-existing provision to implement new service programmes and measures. The programmes and measures include, among others, day surgical and

day care services of Tseung Kwan O Hospital; improvement scheme for the same-day admission service of United Christian Hospital (UCH); a patient flow management scheme for medicine and geriatric departments within the KE Cluster; measures in response to the increase in service demand in obstetric departments and neonatal intensive care departments; and a scheme to provide integrated discharge support services to elderly patients. These programmes and measures are being implemented progressively within this financial year.

MR ALAN LEONG (in Cantonese): *President, I went to UCH yesterday and was received by the KE Cluster Chief Executive and a group of doctors who work very hard and never complain.*

President, among the seven hospital clusters, namely Hong Kong East, Hong Kong West, Kowloon Central, Kowloon East, Kowloon West, New Territories East and New Territories West, the KE Cluster has the least both in the number of hospital beds and funding. What is more, oncology and neurosurgery services currently provided by the leading hospitals of the six clusters are unavailable in the KE Cluster, leaving it alone in distress.

May I ask the Secretary why the KE Cluster is neglected as such? Furthermore, by the logic of the Secretary's main reply that facilities are provided on a need basis, why are oncology and neurosurgery services provided in all the six other clusters except the KE Cluster, the seventh one which has the least funding and hospital beds?

SECRETARY FOR FOOD AND HEALTH (in Cantonese): Madam President, insofar as the two specialist services mentioned by Mr LEONG are concerned, conventionally and as a matter of habit, oncology patients chose to visit Queen Elizabeth Hospital (QEH) in most cases. In the 1990s, it was precisely because of such need that QEH's oncology building was expanded to meet most of Kowloon residents' need for oncology services. Since oncology service is not an emergency service, patients usually prefer to consult better specialist doctors or visit centres with better facilities. Therefore, in planning oncology service, QEH has been designated to cater for the relevant need of the KE Cluster.

As for neurosurgery service, we all know that this specialist service does not have a large patient load. Generally speaking, patients suffering from stroke or brain injury, for instance, must undergo urgent operations. So, if only a small neurosurgery department is put in place in a certain cluster, we consider it may not meet the international standard.

Again, in the 1990s, the HA decided to refer all neurosurgical cases of the KE Cluster to QEH when Tseung Kwan O Hospital came into service. As evident in the data of the past year, a total of 500-odd neurosurgical cases were referred by the KE Cluster to QEH. Should these cases be left to the KE Cluster to handle on its own, only one patient can be received each day on average, which is certainly not the figure that a quality specialist service centre should produce.

In that case, we do not consider it appropriate to establish another neurosurgical department in the KE Cluster. Except for the abovementioned two services, we find that other related services, especially emergency, basic and ordinary specialist, as well as in-patient and out-patient services provided in the KE Cluster are exactly the same as that of other clusters.

MR ALAN LEONG (in Cantonese): *President, the Secretary has not answered my supplementary question. I asked why the KE Cluster is "left alone in distress", but the Secretary only pointed out earlier that neither oncology service nor neurosurgery service is available in the KE Cluster. Should there be such cases, they will certainly be referred to the other clusters. Will it go so far as to sit and watch the patients die? President, the Secretary has not answered my question concerning why the KE Cluster was left alone in distress. What makes it so unique as opposed to other clusters?*

SECRETARY FOR FOOD AND HEALTH (in Cantonese): Madam President, I believe I gave an explanation just now, particularly in respect of planning and service planning.

MR RONNY TONG (in Cantonese): *President, if the KE Cluster is left alone in distress, what do we make of Tseung Kwan O?*

Tseung Kwan O residents have been fighting for years, but obstetric service has yet to be provided. Neither is neurosurgery service. The Secretary stated in part (c) of the main reply that an additional allocation of \$30 million has been provided by the Government to implement a number of service programmes and measures, and yet, why was there no mention of obstetric and neurosurgery services?

PRESIDENT (in Cantonese): Mr Ronny TONG, I cannot quite catch your supplementary question.

MR RONNY TONG (in Cantonese): *President, part (c) of the main reply mentioned that services provided by Tseung Kwan O Hospital would increase, and the relevant programmes include the provision of day surgical and day care services.*

PRESIDENT (in Cantonese): I get it.

SECRETARY FOR FOOD AND HEALTH (in Cantonese): Madam President, an explanation on neurosurgery service has been given earlier. Tseung Kwan O Hospital is only part of the KE Cluster, whose referral cases (for emergency trauma service in particular) to QEH is even fewer than that of UCH, with just 10 patients in a year. I have also said that it would be difficult to maintain the standard if a tertiary specialist service centre is too small.

For obstetric service, our current data show that a total of 1 700 pregnant women living in Tseung Kwan O gave birth to their babies last year, among which two thirds chose the public hospitals whereas one third chose the private hospitals. In other words, about 1 200 to 1 300-odd pregnant women gave birth to their babies in public hospitals. Judging from this figure, the establishment of an independent obstetric department is not justified for obstetric service does not appear as simple as it is, but very often covers neonatal care and neonatal intensive care as well. The provision of obstetric service will only be considered when a place has approximately 3 000 pregnant women.

MR RONNY TONG (in Cantonese): *President, the Chief Executive has called on people to give birth to more children. Has the Secretary considered the situation where Tseung Kwan O residents are forced to give birth to their babies in private hospitals simply because obstetric service is available at UCH only? Not only is the Government duty-bound to do so, added to this the enormous surplus now, should it cater for such need of the residents at the same time?*

PRESIDENT (in Cantonese): Mr Ronny TONG, if you wish to raise a follow-up question, it must be part of your original supplementary question.

MR RONNY TONG (in Cantonese): *No, President, my question is based on the Secretary's reply*

PRESIDENT (in Cantonese): You are not asking a follow-up, but are merely raising another supplementary question.

MR RONNY TONG (in Cantonese): *No, President, the Secretary's reply just now*

PRESIDENT (in Cantonese): You need only repeat the part of your supplementary question that has not been answered.

MR RONNY TONG (in Cantonese): *No, the Secretary replied that one of the reasons was that some residents had turned to private hospitals for medical services, so I wish to ask the Government further if it had considered*

PRESIDENT (in Cantonese): I know, but you cannot ask a follow-up in this way. You may do so if this is a panel meeting, but according to the Rules of Procedure, Members are not allowed to ask follow-up in this way during the Question Time of a Legislative Council meeting.

MR LEUNG KWOK-HUNG (in Cantonese): *President, Mr Alan LEONG mentioned that the KE Cluster "is left alone in distress", which actually has a previous line saying that "the capital is full of dignitaries", right?*

In fact, there is an underlying meaning in it, and that is, the majority of hospitals that have state-of-the-art technologies or can cure odd and thorny diseases will probably move to where the rich people or government officials live. These are the places where QEH and Queen Mary Hospital are located. Hence, there is an interrelationship. Someone is left alone in distress because the capital is full of dignitaries.

I have this question for the Secretary. He said that it has been a habit of oncology patients to visit QEH — this is what he said just now — this is indeed very easy to understand because oncology service is not available in hospitals elsewhere, so they have to obtain the services concerned across the cluster.

PRESIDENT (in Cantonese): Mr LEUNG Kwok-hung, please put your supplementary question and you need not answer the Secretary's question.

MR LEUNG KWOK-HUNG (in Cantonese): *No, my question was raised in the light of the Secretary's reply. Even though Kowloon East is a very big cluster, oncology patients still have to travel all the way to QEH in Kowloon West. Does he think that this is a dereliction of duty on the part of the HA which has endangered patients' health?*

SECRETARY FOR FOOD AND HEALTH (in Cantonese): Madam President, travelling time in Hong Kong is not long as the distance between two places is not that great. For such non-emergency services as oncology service, we understand that patients very much prefer to choose their own hospitals, so Hong Kong patients are specifically allowed to obtain cross-cluster non-emergency services.

During the development of oncology service, oncology patients have all along been taken care of by hospitals of comparatively longer history or larger scale, which could then continue to develop with their accumulated experience

and well-established teams. This is particularly the case in the wake of rapid technological development at that time and a significant increase in the medical costs of oncology service. Not only government consideration has to be made, the HA also needs to consider where those specialist services should be centralized. Therefore, we also support the HA's strategy that non-emergency specialist cases should be referred to centres of larger scale by all means, with a view to providing members of the public with better service and making it easier for medical staff to accumulate the relevant experience and enhance their services. This approach is entirely correct, which is also a medical health strategy that has been widely adopted in many overseas countries. For this reason, there is definitely no question of dereliction of duty or non-compliance with a principle on our part. I hope Mr LEUNG Kwok-hung will realize that medical service is completely different from other services.

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

MR LEUNG KWOK-HUNG (in Cantonese): *Yes, the Secretary has failed to answer one part of it. According to the Secretary, many patients chose to visit QEH. That is what he said in his reply, and I asked him earlier if he considered this a dereliction of duty. In fact, the answer is simple enough. Because the patients have no alternative except QEH. This is the fact.*

PRESIDENT (in Cantonese): Which part of your supplementary question has actually not been answered?

MR LEUNG KWOK-HUNG (in Cantonese): *What the Secretary has not answered is, while those patients (they are my electors) complained to me that they have no choice but to visit QEH, which made them very frustrated on the one hand, the Secretary replied that it was the patients' choice to go there on the other. In my opinion, they went there simply because they have no choice. This is the part of the question which the Secretary has yet to answer.*

PRESIDENT (in Cantonese): I still do not quite catch which part of your supplementary has not been answered. I know that you are gravely dissatisfied

with the Secretary's reply, but it seems that he has already answered it. Only that you are not satisfied with it.

MR LEUNG KWOK-HUNG (in Cantonese): *If the President thinks that he has answered it, it is fine for me. (Laughter) I have made my point clear to everyone.*

PRESIDENT (in Cantonese): We have spent more than 21 minutes on this question. Last supplementary question.

DR JOSEPH LEE (in Cantonese): *President, the Secretary and Honourable colleagues have mentioned the neurosurgery and oncology services, and I also find these two services quite worrying. Whether or not the KE Cluster is left alone in distress is not so important, what matters is whether the condition of any neurosurgery and oncology patient has deteriorated as a result of delayed treatment because of the transfer to the KC Cluster. Can the Secretary provide us with the relevant data for information?*

The most important point is, just as the Secretary mentioned earlier, while there can be as few as 500-odd neurosurgery cases each year, stroke cases are instead increasing significantly. Yet, the condition of these patients can become very critical and referrals may result in delayed treatment. Furthermore, oncology cases are also increasing and have become one of the major killer diseases in Hong Kong. An increase in the number of patients pending medical treatment will necessitate more referrals to other clusters. Will the Secretary provide us with some confirmed figures showing the number of patients whose conditions have deteriorated as a result of delayed treatment in the course of referral among the various referral cases each year?

SECRETARY FOR FOOD AND HEALTH (in Cantonese): Madam President, the travelling time of an ambulance transferring patients from Kowloon East to QEH, say, from UCH to QEH, is generally 15 to 20 minutes, which is more or less the same as that travelling from Tseung Kwan O. Therefore, generally speaking, we do not think that this will adversely affect the rendering of emergency assistance to patients, particularly when they have already received emergency medical treatment at the Accident and Emergency Department, the

so-called stabilization process. Patients will only be transferred after they are stabilized. As a result, there is no data showing that our performance is not satisfactory.

DR JOSEPH LEE (in Cantonese): *President, the Secretary has only answered part of my supplementary question. Another part relates to oncology service, which definitely does not belong to emergency service but are merely referrals to the tertiary specialist service centres. Will the Secretary provide us with some data showing how long an oncology patient may have to wait before he can be transferred from the KE Cluster to the KC Cluster?*

SECRETARY FOR FOOD AND HEALTH (in Cantonese): Madam President, this is another supplementary question.

PRESIDENT (in Cantonese): Sorry, as I gave my approval earlier, so please give a reply. *(Laughter)*

SECRETARY FOR FOOD AND HEALTH (in Cantonese): Insofar as oncology service is concerned, in fact, QEH or many other oncological centres do not determine the patients' waiting time based on their geographical locations. All patients are treated equally. It is the condition of the patients that matters. If a patient is recommended by the referring hospital to undergo urgent treatment, operation or radiotherapy of tumor, his waiting time will be comparatively shorter. As far as I understand it, the workload of the several existing oncological centres is very evenly distributed, so there should be no question of delayed treatment.

PRESIDENT (in Cantonese): Oral questions end here.

WRITTEN ANSWERS TO QUESTIONS**Illegal Felling of Trees**

7. **MR MARTIN LEE** (in Chinese): *President, in recent years, it has been found from time to time that some illegal entrants have illegally cut down trees in Hong Kong and transported them to the Mainland for profit. In this connection, will the Government inform this Council:*

- (a) *of the number of cases of illegal felling of trees in each of the past three years, together with a breakdown of the number of trees felled by the species to which they belonged;*
- (b) *among the cases referred to in part (a), of the respective numbers of those resulting in the conviction of the offenders, those which took place in country parks, and those involving the species of trees listed on the Register of Old and Valuable Trees;*
- (c) *whether it has reviewed the relevant legislation to see if there is a need to increase the penalty for illegal felling of trees; if so, of the results; and*
- (d) *whether, in the light of the above situation, it will reconsider enacting legislation on tree conservation to enhance the protection of trees; if so, of the details; if not, the reasons for that?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): *President,*

- (a) In recent years, there have been cases in which trees, mainly Buddhist pines (scientific name: *Podocarpus macrophyllus*) and incense trees (scientific name: *Aquilaria sinensis*), were illegally cut down in Hong Kong and transported to the Mainland. In most cases, Buddhist pines were totally uprooted while incense trees were cut into small pieces.

Statistics of the cases involved are listed below:

Table 1: Cases involving Buddhist pines

<i>Year</i>	<i>No. of cases</i>	<i>Total no. of trees recovered</i>	<i>No. of successful prosecution and conviction cases</i>
2005	12	190	9
2006	31	368	30
2007 (as at October)	21	391	18

Table 2: Cases involving incense trees

<i>Year</i>	<i>No. of cases</i>	<i>Total no. of trees recovered (weight of wood pieces in kg and number of trees)</i>	<i>No. of successful prosecution and conviction cases</i>
2005	43	202.28 kg and 134 trees	35
2006	20	57.93 kg and 34 trees	16
2007 (as at October)	13	19.158 kg and 42 trees	3

- (b) Trees were usually recovered while being transported. We are unable to ascertain whether these cases took place in country parks. None of the illegally felled trees was listed on the Register of Old and Valuable Trees.
- (c) At present, relevant ordinances on tree protection in Hong Kong include:
- Forests and Countryside Ordinance (Cap. 96)
 - Public Health and Municipal Services Ordinance (Cap. 132) and its subsidiary legislation
 - Crimes Ordinance (Cap. 200)
 - Country Parks Ordinance (Cap. 208) and its regulation
 - Theft Ordinance (Cap. 210)

According to the above ordinances, any person who vandalizes or damages a tree, including felling a tree illegally, shall be fined and/or imprisoned. At present, offenders being prosecuted are liable to a maximum penalty of 10 years' imprisonment. The penalty set out in the relevant legislation is appropriate and has a deterrent effect on the offenders. Therefore, we have no intention to increase the penalty at present.

- (d) The legislation and administrative measures currently in force are comprehensive and effective for protecting trees on Government and private land. Therefore, we have no intention at the moment to enact legislation on tree conservation. Nevertheless, we will closely monitor and review the effectiveness of existing tree protection measures and will formulate improvement measures where necessary.

Integrated Registration Information System Online Services of Land Registry

8. **MRS SELINA CHOW** (in Chinese): *President, it has been reported that while the number of transactions in the property market has increased recently, the Integrated Registration Information System (IRIS) of the Land Registry (LR) repeatedly broke down or slowed down between mid- and end of October this year. Members of the public therefore had to queue in person at the LR in Queensway to inspect the land registers. Such a situation had caused great inconvenience to both the public and the property agency sector. After investigation, the LR indicated that the main cause of the problem was transitional teething problems arising from the operation of the new software system. In this connection, will the Government inform this Council:*

- (a) *whether there were incidents of major breakdown or slowdown of the IRIS last year; if so, of the details (including the date of occurrence, duration of service disruption and the reasons thereto, the time taken to repair the system and the number of complaints received); and*
- (b) *whether the above teething problems have been resolved completely and what measures the authorities will take to ensure smooth*

operation of the system and achieve the target of "zero breakdown", even when the system is being upgraded or the demand for online services of the IRIS surges considerably?

SECRETARY FOR DEVELOPMENT (in Chinese): President, since its launch in February 2005, the Internet search service of the LR's IRIS has been running smoothly in general. The slowdown of the Internet search service, after a software upgrade of the IRIS in late October 2007, is an isolated incident. The LR took immediate remedial measures and the service has been running smoothly since the completion of the restoration work.

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

- (a) The prolonged slowdown of the Internet search service of the IRIS in late October 2007 is unprecedented since the commencement of the system. Apart from that incident and other pre-announced scheduled shutdowns of the IRIS for regular maintenance, the service encountered breakdown or slowdown lasting for more than one hour on five occasions in the past year. The duration of service disruption in these incidents totalled 18 hours, or 0.3% of total service hours for the whole year. All incidents were promptly attended to. Detailed information is set out at the Annex.

In the past year, the LR received 10 complaints. Apart from one that was received in July 2007, the other nine cases were received after the aforementioned incident concerning the service in October this year.

- (b) The slowdown of the Internet search service in late October 2007 happened after upgrading of one of the main software components of the IRIS. The LR together with its system maintenance contractor took immediate remedial measures to stabilize the system and to restore the search service to normal speed. Special arrangements were put in place during the incident to urgently handle customer enquiries and meet customer demands to obtain search services by making use of the LR's public offices and internal computer facilities. In-depth check-up of the IRIS conducted by the LR reconfirmed that the problem was caused by

some parameters in the upgraded software. Such parameters have been appropriately adjusted and there has been no recurrence of the same problem.

The IRIS possesses adequate capacity to handle the projected demand of search services. Although the use of the IRIS has increased over the past year, the daily search volume on weekdays is still within the capacity of the system. The IRIS is able to handle close to 40 000 requests in one day. The current daily average for search requests is about 26 000 on weekdays, 8 000 on Saturdays and 3 000 on Sundays.

The LR is now working to take forward the introduction of an "External Search System" to enhance Internet search service and improve customer service. We cannot pledge the target of "zero breakdown", but the new system will be able to provide even longer hours of service each day and will not be affected by maintenance and upgrading work carried out on the IRIS or the future title registration system. It is expected that the new system will be ready by the end of 2009.

Annex

Major Unavailability and Slowdown of Internet Search Service of the IRIS
(December 2006 to November 2007)

Unavailability/Slowdown of Internet Search Service of the IRIS lasting for more than one hour (apart from October 2007 Software Upgrade Incident)

<i>Date</i>	<i>Nature</i>	<i>Cause</i>	<i>Duration</i>
4 December 2006	Service not available	Hardware problem	1 hr 15 mins
29 December 2006	Slowdown of service	Software problem	4 hrs
15 June 2007	Service not available	Hardware problem	1 hr 45 mins
22 July 2007	Service not available	Urgent maintenance	6 hrs 30 mins
5 September 2007	Slowdown of service	Hardware problem	4 hrs 30 mins
			Total: 18 hrs

Unavailability/Slowdown of Internet Search Service of the IRIS during October 2007 Software Upgrade Incident

<i>Date</i>	<i>Nature</i>	<i>Cause</i>	<i>Duration</i>
22 October 2007	Slowdown of service	Parameter problem with upgraded software	9 hrs
22 October 2007	Service not available	Urgent maintenance (from 10.30 pm to 00.30 am)	2 hrs
23 October 2007	Slowdown of service	Parameter problem with upgraded software	8 hrs 45 mins
23 October 2007	Service not available	Urgent maintenance (from 10.30 pm to 00.30 am)	2 hrs
24 October 2007	Slowdown of service	Parameter problem with upgraded software	2 hrs 45 mins
25 October 2007	Slowdown of service	Parameter problem with upgraded software	1 hr 30 mins
25 October 2007	Service not available	Urgent maintenance (from 10.30 pm to 00.30 am)	2 hrs
			Total: 28 hrs

Note: Normal service hours of the IRIS are from 8.30 am to 00.30 am every day (16 hours a day, seven days per week)

Wages of Cleansing Workers and Security Guards Employed by School Outsourced Service Contractors

9. **MR LEUNG KWOK-HUNG** (in Chinese): *President, a number of cleansing workers of schools in the New Territories recently complained to me that some subsidized schools had outsourced their cleansing and security services, but the wages of the cleansing workers and security guards employed by the outsourced service contractors concerned were lower than those of the cleansing workers and security guards previously employed by the schools, and the wages received by some of those workers were even lower than the rates stipulated under the Wage Protection Movement. In addition, the complainants pointed out that some of the above contractors had wrongfully deducted their employees' wages and hence breached the labour legislation. Yet, the schools concerned had not monitored such contractors. In this connection, will the Government inform this Council:*

- (a) *of the current respective numbers of government and subsidized primary and secondary schools which have outsourced the cleansing and security services and those which employ their own staff to provide such services directly, as well as the respective wage rates of the cleansing workers and security guards employed by the schools concerned and the relevant contractors, broken down by the 18 District Council districts;*
- (b) *whether it had received in the past three years any cases in which such workers complained about wrongful deduction of wages and hence breach of the labour legislation by their employers (the schools or the outsourced service contractors); and*
- (c) *how it will monitor the above outsourced service contracts which are awarded by government and subsidized schools to ensure that the wages of the employees of the contractors concerned will not be lower than the relevant average market rates published in the Census and Statistics Department (C&SD)'s Quarterly Report of Wages and Payroll Statistics?*

SECRETARY FOR EDUCATION (in Chinese): President,

- (a) Government and aided schools can employ janitors directly or outsource the cleansing and security services to contractors at different times on the basis of operational needs, the nature of the work concerned and the specific circumstances in question. The Education Bureau does not have the information concerning the hiring of janitors or service contractors by government and aided schools.
- (b) For the period from 2005 to October 2007, the Labour Department (LD) had received two complaints regarding suspected violation of wage deduction restrictions under the Employment Ordinance by security service contractors of schools. The LD has completed the investigation of one of the cases and issued a warning letter to the service contractor concerned. The other case is still being investigated by the LD. The Education Bureau has not received any complaints from janitors/cleansing workers and security guards

against schools or outsourced service contractors on suspected wage deduction in breach of the Employment Ordinance.

- (c) The Education Bureau issues Circular Memorandum to schools every year urging them to follow the measures laid down by the Government on service contracts which involve the employment of mainly non-skilled workers. These include the provision that a tender offer shall not be considered if the monthly wages offered to non-skilled workers by the tenderer are less than the average monthly wages for the relevant industry/occupation as indicated in the latest Quarterly Report of Wages and Payroll Statistics of the C&SD. Also, the tenderer is required to submit a declaration stating that there has not been any conviction record against him under the Employment Ordinance and other related ordinances for the five-year period immediately preceding the close of the tender, or that he has not been given three or more demerit points under the demerit point system over a rolling period of three years for breaching contractual obligations in respect of wages. From time to time, the Education Bureau also reminds schools to adopt practices of a good employer and urges them to observe the contracts they enter into with their employees. School employees aggrieved by the terms of the employment contract may lodge their complaints with the Regional Education Offices of the Education Bureau, which will follow up their cases accordingly.

Non-emergency Ambulance Transfer Service of Hospital Authority

10. **DR FERNANDO CHEUNG** (in Chinese): *President, I have learnt that as many people with physical disabilities are currently living in the community and the Rehabus service is not sufficient, such people therefore have to rely on the non-emergency ambulance transfer service (NEATS) of the Hospital Authority (HA) for travelling to and from public hospitals for follow-up consultations. In this connection, will the Government inform this Council whether it knows:*

- (a) *the existing number of non-emergency ambulances in each of the hospital clusters under the HA, and the respective numbers of those ambulances which have been in use for over 10 years and those with platforms having a single handrail only; whether the HA has any*

plans to increase the number of non-emergency ambulances and replace those which have been used for over 10 years;

- (b) *last year's average utilization rate of the above ambulances in each of the hospital clusters under the HA; and whether there is a Waiting List for the service; if there is, the current number of people waiting for the service and the estimated average waiting time in each of the clusters; if not, how the HA assesses the demand for such service; and*
- (c) *given that a patient has complained to me that it took him six hours to wait for a non-emergency ambulance to take him home after a follow-up consultation at The Duchess of Kent Children's Hospital at Sandy Bay, and another four hours to travel from the hospital to his home in Tuen Mun even without any traffic congestion, because the ambulance had to transfer patients from hospitals in Kowloon and other areas during the journey, whether the HA has drawn up any performance indicators (for example, the maximum waiting time and travelling time) for the NEATS; if it has, of the relevant details; if not, how the HA monitors and enhances the quality of such service; and the daily schedule of a non-emergency ambulance?*

SECRETARY FOR FOOD AND HEALTH (in Chinese): President, the NEATS of the HA and the Rehabus service of the Hong Kong Society for Rehabilitation (HKSR) are services with different nature and objectives. Rehabus is mainly to provide people with mobility-disability with transport services between their homes and workplaces, schools and social places. The HA's NEATS is mainly to provide geriatric day hospital patients, discharged patients (in-patients or patients who have received treatment at Accident and Emergency Departments) and specialist out-patient clinic patients with point-to-point transport services between their homes and public hospitals or specialist out-patient clinics. The target clients of the NEATS are mainly those mobility-handicapped patients who are unable to use bus, taxi and Rehabus services. Patients have to meet the HA's established criteria and guidelines for the NEATS in order to receive the services. These patients include stretcher-bound patients, wheelchair-bound patients (who live in places not accessible by lift), aged patients who live alone and have to rely on walking aid, mentally or sensorily (for example, eyesight) impaired patients who are not

escorted by friends or relatives on discharge from hospital. In arranging the NEATS services to patients, the HA in general accords priority to discharged patients and patients transferred from one hospital to another.

In addition to the NEATS, the HA also provides Easy-Access Transport Service (ETS), which is to provide patients aged above 60 with minor mobility-disability with transport services between their homes and hospitals or clinics. The operation of the ETS is contracted out to the HKSAR.

The reply to the questions is as follows:

- (a) Currently, the HA has a total of 127 non-emergency ambulances. To provide the NEATS to needy patients in a more effective manner, the management of the services in respect of the two clusters on Hong Kong Island (the Hong Kong East and Hong Kong West Clusters) and of the three clusters in Kowloon (the Kowloon East, Kowloon Central and Kowloon West Clusters) was merged into the Hong Kong district in December 2006 and the Kowloon district in October 2007 respectively. At present, there are 31 non-emergency ambulances in the Hong Kong district, 67 in the Kowloon district, 20 in the New Territories East Cluster and nine in the New Territories West Cluster.

There are 95 non-emergency ambulances which have been in use for over 10 years. Meanwhile, there are a total of 110 non-emergency ambulances with platforms having a single handrail only.

The HA is purchasing 80 new ambulances (all with platforms having two-handrails) to replace those which have been in use for a long period of time. The HA anticipates that 45 of them will be put into service in February next year, and the remaining 35 in December next year. The HA has no plan to acquire additional ambulances for the time being.

- (b) The utilization rates (in terms of number of persons served) of the NEATS in 2005-2006 and 2006-2007 are provided in Annex.

The HA does not provide the NEATS by way of a Waiting List system. Patients in need of such service may make their requests direct to the clinical staff at the clinics or hospitals they attend. Providing that the patients can meet the criteria for the service, the clinical staff will make a NEATS booking for them through a dedicated computer booking system when making arrangement for their next follow-up consultation appointments. This is to ensure that the transfer service will tie in with the follow-up consultation.

- (c) To achieve optimum use of resources, arrangements are usually made for patients with similar transfer locations or/and bookings at close time slots to be transported by one non-emergency ambulance. Since patients being served by the same ambulance attend follow-up consultations or are discharged from hospital at different places and times, it is inevitable that some patients have to wait for the service. The patients' travelling time from clinics/hospitals to their homes would hinge on the number of patients on the same ambulance and their conditions (for example, where there are patients living in places not accessible by lift, the HA's staff may have to escort them to their homes), the distance between the patients' homes and the places of their medical appointments, the traffic conditions, and so on. Therefore, the HA does not set any performance indicators on waiting time and travelling time. The control centres of the districts or clusters have always tried to reduce patients' waiting and travelling time as far as possible through flexible deployment of ambulances. The HA reviews the quality of the NEATS services from time to time and has set performance indicators in terms of the number of passengers per ambulance per day in monitoring the quality of the service.

As mentioned above, the HA provides the NEATS services through flexible deployment of ambulances in accordance with the patients' bookings. There is thus no fixed route or schedule for the service.

Annex

Utilization Rate of the NEATS
(in terms of number of persons served)

	<i>Number of persons served</i>							
	<i>(Excluding family members or other persons accompanying the patients)</i>							
	<i>Hong Kong East</i>	<i>Hong Kong West</i>	<i>Kowloon Central</i>	<i>Kowloon East</i>	<i>Kowloon West</i>	<i>New Territories East</i>	<i>New Territories West</i>	<i>Total</i>
2005-2006	36 545	57 608	60 173	47 708	79 145	48 593	23 119	352 891
2006-2007	38 568	51 310	59 998	48 777	77 640	49 932	23 067	349 292

Pilot Scheme on Processing of Lease Modification and Land Exchange Applications

11. **MR ABRAHAM SHEK:** *President, in his 2007-2008 policy address, the Chief Executive announced that the District Lands Offices would set up dedicated teams with an integrated management structure to expedite the processing of lease modification and land exchange applications. The Government would launch a pilot scheme in the next financial year by setting up the first dedicated team in the District Lands Office (Hong Kong West and South). In this connection, will the Government inform this Council:*

- (a) *of the details of the above pilot scheme (including the membership of the dedicated team, and the measures to be adopted by the relevant District Lands Office to expedite the processing of lease modification and land exchange applications);*
- (b) *whether the Government will consult the relevant sectors on the measures to be adopted in the pilot scheme; if so, of the details; if not, the reasons for that; and*
- (c) *whether the Government will eventually implement the pilot scheme on a territory-wide scale; if so, of the timetable for setting up the above dedicated teams in other District Lands Offices?*

SECRETARY FOR DEVELOPMENT: President, my reply to the three-part question is as follows:

- (a) A dedicated team will be set up in April 2008 at the District Lands Office (Hong Kong West and South) for the processing of lease modification and land exchange applications. The team, comprising about 10 officers of appropriate professional and technical grades, will be working specifically on lease modification and land exchange applications. The team will also explore ways to expedite the processing of such applications through streamlining and enhancing the procedures and work flow, fostering stronger links with other departments, enhancing communication with the applicants, and so on.
- (b) The Lands Department will maintain a dialogue with the sector on the setting up of such a dedicated team through the Land and Building Advisory Committee and its Land Subcommittee. We will also listen to the views of the sector through other channels.
- (c) In the light of the experience gathered from the pilot scheme of a dedicated team in the District Lands Office (Hong Kong West and South), we will review how the scheme has been implemented in about one year's time, and consider how such experience can be applied to other District Lands Offices and the associated timetable of implementation.

Emissions from Vessels

12. **MR JAMES TIEN** (in Chinese): *President, in reply to my question on 2 May 2007, the former Secretary for the Environment, Transport and Works said that vessel emissions might have less impact on air quality and public health than those from motor vehicles and other land pollution sources. Yet, it has been reported recently that a study on vessel emissions conducted by experts from the United States and Germany has discovered that people living in coastal cities have a higher risk of death from lung cancer and other cardiopulmonary diseases than those living inland. The study has also found that currently around 3% to 8% of mortalities across the globe are related to emissions from vessels, and that the relevant mortality rate is estimated to increase by 40% by 2012 should the pollution continue. In this connection, will the Government inform this Council:*

- (a) *whether it will re-examine the situation concerning vessel emissions in Hong Kong and the relevant regulatory standards;*
- (b) *whether it plans to conduct a detailed study on the impact of pollutant emissions from vessels on public health, having regard to such factors as the high population density in Hong Kong; and*
- (c) *apart from encouraging ferry operators to switch to environmentally-friendly fuels, what other more positive new measures the Government will take to improve the situation more expeditiously?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): President,

- (a) The latest amendments to Annex VI to "The International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, and as further amended by the Protocol of 1997" (MARPOL) of the International Maritime Organization (IMO), has come into operation since 22 November 2006. This annex regulates the emissions of harmful substances such as ozone depleting substances, nitrogen oxides, volatile organic compounds and sulphur oxides, and so on, from vessels, as well as the quality of fuel oil used on board and shipboard incineration. As an Associate Member of the IMO, Hong Kong, China has to fulfil its obligations under this international convention. In July this year, the Hong Kong Special Administrative Region (SAR) Government has introduced the Merchant Shipping (Prevention of Air Pollution) Regulation (the Regulation) into the Legislative Council. The purpose of the Regulation is to implement Annex VI to MARPOL in Hong Kong so as to bring our vessel emission standards on a par with those of the IMO. The Legislative Council has already completed its scrutiny of the Regulation. The SAR Government has also introduced the relevant Merchant Shipping (Prevention and Control of Pollution) (Fees) (Amendment) Regulation into the Legislative Council for scrutiny, and will ask the Central People's Government to notify the IMO of the application of Annex VI to MARPOL to the SAR after completion of the legislative process. The Regulation is expected to come into force in mid-2008.

Meanwhile, the IMO is actively considering to further tighten the standards for the sulphur content of fuel oil and nitrogen oxides emissions from diesel engines under Annex VI to MARPOL, as well as to regulate the emissions of particulates. The SAR Government will closely monitor the progress made by the IMO in this regard and consider the corresponding actions to be taken.

- (b) The Environmental Protection Department (EPD) and the local universities have jointly studied the impact of air pollution on public health for years. The detailed study reports are available for download from the EPD's website. Current study methodologies are unable to accurately distinguish the relative proportion of the overall impact of air pollution on public health that could be attributed to vessel emissions. Nonetheless, the EPD has conducted a detailed analysis of emissions from vessels as a proportion of all pollution sources in Hong Kong. According to the data, vessels are the second major source of sulphur dioxide emissions after power generation. They generated 4.6%, 7% and 18% of the total amount of emissions of sulphur dioxide, particulates and nitrogen oxides respectively in Hong Kong.
- (c) As an Associate Member of the IMO, Hong Kong, China has to fulfil its obligations under the international convention through the control of vessel emissions. We plan to form a working group comprising relevant bureaux and departments and invite the participation of ferry operators to conduct a trial of using cleaner fuels, as well as to explore the feasibility of adopting other environmental facilities and technologies to further reduce the emissions from ferries.

Traffic Accidents Involving Public Light Bus Drivers

13. **MS LI FUNG-YING** (in Chinese): *President, regarding traffic accidents caused by the negligence of drivers of public light buses (PLBs), will the Government inform this Council:*

- (a) *of the number of traffic accidents last year involving PLB drivers who were negligent, and the number of relevant cases of conviction*

in the past three years (together with a breakdown by the charge and penalty imposed); and

- (b) *whether the authorities will explore new counter-measures targeting at the accidents referred to in part (a) to enhance PLB drivers' awareness of safe driving, with a view to preventing the recurrence of similar accidents; if they will, of the details; if not, the reasons for that?*

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President,

- (a) There is no definition for "negligence" in the existing legislation. "Negligence" is not an attributable factor to traffic offences under the legislation. When the police handle traffic accidents or determine whether to prosecute the drivers involved in traffic accidents, they would only consider whether the drivers have contravened traffic regulations and the evidence on site. We therefore cannot provide traffic accident figures involving PLB drivers who were negligent and the relevant cases of convictions.
- (b) Education is of vital importance in enhancing road safety awareness of PLB drivers. We will continue to implement and strengthen the following measures:
- (i) encourage PLB operators, associations and unions to adopt the published "Code of Practice for Public Light Bus Drivers" and the "Guidelines for Picking up/Setting down Passengers for Public Light Bus Drivers" for training purposes so as to instill in PLB drivers a proper driving behaviour and an appropriate attitude, and to make the compliance with the code of practice and guidelines a service requirement;
- (ii) publicize and disseminate road safety messages to PLB drivers and other professional drivers through road safety workshops, seminars, on-street educational activities, publicity bulletins and leaflets, as well as to update their contents regularly to tie in with the traffic accident and prosecution trends, and newly-implemented legislation or measures; and

- (iii) organize "PLB Driver Training Course" and encourage active participation of drivers through PLB operators, associations and unions.

Apart from the above, we plan to implement a new measure to require all drivers (including PLB drivers) who have committed serious traffic offences or are repeat traffic offenders to attend driving improvement courses on a mandatory basis. The measure will further improve driving behaviour, attitude and safety awareness through education. We plan to submit the relevant bill to the Legislative Council in early 2008.

Operation of Mutual Aid Committees

14. **MR LEE WING-TAT** (in Chinese): *President, regarding the operation of mutual aid committees (MACs), will the Government inform this Council whether:*

- (a) *regular checks have been carried out to see if the operation of MACs complies with the Model Rules for MACs (Model Rules); if so, of the results, and whether the operation of any MAC is found to have deviated from the guidelines in the Model Rules;*
- (b) *any MAC is found not to have held any meeting for a prolonged period of time and the Liaison Officers and District Officers concerned of the Home Affairs Department (HAD) have not rectified the situation, despite their knowledge of it; if so, how the authorities will rectify such situation; and*
- (c) *it has considered reviewing the operation of MACs in order to strengthen community participation and enable the HAD to promptly be aware of the operational problems and difficulties encountered by MACs and take follow-up actions?*

SECRETARY FOR HOME AFFAIRS (in Chinese): President, our reply to the question of the Honourable LEE Wing-tat is as follows:

- (a) MACs are voluntary bodies formed by the residents of a building. They organize community, cultural and recreational activities on a voluntary basis with a view to enhancing the spirit of mutual assistance in the neighbourhood and fostering a sense of belonging to the community among residents. Liaison Officers and Community Organizers of District Offices (DOs) visit MACs and attend their meetings, and render advice on MAC affairs where necessary to help them carry out their work in accordance with the Model Rules set by the HAD. In general, MACs operate in accordance with the provisions in the Model Rules.

If DOs come across cases in which an MAC is unable to fully comply with the Model Rules in its operation, the DO concerned will take the initiative to liaise with the MAC to understand the problem it faces and offer advice and assistance. According to the experience of DOs, MACs would usually improve their operation after taking into account DOs' advice on how they may better serve the residents of their buildings.

- (b) Regular MAC meetings help strengthen communication among residents and promote the work of MACs. DOs keep close contacts with MACs in their respective districts. If it comes to their notice that an MAC has not convened meetings for a prolonged period of time, they will take the initiative to liaise with the chairman and members of the MAC concerned to find out the reasons behind, and proactively offer assistance to the MAC in convening meetings as soon as possible to discuss matters relating to the work of the MAC.
- (c) DOs will continue to visit MACs in their respective districts and attend their meetings to maintain a close contact so as to facilitate the smooth operation of MACs and enhance community participation. As mentioned in part (a) of the reply, if an MAC encounters problems or difficulties in its operation, the DO concerned will offer proper assistance having regard to the circumstances of individual cases.

Nuisance Caused by Telemarketing Calls

15. **MR ALBERT CHAN** (in Chinese): *President, in recent years, I have received complaints from many members of the public that they were often disturbed by telemarketing calls while they were in Hong Kong or abroad. In this connection, will the Government inform this Council:*

- (a) *whether it knows the number of complaints received in each of the past three years by the relevant authorities about nuisance caused by telemarketing calls, together with a list of the names of the organizations under complaint; and*
- (b) *as person-to-person telemarketing calls are not covered by the Unsolicited Electronic Messages Ordinance (Cap. 593) (the Ordinance), of the circumstances under which it will reconsider regulating such calls?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, the Government is very concerned about the nuisance caused by spams to the public and the commercial sector. In this connection, the Ordinance was enacted, aiming to strike the right balance between containing the problem of spams and allowing the development of legitimate and responsible electronic marketing in Hong Kong. In accordance with the Ordinance, all commercial electronic messages that have a "Hong Kong link", including faxes, emails, voice or video telephone calls (excluding person-to-person telemarketing calls) and Short Messaging Service/Multimedia Messaging Service messages, are subject to regulation. The Ordinance was passed by the Legislative Council in May 2007 and will be implemented in two phases. The first phase, starting from 1 June 2007, tackles fraud and other illicit activities related to the sending of multiple commercial electronic messages, including using harvested-address lists and hacking into computers to send commercial messages, whereas the second phase, which will come into force on 22 December 2007, will establish the rules for sending commercial electronic messages.

My reply to the questions raised by the Honourable Albert CHAN is as follows:

- (a) Prior to the commencement of the Ordinance in June this year, there was no legislation in Hong Kong that provided for regulating

promotion of products or services through telephone calls. The number of public enquiries on telemarketing calls (including both pre-recorded and person-to-person telephone calls) received by the Office of the Telecommunications Authority (OFTA) in the past three years is set out as follows:

<i>Year</i>	<i>Total</i>
2005	3 622
2006	2 766
2007 (January to May)	866

Only some of those making these enquiries had provided details, including the name of the organizations making the telemarketing calls, to the OFTA. Since the OFTA did not have any statutory power to carry out investigation at that time, these cases had not been verified. As such, we consider it inappropriate to disclose the information of the organizations concerned which would otherwise be unfair to them.

Since the commencement of the first phase of the Ordinance and up to the end of October 2007, the OFTA has received about 1 150 reports on unsolicited commercial electronic messages. Amongst these reports, only 50 cases are about telemarketing calls including less than 10 cases relating to person-to-person calls. These 50 reported cases were largely related to financial services (about 50%) and telecommunications services (about 10%). These cases are being investigated by the OFTA. To ensure impartiality, it is inappropriate to disclose the names of the organizations involved before the investigation is completed.

On the whole, there is a significant downward trend in the number of enquiries made in relation to telemarketing calls, and the reports on telemarketing calls received by the OFTA have only accounted for about 4 % of the total reported cases after the implementation of the first phase of the Ordinance. Nonetheless, we will continue to pay close attention to the promotion of products or services through telephone calls.

- (b) Although person-to-person telemarketing calls are not regulated by the Ordinance, the OFTA has been closely monitoring the situation. A surveillance programme is ongoing to monitor the receipt of telemarketing calls by using 200 telephone accounts not involving personal data as sample. Statistics showed that after the first phase implementation of the Ordinance, the average number of person-to-person telemarketing call received by each account is less than one per month, which is at a level similar to that before the commencement of the Ordinance.

The Administration will continue to closely monitor the situation with the full implementation of the Ordinance, including conducting ongoing surveillance. In addition, we will set up an anti-spamming task force comprising representatives from all sectors of society, including chambers of commerce, telemarketing organizations, associations of the communications sector, consumer groups, and legislators, to assist the Government in monitoring the overall effectiveness of anti-spam initiatives, and to make recommendations to the Government on further actions against unsolicited electronic messages. If the nuisance caused by person-to-person telemarketing calls to members of the public tends to aggravate in future, we will consider whether or not to regulate such calls by bringing them within the scope of the Ordinance.

In addition, most of the person-to-person telemarketing calls commonly received by the public may be related to the use of personal data of the recipients. In accordance with the Personal Data (Privacy) Ordinance, the recipient may request the sender to cease to use his/her personal data for marketing purpose. If his/her request is not honoured by the sender, the recipient may complain to the Privacy Commissioner for Personal Data.

Pilot Project to Purchase Primary Care Services from Private Sector

16. **DR KWOK KA-KI** (in Chinese): *President, the Government is planning to implement a pilot project in Tin Shui Wai North under which the Hospital Authority (HA) will identify a selected group of chronic patients who have a history of using the general out-patient clinic (GOPC) service on a regular basis*

and whose conditions are stable, and offer them the choice of receiving medical care from local private doctors participating in the project. In this connection, will the Government inform this Council:

- (a) whether it will draw up eligibility criteria for participation in the project by private doctors and patients;*
- (b) of the respective projected numbers of doctors and patients participating in the project and expenditure required each year, and whether it will provide the HA with additional funding for the project;*
- (c) of the measures for encouraging doctors and patients to participate in the project; and*
- (d) of the projected time for implementing and reviewing the project, as well as the Government's considerations in deciding whether or not to extend the project to other districts (for example, Tin Shui Wai South and New Territories East).*

SECRETARY FOR FOOD AND HEALTH (in Chinese): President, at present, public general out-patient service in Tin Shui Wai is mainly provided by the Tin Shui Wai GOPC at Tin Shui Wai South. To cater for the increase in local population and service demand, the Administration has planned to build a GOPC at Tin Shui Wai North. The Administration and the HA have been exploring ways to enhance the existing general out-patient service in Tin Shui Wai before the completion of the new clinic. As mentioned in this year's policy agenda, the HA plans to conduct a pilot project to purchase primary care services from the private sector in Tin Shui Wai North for certain patient groups to enhance the existing provision of public general out-patient services and explore the feasibility of public-private partnership. The HA is drawing up the pilot scheme and consulting local private doctors, and the details of the pilot scheme have yet to be finalized.

My replies to each part of the question are as follows:

- (a) At present, the HA's initial idea is that patients residing in Tin Shui Wai North who are suffering from specific chronic illnesses (such as

hypertension, diabetes, and so on) in need of long-term follow-up treatment at the GOPC in Tin Shui Wai and whose conditions are stable would be offered the choice to participate in the pilot project on a voluntary basis. These patients may seek medical treatment from registered doctors practising in Tin Shui Wai participating in the pilot project for treatment of their chronic conditions and episodic illnesses.

- (b) As the details of the pilot project are still being worked out by the HA and participation in the project is on a voluntary basis, the HA is unable to estimate the numbers of participating doctors and patients as well as the budget of the project at this stage. To support the project, the HA will allocate additional funding to its New Territories West Cluster, which is tasked to take forward the project.
- (c) Under the pilot project, patients are offered the choice to receive continuous care from nearby private doctors and are only required to pay the same fee as in public GOPC (CSSA recipients will be granted a fee waiver in full) with the HA's subsidy. We believe that this project will probably be attractive to both local patients and private doctors. The HA will consult local private doctors when working out the details of the pilot project. It will also develop measures to promote and publicize the project, brief patients on the project, provide them with information, and provide local participating private doctors with support.
- (d) Subject to the views collected by the HA in the consultation exercise and the success of reaching agreement with local private doctors on the service and contract terms, our target is to implement the pilot project in mid-2008. The HA plans to conduct an interim review and an overall review six months and one year after the implementation of the project respectively in order to assess its effectiveness, including the cost-effectiveness of providing general out-patient service through public-private partnership. Subject to the findings of the reviews, the Administration will examine the long-term policy on provision of general out-patient service through public-private partnership.

Timing of Consultation on 2008-2009 Budget

17. **MS EMILY LAU** (in Chinese): *President, in early November this year, the Financial Secretary started to consult various political parties, Members of this Council and the public about their views and aspirations on the 2008-2009 Budget. Yet, I have learnt that prior to the commencement of the consultation, the Government had completed the vetting and approving of the bids submitted by bureaux and departments under the annual Resource Allocation Exercise (RAE bids). In this connection, will the executive authorities inform this Council:*

- (a) *whether the Financial Secretary has considered if the consultation mentioned above should have commenced before completing the vetting and approving of the RAE bids; if so, whether there is a need to revise and rationalize the current arrangement; and*
- (b) *given that the vetting and approving of the RAE bids submitted by bureaux and departments had already been completed, of the use of consulting various political parties, Members of this Council and the public on the Budget, and how the authorities will take account of their views?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Chinese): President, since the 2003-2004 financial year, the Government has adopted the "operating expenditure envelope" resource allocation approach whereby individual Bureau Secretaries may flexibly redeploy resources among policy areas under their purview, having regard to their policy objectives, in order to tackle the most pressing issues in the community. After considering resource allocation proposals from the Bureau Secretaries, the Financial Secretary issues the operating expenditure envelopes for the next financial year to the Bureau Secretaries at around October each year. The Financial Secretary will also take into account the views collected during the Budget consultation period as well as the latest Medium Range Forecast conducted in the early part of the following year in order to decide how the Draft Estimates should reflect the accepted views. On the question raised by Honourable Emily LAU, our reply is as follows:

- (a) Before issuing the operating expenditure envelopes, the Financial Secretary has obtained an understanding of the service demands of

the community through the proposals from individual Bureau Secretaries. Furthermore, he will carefully consider all submissions given directly to him in preparing the Budget; and

- (b) All the views and suggestions relating to government expenditure received from the Legislative Council and all sectors of the community will be passed to the relevant Policy Bureaux for consideration of how the resources within their operating expenditure envelopes should be distributed to individual Heads of Expenditure in order to reflect the accepted views and suggestions. The Financial Secretary may also consider the need to adjust individual operating expenditure envelopes. On proposals relating to government revenue, the Financial Secretary will study all such proposals and consider whether those suggestions should be reflected in the Estimates for the following financial year.

Continuing Education Fund

18. **MR SIN CHUNG-KAI** (in Chinese): *President, in respect of the Continuing Education Fund (CEF), the Labour and Welfare Bureau has introduced various new initiatives with effect from 1 September 2007 to further enhance the effectiveness of the CEF, including lifting the upper age limit of the CEF applicants to 65; and upon the implementation of the Qualifications Framework (QF), courses designed in accordance with the Specifications of Competency Standards (SCSs) developed by the Industry Training Advisory Committee may also be registered as recognized courses under the CEF. In this connection, will the Government inform this Council:*

- (a) *of the number of courses leading to professional qualifications in information technology (IT) which have been included in scope of the CEF since its introduction in June 2002;*
- (b) *as the Report on the 2006 Manpower Survey of the Information Technology Sector published by the Vocational Training Council shows that the IT industry will face additional manpower demand and manpower shortage, whether the Government will place the IT industry as one of the specified economic sectors/skill domains under the CEF upon the conclusion of SCSs for the information and*

communications technology (ICT) industry, and include the learning programmes in the scope of the CEF if they are relevant to the qualifications and already listed in the Qualifications Register, to encourage people in the IT industry to attend those courses and support training work for the industry; if it will, of the detailed plan and timetable; if not, the reasons for that; and

- (c) *whether any measures are in place to ensure that course providers will offer different types of courses to cater for the learning abilities and needs of people from various age groups and strata; if so, of the details; if not, the reasons for that?*

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President,

- (a) At present, subject to prior assessment by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ), education and training courses that fall within eight *specified* domains may be registered as reimbursable courses under the CEF. These eight domains are business services, financial services, logistics, tourism, creative industry, design, language¹, and interpersonal and intrapersonal skills for the workplace. While IT does not fall within the specified domains, there are registered CEF courses which contain elements relating to IT skills and knowledge.
- (b) The issue of further expansion of the scope of the CEF was fully considered in a recent review of the CEF completed in May 2007 which concluded that further expansion of the CEF should tie in with and support the development of the QF. The Legislative Council Panel on Manpower was consulted in 2007 and expressed support in this respect. Upon implementation of the QF, courses designed in accordance with the SCSs developed by the respective Industry Training Advisory Committees (ITACs) under the QF (SCS-based courses) and accredited by the accreditation authority may be registered under the CEF. The QF is expected to be implemented within the second quarter of 2008.

¹ At present, language courses in English, Chinese (written), Putonghua, French, German, Japanese, Spanish and Korean are eligible for registration under the CEF.

The ITAC for the ICT sector was established in July 2005. It has completed drafting the SCSs for Software Products and Services and will continue to develop competency standards for other functional areas in the sector. In future, accredited SCS-based courses developed in the ICT sector may be registered under the CEF.

- (c) The objective of the CEF is to provide subsidy to learners direct so as to encourage them to pursue continuing learning. It is up to applicants to make use of the subsidy to take part in the registered CEF course(s) that best suit their learning needs. It is also for course providers to design and organize courses that fall within the specified domains having regard to the market needs. They may, subject to prior assessment by the HKCAAVQ, apply for registration of these courses under the CEF. The Administration will continue to closely monitor the registered CEF courses to ensure their quality and smooth operation.

Stipulation on Period of Absence from Hong Kong for Old Age Allowance

19. **MR LAU KONG-WAH** (in Chinese): *President, will the Government inform this Council:*

- (a) *of the number, in the past three years, of elderly persons whose Old Age Allowance (OAA) payments had been suspended/terminated for violating the stipulation on the annual permissible limit of 240 days' absence from Hong Kong, as well as on average, the amount of payments and the number of days of absence involved in each case;*
- (b) *of the number of elderly persons who joined the Portable Comprehensive Social Security Assistance (PCSSA) Scheme in each of the past three years, and whether it has assessed the effectiveness of the Scheme; and*
- (c) *given that the elderly persons taking up long-term residence in Guangdong or Fujian Province are allowed to continue to receive cash assistance under the aforesaid Scheme, of the reasons for the Government's refusal to further relax the period of absence from Hong Kong for the OAA on grounds that there is the need to ensure that public funds are spent on Hong Kong residents who regard Hong Kong as a place of permanent residence?*

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President,

- (a) The OAA under the Social Security Allowance (SSA) Scheme is a non-contributory welfare scheme funded entirely by general revenue. The SSA Scheme is set up to provide cash allowance for eligible Hong Kong residents to meet their special needs arising from old age. Therefore, it is paid to those who consider Hong Kong as a place of permanent residence. Regarding the permissible limits of absence from Hong Kong, the recipients can be absent from Hong Kong for a period of time without affecting the payment of allowance on condition that they have resided in Hong Kong for not less than 90 days in a year. Furthermore, the permissible limit of absence has been relaxed from 180 days to 240 days in a year with effect from 1 October 2005. According to the information available at end October 2007, the number of cases in which elderly persons whose OAA payments had been deducted for exceeding the 240 days' permissible limit of absence from Hong Kong during the period from 1 October 2005 to 31 October 2007 is as follows:
- (i) The number of OAA cases where recipients have exceeded the 240 days' permissible limit of absence: 1 988.
 - (ii) Estimated average amount deducted for each incident exceeding the 240 days' annual permissible limit: \$366.
 - (iii) Average number of days of absence for each incident exceeding the 240 days' annual permissible limit: 256 days.
- (b) The PCSSA Scheme was introduced in 1997 to enable elderly recipients to continue to receive cash assistance under the Comprehensive Social Security Assistance (CSSA) Scheme if they choose to retire permanently in Guangdong Province. Since 1 August 2005, the PCSSA Scheme has been extended to Fujian

Province and relaxed to allow elderly persons who have received CSSA for at least one year to take up permanent residence in Guangdong or Fujian Province.

The number of cases and elderly CSSA recipients under the PCSSA Scheme in each of the past three years are as follows:

<i>Year</i>	<i>Number of Cases (Number of Recipients)</i>
2005-2006	3 132 (3 231)
2006-2007	3 196 (3 308)
2007-2008 (As at October 2007)	3 189 (3 316)

The PCSSA Scheme is designed to provide eligible elderly CSSA recipients with a choice to take up permanent residence in Guangdong or Fujian Province while continuing to receive cash assistance. We believe that the existing scheme has met the needs of elderly CSSA recipients who choose to retire permanently in the Mainland.

- (c) Since 1 October 2005, we have already relaxed the annual permissible limit of absence from Hong Kong under the SSA Scheme from 180 days to 240 days on condition that the recipient has resided in Hong Kong for not less than 90 days in a year. The measure has taken into account the preference of those elders who would like to spend more time to travel or visit their relatives and friends outside Hong Kong or take up short-term residence, while on the other hand ensures that public funds are spent on Hong Kong residents who consider Hong Kong as a place of permanent residence. We believe that the measures have struck a reasonable balance.

Introduction of Vehicles Using Cleaner Fuels

20. **MR MARTIN LEE** (in Chinese): *President, regarding the introduction of vehicles using cleaner fuels such as biodiesel, hydrogen, electricity and natural gas, will the Government inform this Council:*

- (a) *as it is conducting a consultancy study to examine the feasibility of introducing buses and other heavy duty vehicles using natural gas and liquefied petroleum gas (LPG), of the progress of the study;*
- (b) *of the current number of buses in Hong Kong powered by fuels other than diesel;*
- (c) *whether it has discussed with franchised bus companies to encourage them to introduce buses which run on natural gas or electricity; if it has, of the details; and*
- (d) *whether, when replacing vehicles of the government fleet, it will consider purchasing vehicles powered by fuels such as biodiesel, hydrogen, electricity and natural gas; if it will, of the details; if not, the reasons for that?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): President,

- (a) In March 2007, the Electrical and Mechanical Services Department commenced a study on the technical feasibility of introducing buses and other heavy vehicles powered by natural gas and LPG. The study covers the environmental benefits of using these vehicles, the availability of suitable vehicle models, the supply of fuels, the infrastructural requirements (for example, filling facility and vehicle repair facility requirements) and the additional risks due to introducing these vehicles into Hong Kong. The study is expected to complete in early 2008.
- (b) As at the end of October this year, there were 2 662 light buses powered by LPG and one light bus powered by electricity in Hong Kong. The other buses are all powered by diesel.
- (c) As mentioned above, the study on the technical feasibility of introducing natural gas and LPG buses has not yet completed. Based on the findings of the study, the Government will assess the technical feasibility of introducing these buses, the impacts on operation and cost, the performances of these buses in the local environment, the repair and ancillary facility requirements, and so

on, before deciding on whether the matter should be further pursued with the franchised bus companies.

With regard to electric vehicles, at present the existing technology available in the world mainly applies to light vehicles such as private cars and vans. Given the limited battery capacity of these vehicles, the driving distance supported by each recharge falls short of the market requirement. Therefore, these vehicles are not commonly used around the world. As for heavy vehicles (including buses and goods vehicles), the required technology for developing the electric models and battery have not yet been developed successfully in other countries.

- (d) The Environmental Protection Department (EPD) has been working with other relevant departments to actively study the feasibility of using cleaner motor vehicle fuels such as natural gas, LPG and electricity in Hong Kong. Factors to be considered include the environmental benefits of using these motor vehicle fuels, the supply of such fuels, the infrastructural requirements, the availability of suitable vehicle models and vehicle repair facilities. The Government will make reference to the relevant findings of the above study on the technical feasibility of introducing buses powered by natural gas and LPG, which is expected to complete in early 2008. According to the current policy, the Government will consider purchasing these vehicles when its existing ones are due for replacement, having regard to the operational needs of the departments concerned and the cost-effectiveness. In fact, for vehicles powered by gaseous fuels, the Government has been gradually replacing the diesel light buses of its fleet with LPG models since 2002. At present, there are 214 LPG light buses in the government fleet, which account for 69% of the total number of government light buses.

The EPD is looking into the development of a set of specifications for biodiesel. The Government will consider using biodiesel in the diesel vehicles of its fleet when there is extensive supply of this fuel on the market and after the vehicle manufacturers have confirmed that biodiesel is suitable for use by these vehicles.

Although the technology for vehicles powered by alternative fuels such as hydrogen and electricity has yet to mature, the Government will continue to closely monitor the latest development and consider the introduction of electric vehicles into its fleet wherever practicable in the future.

BILLS

First Reading of Bills

PRESIDENT (in Cantonese): Bill: First Reading.

BUILDINGS (AMENDMENT) BILL 2007

CLERK (in Cantonese): Buildings (Amendment) Bill 2007.

Bill read the First time and ordered to be set down for Second Reading pursuant to Rule 53(3) of the Rules of Procedure.

Second Reading of Bills

PRESIDENT (in Cantonese): Bill: Second Reading.

BUILDINGS (AMENDMENT) BILL 2007

SECRETARY FOR DEVELOPMENT (in Cantonese): President, I move the Second Reading of the Buildings (Amendment) Bill 2007. The Bill seeks to introduce a new minor works control system to facilitate members of the public to follow a set of simplified procedures to carry out minor works in a lawful manner and thereby enhance building safety in Hong Kong.

Under the existing Buildings Ordinance, all building works, unless otherwise exempted, are governed by the same set of stringent controls irrespective of the nature, scale, complexity and risks to safety. In other words, under the existing system, no matter if a construction company which engages in

a large-scale new building works or an owner who wishes to erect a drying rack on the external wall of his home, they have to obtain the prior approval of the plans and consent from the Building Authority (BA) before commencement of works and to appoint an Authorised Person (that is, architects, engineers and surveyors registered under the Buildings Ordinance) to supervise the execution of the works. The requirements of the current system are too stringent and complicated for minor works of a simple nature and small in scale. This not only creates difficulties in control and enforcement, but also results in many unauthorized building works. We therefore consider it necessary to introduce a new system to meet the needs of society at present and facilitate members of the public to carry out minor works lawfully through simplified procedures.

With respect to the regulation of building works, our view is that it should be commensurate with the nature, scale, complexity and risks to safety of the works concerned. We suggest adding to the Buildings Ordinance a new category of building works, namely “minor works” which are to be categorized into three classes:

- (a) Class I minor works are relatively more complicated minor works, for example, installation of internal staircases connecting two floors and removal of large-scale illegal rooftop structures;
- (b) Class II minor works are those of a comparatively lower complexity and risks to safety, for example, repair of non-load bearing external walls and erection of medium-size projecting signboards; and
- (c) Class III mainly includes common household minor works, for example, erection of supporting frames for air-conditioners, drying racks and window canopies.

The works under each class will be further classified into types and items that correspond to the specialization of works in the industry. Each item of minor works will be precisely defined with their dimensions, locations and other relevant measurements specified. The specifications for the list of 114 items of minor works will be promulgated in subsequent regulations.

Under the new system, there is no need to obtain prior approval of plans from the BA to undertake minor works and control of various degrees is exercised on minor works of every class. Owners can appoint technical

personnel of different qualifications in accordance with the complexity of the works.

A register of minor works contractors will be established under the new system. Contractor companies and individual practitioners can register as minor works contractors of the relevant classes and types by virtue of their work experience, qualifications and competence. Short-term top-up training courses relating to statutory requirements and technical skills will be provided. The Buildings Department (BD) will provide other kinds of support to practitioners, including advisory services and the issue of detailed technical guidelines to help them in the registration and carry out minor works in compliance with new statutory requirements.

We understand that currently members of the public often carry out minor works installations in their household without the prior approval and consent from the BA. The most common cases are the following three categories: erection of supporting frames for air-conditioners, drying racks and window canopies. Under the existing law, if no prior approval has been obtained, these illegal installations shall be removed when enforcement action is taken. To rationalize these three specific types of unauthorized works and enable owners to retain them for continued use, we propose to introduce a Household Minor Works Validation Scheme. Subject to the inspection and certification by a building professional or registered contractor and validation by the BA to confirm their safety, no enforcement action will be taken by the BD against these types of unauthorized minor works. With this Validation Scheme in place, owners can, in accordance with their needs, take the opportunity of large-scale maintenance works of their buildings, such as works under the proposed Mandatory Building Inspection Scheme or the BD's large-scale enforcement operations, to validate and retain these three types of unauthorized works. This may help owners economize on money and time. I believe such a practice is a proper balance struck between ensuring building safety and reducing inconvenience to the public and merits support by Members.

Control of minor works was actually first proposed in 2001 and to ensure that the scheme is practicable, we have maintained close contact with practitioners in the trade over the past few years to consult their views on the details of the control system for minor works. We have set up a working group with members from the relevant professional bodies and front-line practitioners in the trade to draw up the proposed control system. Details discussed include

the classification of minor works, registration of practitioners and other specific details in operation. We have also gathered views from the public through many channels. With this extensive consultation exercise held, I believe the present proposals can meet the operational needs of the trade while also satisfy the needs of the public.

To ensure that minor works undertaken after the passage of the new law can meet the requirements of minor works and achieve the prescribed quality and safety standards, the BD will carry out inspections and undertake enforcement action against unauthorized minor works. The new law requires owners to appoint qualified contractors to undertake minor works. If owners are found to have wilfully contravened this requirement, they may have to be held liable. The building professionals and contractors can only undertake the class of minor works relevant to their registration and they shall meet the requirements and demands under the relevant law. Should they be found to have breached the above requirements, they may be subject to disciplinary action or prosecution.

Although a set of simplified procedures is used in the minor works control system, the system is a new concept to the general public. We will conduct a very extensive public education campaign to facilitate public understanding of the new legislation and facilitate compliance with the new system. We will publish tailor-made guidelines for owners, minor works practitioners, building managers and business operators to cater for their specific needs. We will also emphasize in our publicity materials the *modus operandi* of the new system. The BD will collaborate with the Hong Kong Housing Society and its Property Management Advisory Centres to provide advisory services to answer public enquiries. Even though the Bill is introduced and committed to deliberation today, we consider that it is necessary to facilitate public understanding of the intent and contents of the legislative exercise. In view of this and to facilitate public understanding of the proposed minor works control system, we have published pamphlets with easy-to-follow procedural guides, in the form of questions and answers, focusing on the benefits and implications that the minor works control system will bring to owners, tenants, building professionals and other stakeholders.

President, the proposed minor works control system will serve to meet the needs of society currently, simplify the regulatory regime for minor works and greatly improve the efficiency and flexibility of the works concerned, and minimize the cost of compliance, thus facilitating compliance by the public and relevant parties. On the other hand, the standards of contractors and building

safety of the works can be enhanced. Thus it is beneficial to all parties. I implore Members to support the Bill.

Thank you, President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Buildings (Amendment) Bill 2007 be read the Second time.

In accordance with the Rules of Procedure this debate is now deferred and the Bill submitted to the House Committee.

MOTIONS

PRESIDENT (in Cantonese): Motions. Proposed resolution under the Organized and Serious Crimes Ordinance to approve the Organized and Serious Crimes Ordinance (Amendment of Schedule 2) Order 2007.

I now call upon the Secretary for Security to speak and move his motion.

PROPOSED RESOLUTION UNDER THE ORGANIZED AND SERIOUS CRIMES ORDINANCE

SECRETARY FOR SECURITY (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, that is, the resolution to make the Organized and Serious Crimes Ordinance (Amendment of Schedule 2) Order 2007 (the Order), be passed by the Legislative Council.

The United Nations Convention Against Corruption (the Convention) has come into force for China and become applicable to the Hong Kong Special Administrative Region. Most of the requirements of the Convention can be fulfilled by existing legislation and administrative measures. However, new legislative measures are required in Hong Kong to better fulfil requirements concerning confiscation of proceeds of crime under the Convention.

Pursuant to Article 31 of the Convention, States Parties are required, to the greatest possible extent under their domestic legal systems, to adopt measures

for the identification, tracing, freezing, seizure and the eventual confiscation of proceeds derived from bribery. Under our domestic legal framework, provisions for the freezing, seizure and confiscation of proceeds of crimes are provided for under the Organized and Serious Crimes Ordinance. The Government can apply to the Court to exercise such powers to deal with proceeds derived from offences listed in Schedule 2 to the Ordinance.

Offences on "offering" bribes as defined under sections 4(1), 5(1), 6(1) and 9(2) of the Prevention of Bribery Ordinance are already included in Schedule 2 to the Organized and Serious Crimes Ordinance, whilst those on "soliciting or accepting" bribes as defined under sections 4(2), 5(2), 6(2) and 9(1) of the Prevention of Bribery Ordinance are not. Hence, the tool for the confiscation of proceeds under the Organized and Serious Crimes Ordinance is not available to the offences on "soliciting or accepting" bribes.

To better achieve the confiscation requirements under Article 31 of the Convention, the Chief Executive in Council has made the Order. Specifically, the Order adds the offences on "soliciting or accepting" bribes as defined under sections 4(2), 5(2), 6(2) and 9(1) of the Prevention of Bribery Ordinance to Schedule 2 to the Organized and Serious Crimes Ordinance. By so doing, the Government will be able to apply to the Court for orders to freeze, seize and confiscate proceeds or property derived from these corruption offences on "soliciting or accepting" bribes.

A Subcommittee was set up by the Legislative Council in June this year to study the Order. On behalf of the Administration, I would like to thank the Chairman of the Subcommittee, the Honourable Margaret NG and other members for their valuable views and support for the Order. In response to the Subcommittee's request, the Administration wishes to re-affirm that the offences on "soliciting or accepting" bribes under sections 4(2), 5(2), 6(2) and 9(1) of the Prevention of Bribery Ordinance are the only corruption offences which need to be added to Schedule 2 of the Organized and Serious Crimes Ordinance for better achieving the confiscation requirements under the Convention.

I now invite Members to approve the making of the Order.

Thank you, Madam President.

The Secretary for Security moved the following motion:

"RESOLVED that the Organized and Serious Crimes Ordinance (Amendment of Schedule 2) Order 2007, made by the Chief Executive in Council on 22 May 2007, be approved."

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

MS MARGARET NG: Madam President, as Chairman of the Subcommittee on Subsidiary Legislation to Implement the Obligations under the United Nations Convention Against Corruption (the Subcommittee), I rise to speak on the motion moved by the Secretary for Security.

One of the items of subsidiary legislation scrutinized by the Subcommittee is the Organized and Serious Crimes Ordinance (Amendment of Schedule 2) Order 2007 (the OSCO Order).

On the need for the OSCO Order, the Administration has explained that while a person convicted of a bribery offence can be ordered to return the amount of advantage received by him by a restitution order made under section 12 of the Prevention of Bribery Ordinance, this order is enforceable by the principal of the convicted person, which may not necessarily be the Government, thereby creating potential enforcement difficulties. When compared with a confiscation order under section 8 of the Organized and Serious Crimes Ordinance, the maximum amount that can be recovered is lower while the standard of proof is higher. As a result, a restitution order cannot serve in the same way as a confiscation order. To better achieve the confiscation requirements under Article 31 of the Convention, the Administration considers it necessary to add the offences of soliciting or accepting bribes under sections 4(2), 5(2), 6(2) and 9(1) of the Prevention of Bribery Ordinance to Schedule 2 to the Organized and Serious Crimes Ordinance.

Concern has been raised about the impact of the OSCO Order on the interests of the principal of the convicted person where the principal is not the Government, as the Government can apply for a confiscation order.

The Administration has advised the Subcommittee that it is the Government's policy for victims in criminal cases to pursue claims. While the Government will stand aside, it will apply to the Court for an order to preserve the assets. The prosecution will, at about the end of the trial where there is a possibility of a conviction, approach the principal in whose favour a restitution order may be made. If the principal does not wish to enforce the restitution order, the Administration will ensure that provisions are in place to prevent persons convicted of corruption offences from benefiting from the proceeds of crime. Application for confiscation of assets will then be made.

The Subcommittee supports the OSCO Order. Thank you, Madam President.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Secretary for Security, you may reply.

SECRETARY FOR SECURITY (in Cantonese): President, I implore Honourable Members to approve this Order.

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Proposed resolution under the Mutual Legal Assistance in Criminal Matters Ordinance to approve the Mutual Legal Assistance in Criminal Matters (Corruption) Order.

I now call upon the Secretary for Security to speak and move his motion.

PROPOSED RESOLUTION UNDER THE MUTUAL LEGAL ASSISTANCE IN CRIMINAL MATTERS ORDINANCE

SECRETARY FOR SECURITY (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, that is, the resolution to make the Mutual Legal Assistance in Criminal Matters (Corruption) Order (the Order), be passed by the Legislative Council.

The United Nations Convention Against Corruption (the Convention) has become applicable to Hong Kong since February 2006. Most of the Convention requirements can be fulfilled by existing legislation and administrative measures. New legislative measures, however, are required to give effect to other obligations under the Convention, including those in respect of mutual legal assistance.

Articles 46 and 57 of the Convention require that States Parties shall, under their relevant laws, afford one another the widest measure of mutual legal assistance in relation to the offences covered by the Convention, and return confiscated property when acting on the request made by another State Party.

The Mutual Legal Assistance in Criminal Matters Ordinance (the Ordinance) provides the necessary statutory framework for implementing mutual legal assistance arrangements, enabling assistance to be provided to or obtained from foreign jurisdictions in the investigation and prosecution of criminal offences, which includes the taking of evidence, search and seizure, production of material, transfer of persons to give evidence and confiscation of the proceeds of crime.

Pursuant to the Ordinance, the Chief Executive in Council has made the Order to implement the mutual legal assistance obligations under the Convention. By applying the Ordinance as between Hong Kong and the States Parties of the Convention, the Order allows assistance to be provided or obtained

in accordance with the procedures set out in the Ordinance and the relevant provisions in the Convention. The mutual legal assistance arrangements under the Convention are substantially in conformity with the provisions of the Ordinance.

In June 2006, the Legislative Council set up a Subcommittee to scrutinize the Order. We would like to thank the Chairman of the Subcommittee, the Honourable Margaret NG, and other Members for their examination of the Order.

To fulfil our international obligations on mutual legal assistance under the Convention and to strengthen our co-operation with foreign jurisdictions in respect of criminal justice and international law enforcement, it is important for the Order to be made.

I now invite Members to approve the making of the Order.

Thank you, Madam President.

The Secretary for Security moved the following motion:

"RESOLVED that the Mutual Legal Assistance in Criminal Matters (Corruption) Order, made by the Chief Executive in Council on 22 May 2007, be approved."

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

MS MARGARET NG: Madam President, as Chairman of the Subcommittee on Subsidiary Legislation to Implement the Obligations under the United Nations Convention Against Corruption (the Subcommittee), I rise to speak on the motion moved by the Secretary for Security.

The Mutual Legal Assistance in Criminal Matters (Corruption) Order (the Order) is one of the items of subsidiary legislation scrutinized by the

Subcommittee. The Subcommittee has sought clarification on the effect of including the Convention in the Order.

The Administration has explained that the Order, which sets out the Convention in a schedule, provides that in relation to the mutual legal assistance provisions of the Convention, the Mutual Legal Assistance in Criminal Matters Ordinance shall apply as between Hong Kong and States Parties to the Convention, subject to the modifications specified in Schedule 2 giving effect to Article 46(27) of the Convention. It does not have the effect of implementing the non-mutual legal assistance related provisions of the Convention.

The Subcommittee supports the Order. Thank you, Madam President.

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

(No Member indicated a wish to speak)

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

SECRETARY FOR SECURITY (in Cantonese): President, I once again implore Honourable Members to approve the making of the Order.

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

(Members raised their hands)

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

(No hands raised)

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

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions. Two motions with no legislative effect. First motion: Promoting social enterprises.

I now call upon Miss CHAN Yuen-han to speak and move her motion.

PROMOTING SOCIAL ENTERPRISES

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed.

Over the past 20 years or so, there have emerged in Hong Kong many chain-businesses. Apart from supermarket chains, there are also chain-businesses engaged in the sale of garments and the provision of catering, guarding or cleansing services. Many employees working for such chain-businesses must work long hours with low wages, and not only this, their working hours are very rigid and they also do not have any career prospects. Besides, many workers are simply not taken on for reasons of age and disabilities. But owing to market monopolization, it is very difficult for them to find any other jobs, so they are often caught in unemployment or semi-unemployment. And, even middle-aged and young workers cannot find any jobs easily, as evidenced by the unemployment rate.

(THE PRESIDENT'S Deputy, Ms Miriam LAU, took the Chair)

In the past, jobless people could still earn a living by operating a hawker's stall or a small business. But nowadays, in Hong Kong, there are no longer any opportunities for people to earn some small profits by operating a tiny business because rents are high and the Food and Environmental Hygiene Department has been seeking to eradicate hawkers totally. Such is the situation faced by elementary workers. The problems of working poverty and polarization of the rich and the poor have become increasingly apparent. I have repeatedly emphasized that this is actually no new situation. Rather, it started to emerge soon after the reunification and has since been worsening. Over the past 10 years, the Government has launched various projects on training and starting businesses. But as far as we can observe, all such projects are nothing but mere

embellishment. The conditions necessary for really creating jobs for elementary workers are still absent.

Deputy President, the policy address this year advocates the promotion of social enterprises. Such an advocacy is presumably based on the experience of foreign countries in tackling the unemployment problem. The idea is a good one. In 2006, the Commission on Poverty put forward an initiative, proposing to promote the development of social enterprises through the Enhancing Self-Reliance through District Partnership Programme. But did they ever consider clearly the definition of social enterprises before launching the programme? Did they ever consider how an enterprise should operate before it can be regarded as a social enterprise? Did they ever consider what government policies are necessary for the effective promotion of social enterprises? The Government never considered all these questions.

What the Government did was just a wholesale copying of the "Enhancing Employment of People with Disabilities through Small Enterprise" Project, which is basically aimed at assisting people with disabilities. The Enhancing Self-Reliance Through District Partnership Programme was launched with some minor modifications to the "Enhancing Employment of People with Disabilities through Small Enterprise" Project, to be planned and operated by non-government organizations (NGOs). But is the whole thing suitable for social enterprises?

Deputy President, let us look at the experience of Britain. In Britain, a social enterprise is defined as a business with social objectives whose surpluses are principally reinvested for the specified purpose of the business or in the community, rather than being used to maximize profit for the proprietor or shareholders. Thus defined, a social enterprise must by nature operate on a commercial basis, with a view to achieving certain specified social objectives. Such objectives may cover various aspects such as environmental protection, cultural education, facilitating employment, and so on, as mentioned in Mr Frederick FUNG's amendment. If we recognize that a social enterprise is a business, then we must also agree that while seeking to achieve the specified social objectives, a social enterprise should also be able to sustain its operation on a self-financing and independent basis.

Deputy President, let us take a look at how social enterprises in Hong Kong have been faring. The history of developing social enterprises in Hong Kong is not very long. Currently, most social enterprises are operated with the support of charitable bodies and NGOs. Many social enterprises are funded by

the Enhancing Self-Reliance Through District Partnership Programme, so they are able to develop, achieving remarkable results.

However, just very few of them can sustain their operation after using up the funding provided. Since our experience of developing social enterprises is so short, they may still fail to grasp the art of survival; honestly speaking, I find this only understandable. But we cannot possibly allow the situation to continue either. The SAR Government must formulate policies to support their development. If they continue to adopt such a wishy-washy approach and push ahead with the Enhancing Self-Reliance Through District Partnership Programme bearing just a semblance of social enterprises, then what will happen at the end of the day will be that all the \$3 million funding for each project will be spent, but nothing further will happen thereafter. Can this be our desired result?

Deputy President, in his policy address, the Chief Executive advocates the development of social enterprises as a means of countering the wealth gap and creating employment opportunities. It is proposed to motivate tripartite collaboration among the Government, business and society, so that concerted efforts can be made. And, a summit on social enterprises is also proposed to be held at the end of this year. We are of the view that the topics of discussions in this summit should also cover all the views put forward by Members in the motion and amendments today. The Government simply must not stick to its nonsensical approach of developing social enterprises even after our debate today. I also hope that the Government will not adopt any slapdash approach, treating the development of social enterprises as a mere gimmick, for this will defeat the very purpose of all related efforts.

Deputy President, we shall put forward a whole series of advice. The first piece of advice is the enactment of legislation on social enterprises. During the summer recess this year, a number of Members visited Spain and Britain, which are noted for their experience in operating social enterprises. They came to realize that in Britain, social enterprises enjoy a very clear statutory status. Anyone who cares to browse the website of the United Kingdom Government will be able to find various links to other websites specializing in teaching people how to establish a social enterprise. A social enterprise can take many legal forms, such as a charity fund, a limited company, a trust fund and a community interest company (CIC).

We may look at CICs as an example. Any organization wishing to become a social enterprise in the form of a CIC must first register as a limited liability company. The applicant must make a declaration of community interest, detailing its social objectives. There is also the "asset lock", which ensures that the CIC thus established will dedicate its asset and profits to the social objectives for which it is founded. A CIC is not a charitable organization, so it is not entitled to any tax exemption. But it can enjoy the flexibility of a private company, and at the same time, it can also apply for financing and loans as a social enterprise. All this is clearly written in the law.

The second thing is about the types of social enterprises. The United Kingdom Government imposes certain legislative control on social enterprises, but it also allows the existence of different types of social enterprises, thus leading to their variegated development. On the website of Social Enterprise London, we can find social enterprises engaged in many types of businesses such as credit facilities, legal counselling, catering, recycling, child care and even magazine publication. One example is Cafedirect in London. This social enterprise is the biggest fair trade hot drinks company in the United Kingdom. It deals directly with organizations of coffee, tea and coco farmers, thus doing away with middle-man exploitation. Eighty-five percent of the profit is used for providing farmers with assistance and training. This is a successful example, as it can ensure sustainable operation and help farmers.

Deputy President, the establishment and operation of a social enterprise need capital. For this reason, seed funds and various types of loans are very important. At present, seed money is provided under the Enhancing Self-Reliance Through District Partnership Programme, but this is just a trial arrangement and a one-off payment. The Government must set up a long-term seed fund to assist people in starting up social enterprises. And, it should also encourage private individuals to set up similar funds. For instance, the social enterprise established by Harvard graduate Miss Marie SO to assist herdsmen on the Qinghai-Xizang Plateau in shaking off poverty is funded by a private venture capital fund.

Another point is about loan facilities. Social enterprises must operate on a commercial basis in very much the same way as other small and medium enterprises in Hong Kong. Working capital and contingency funds are therefore very important to them. Precisely for this reason, and also since the Government provides loan guarantee for small and medium enterprises (SMEs),

it should also provide social enterprises with similar assistance. It simply cannot argue that what is offered to SMEs cannot be given to social enterprises. How can it argue that way? Why is it impossible to offer social enterprises the same treatment accorded to SMEs? The Government should consider this point. What is more, private financial institutions may also offer low-interest loans to social enterprises.

Deputy President, the most notable social enterprise providing credit facilities must be the Grameen Bank founded by Nobel Peace Laureate Muhammad YUNUS. The Grameen Bank specializes in making microcredit to the impoverished for starting up their businesses. This poor men's banker lends money to impoverished women in Bangladesh who make rattan chairs and to ethnic minorities in the United States who want to procure business equipment, thus helping countless people to shake off poverty, in marked contrast to the banking sector's undesirable practice of lending money only to the rich. His experience conveys a very significant message to us: microcredit and low-interest loans certainly play a crucial role in promoting the development of social enterprises.

Deputy President, we can also observe that most social enterprises in Hong Kong are operated by charitable organizations which all enjoy tax exemption. However, as the development of social enterprises reaches a mature stage and many more types of social enterprises have emerged, the Government must provide social enterprises with a profits tax holiday and profits tax concession. What is more, the Government, public organizations and their outsourcing contractors should also reserve a certain percentage of the procurement of government goods and services for social enterprises.

Deputy President, the recent report of the Audit Commission has once again exposed the crimes of employee exploitation committed by the outsourcing contractors of the Leisure and Cultural Services Department, the Food and Environmental Hygiene Department and the Housing Department. One example of such crimes is the deprivation of workers' rest days. Owing to low wages, drivers of waste collection vehicles must work as long as 19 hours in some cases in order to earn enough money to support their living. The outsourcing expenditure of these three government departments amounts to \$5.2 billion in total. Instead of outsourcing the services concerned to unscrupulous employers, it will be much better to award the contracts to social enterprises. This can do away with middle-man exploitation and also bring real improvement

to workers' life. Other policies are also required. Mr WONG Kwok-hing and Mr KWONG Chi-kin will talk about them, including the lands policy.

Deputy President, the promotion of social enterprises will not totally eradicate the polarization of the rich and the poor. But given policy support, social enterprises will be able to offer one additional avenue to elementary workers and marginalized workers. They will then have opportunities to rejoin the workforce, avoid exploitation and earn a decent income. The problem of low wages for long hours of work will disappear. There are many social problems in Hong Kong, but if elementary workers' life can be improved, it will be possible to alleviate at least some of these problems. Deputy President, with these remarks, I beg to move. Thank you.

Miss CHAN Yuen-han moved the following motion: (Translation)

"That, although the unemployment rate has come down to a new low, elementary workers still face the plight of low wages, long working hours and even difficulties in securing employment; to alleviate the hardship of elementary workers, the Administration should implement various policies on facilitating the employment of labour in order to improve the employment situation and narrow the gap between the rich and the poor; one of such policies is to "promote the development of social enterprises and boost employment" as proposed by the Chief Executive in his policy address; this Council urges the Government to formulate the following policies to effectively promote social enterprises:

- (a) making rules and regulations on social enterprises to clarify the definition of such enterprises;
- (b) providing various financing channels for social enterprises, including setting up a public or private seed fund, encouraging financial institutions to offer low-interest loans, and so on;
- (c) providing loan guarantee, setting up marketing, training and development funds, and so on, for social enterprises, with reference to the modes of the funding schemes implemented by the Government for small and medium enterprises;
- (d) providing a profits tax exemption period for and offering profits tax concession to newly established social enterprises;

- (e) establishing a social enterprises operation support centre to provide free business information, consultation and support services on the setting up and operation of business as well as market news, and so on;
- (f) the Government and private organizations providing shops, properties and venues with rent exemption/concession to social enterprises; and
- (g) reserving a certain percentage of the procurement of government goods and services for social enterprises, in order to provide room for the development of such enterprises."

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss CHAN Yuen-han be passed.

DEPUTY PRESIDENT (in Cantonese): Mr Frederick FUNG, Mrs Sophie LEUNG and Mr Albert HO will move amendments to this motion respectively. Mr WONG Kwok-hing will move an amendment to Mrs Sophie LEUNG's amendment. The motion and the amendments will now be debated together in a joint debate.

I will call upon Mr Frederick FUNG to speak first, to be followed by Mrs Sophie LEUNG, Mr Albert HO and Mr WONG Kwok-hing; but no amendments are to be moved at this stage.

MR FREDERICK FUNG (in Cantonese): Deputy President, as rightly pointed out by Miss CHAN Yuen-han in her speech just now, the Government is duty-bound to relieve the employment difficulties faced by the grassroots. It must implement a policy based on the concept of "good value for labour", so as to promote employment and alleviate the wealth gap. And, the Hong Kong Association for Democracy and People's Livelihood (ADPL) and I both believe that the promotion of social enterprises is one such an effective policy.

The ADPL basically supports Miss CHAN Yuen-han's original motion. The purpose of our amendment is to make the Government realize the true role

and function of social enterprises and take concrete measures to assist their development. Chief Executive Donald TSANG undertook in his election platform to improve people's livelihood by promoting the development of social enterprises. However, in the policy address announced in October, there is no mention of what is meant by a social enterprise. It only pointed out that the aim of promoting the development of social enterprises is to foster a new caring culture and reduce social conflicts. Here is where the problem lies. Two months ago, in the Legislative Council, I asked the Secretary, "What kinds of social enterprises can achieve these desired objectives? What is the definition of a social enterprise? What constitutes a social enterprise? What role does the Government expect social enterprises to play in alleviating poverty? Are the objectives of all these social enterprises set out clearly?"

I must reiterate that the Government must not use social enterprises as a shield before it can answer all these questions clearly. After the tragedies in Tin Shui Wai, the Government started to talk about introducing social enterprises. But I have to tell the Government that social enterprises are no panacea. They cannot possibly solve all the problems in society. They are something like water far away and cannot quench the fire before us. We must not harbour any vain hope that they can solve all social problems, nor should the Government use them to conceal the responsibility it should discharge.

Deputy President, I am also engaged in the operation of a social enterprise, so I must make a declaration of interest. I am the Chairman of the ADPL's Social Service Centre which set up the ADPL Sam Hong Workers Mutual Aid Engineering Limited in 2002. Why do we want to operate a social enterprise? The reason is that after the financial turmoil in 1997, we saw that many kaifongs in the community, especially construction and fitting-out workers, were plunged into unemployment. Even though people could attend employment counselling and retraining programmes, only half of them could secure employment after completing the courses. We therefore hoped that we could provide fitting-out workers with employment opportunities by operating a social enterprise. After four years of difficult operation, the company finally broke even last year. We have also applied to the Enhancing Self-Reliance Through District Partnership Programme for funding and started our expansion since earlier this year.

In citing this example, I wish to advise the Government that it cannot possibly ensure the successful development of social enterprises simply by saying

that they must be self-financing. It must provide many other forms of support before it can expedite their development. I think that the Government is duty-bound to encourage social enterprises to take on larger numbers of disadvantaged persons, such as the unemployed and disabled persons with working ability. Only this can achieve the policy objective of promoting employment.

Besides, the Government should also intensify and support district-based poverty-alleviation efforts. In districts where the poverty situation is more serious, such as Sham Shui Po and Tin Shui Wai, more social enterprises operated by NGOs familiar with local grass-roots people and market conditions should be set up to provide district-based services and more employment opportunities.

However, the ADPL also thinks that government assistance to social enterprises should be subject to a time limit, and that such assistance should be gradually reduced as social enterprises develop. Eventually, all social enterprises should be self-financing. For this reason, social enterprises are no panacea, and there are many examples of failure all over the world. Even in Spain and the United Kingdom, which we visited, there are also many cases of failure.

The Legislative Council Subcommittee to Study the Subject of Combating Poverty visited Spain and the United Kingdom in September, with a view to gaining an understanding of their strategies and measures of promoting the development of social enterprises. During our meetings with local government officials and representatives of social enterprises, we observed that they were determined to promote the development of social enterprises. The governments of these two countries have each set up a special unit dedicated to the promotion of social enterprises, in contrast to our SAR Government, which has only assigned the task to the Home Affairs Bureau as an additional responsibility. If the Home Affairs Bureau is responsible for the cause wholesale, I will render my support. But the matter is just its additional responsibility. This is simply not enough. In the United Kingdom Government, a high-level third sector unit is set up under the cabinet office, and this unit is headed by a minister responsible for formulating long-term strategies on the development of social enterprises. The ADPL therefore advises the Government to set up a high-level inter-bureau working group to formulate development strategies for social enterprises.

At present, only \$30 million a year is available under the Enhancing Self-Reliance Through District Partnership Programme as seed money for social enterprises. I think this is just a drop in the ocean. In the policy address, the Chief Executive calls on the business sector to set up social enterprises. But to the business sector, "big profits" are their only aim. A simple appeal like this cannot possibly move them easily. Why should they give up their profits? Can such an appeal foster any tripartite collaboration among the Government, the business sector and the community? The ADPL advises the Government to first lobby the business sector, familiarizing them with the concept and objectives of social enterprises. It should also encourage the business sector to assist in the development of social enterprises with their expertise in business operation.

Many in society, including our Chief Executive and the business sector, has a misunderstanding about social enterprises, thinking that such enterprises must not compete with SMEs. Actually, such a presumption distorts the very purpose of establishing social enterprises. We are naturally against any unfair competition. But from the experience of Spain and the United Kingdom, we can observe that their governments have sought to create a favourable environment for social enterprises by, for example, assisting them in financing, providing social enterprises employing unemployed persons and the disadvantaged with a start-up grant and offering support services and tax concession to them. All this has not adversely affected the fair competition between social enterprises and the business sector in the open market.

The Spanish Government provides unemployed persons with a start-up grant amounting to €5,000, that is, nearly HK\$60,000. And, the start-up grant for unemployed women is as high as €7,000, that is, nearly \$80,000 in each case. In the case of the United Kingdom, according to the report published in the middle of this year, the United Kingdom Government will seek to establish a partnership framework with social enterprises in the next 10 years.

The experience of Spain and the United Kingdom shows that, like ordinary enterprises, social enterprises should operate on a commercial basis. To achieve this goal, social enterprises must seek to establish their market advantage, or identify their niche market. One of the ways is to provide services hitherto not offered in the market. But there is no absolute market advantage as such because if the services concerned are really lacking in the market and also profitable, the business sector will rush into the market

immediately. As a result, a market with no competition will become competitive. In the course of actual operation, social enterprises will inevitably have to compete with some SMEs. If social enterprises cannot provide quality products and services, they must eventually close down.

The governments of Spain and the United Kingdom have also put in place other measures to assist the development of social enterprises. There is a term in the procurement contracts of the Spanish Government which requires contractors to employ a specified percentage of unemployed or disadvantaged persons. This has not only increased the chances of success of social enterprises bidding for government procurement contracts but also added to the employment opportunities for unemployed and disadvantaged persons.

The Spanish Government also awards the franchise of selling the state lottery to a social enterprise. Consequently, one of the three lottery sale companies in Spain is a social enterprise. This social enterprise, named as ONCE, employs blind people and is now one of the well-established social enterprises in the country, employing more than 100 000 people, or 0.54% of the country's employed population. Almost 80% of the employees of this organization are visually impaired persons or persons with other kinds of disabilities. Lottery sale can guarantee the income of the organization. However, some 60% of the social enterprises in the country have still closed down due to business losses. This means that of all the 40 social enterprises set up so far, only 16 can survive. Some 20 of them have had to close down due to business difficulties after their establishment. I only wish to point out that no one should ever think that having assisted social enterprises, the Government must always guarantee their survival.

The United Kingdom Government is also of the view that social enterprises should compete with the business sector in the market. However, local authorities have still included one condition in their procurement contracts. For example, contractors are required to provide training and create local employment opportunities. As a result, those enterprises which do not want to discharge their social responsibility will refrain from bidding. This practice can on the one hand uphold fair competition in the market and increase the chances of success of social enterprises bidding for public procurement contracts, thus reducing their business risks.

We advise the Hong Kong Government to learn from all such experience, especially the successful experience. It must make determined efforts and set up a division with sole responsibility for studying various strategies on developing and assisting social enterprises, so that more employment opportunities can be provided to the underprivileged, thus narrowing the wealth gap.

With these remarks, I support the original motion and the amendments.

MRS SOPHIE LEUNG (in Cantonese): Deputy President, on 14 June last year, I moved the motion entitled "Vigorously promoting the development of social enterprises" in the Legislative Council, urging the Government to vigorously promote the development of social enterprises, with the objectives of enhancing social capabilities and establishing positive social values. The motion was passed. At that time, many Members were still not quite clear about the definition of social enterprises. Many of them asked me in the Ante-Chamber what the motion topic was all about.

Now, after more than a year, I am very glad that Miss CHAN Yuen-han has once again put forward the same motion topic for discussion. Deputy President, I do not think that we should wait as long as one year. If the topic can be discussed once every six months, then with more discussions and debates, Members may come to look at the development of social enterprises They may come to realize that one should not always focus on others' successful experience and thus conclude that Hong Kong must invest enormous resources for the cause. They may realize that as in the case of ordinary enterprises, there must be a process of trials and errors, that success will be possible only with strong personal convictions, and that huge investments are not a prerequisite in every case. I think that now is the time for more discussions on the true significance of social enterprises.

The United Kingdom Government defines a social enterprise as an enterprise primarily concerned with the realization of certain social objectives, the profits of which are to be reinvested in its business or the community. This means that no one will pocket the profits, for social enterprises are not meant to earn any large profits for shareholders or proprietors. In Spain, social enterprises are treated as a special kind of organization engaged in goods and services production and trading. The aim of all such activities is to satisfy

certain social needs. This shows that a social enterprise is actually a combination of commercial operation and the realization of social objectives.

Although a social enterprise and an ordinary enterprise are similar in some ways, there are still some fundamental differences between them. Their similarity is that both pursue profits and must be self-financing. But in the case of social enterprises, profit maximization is not the aim. Rather, their objectives are to enhance social capabilities and establish positive social values by, for example, promoting community development, amassing social capital, creating employment opportunities for the underprivileged instead of handing out jobs to them like alms and upgrading their capabilities and confidence, thus eventually turning them from assistance-recipients to self-reliant individuals. This is very meaningful social engineering. I therefore strongly agree that the Government and all social sectors must assist the development of social enterprises.

However, we must also note that since social enterprises and private enterprises are all marked by the pursuit of profits, caution is advised when social assistance for the former involves matters relating to the business environment, such as tax concession, and award of contracts and tenders, lest unfair competition between social enterprises and SMEs may result. Understandably, some Members may doubt whether the issue of unfair competition should be dragged in at all, arguing that social enterprises should receive some kind of funding support. But I must say that more assistance will only make it more difficult for social enterprises to become self-reliant. In the end, assistance may be reduced to another form of alms-giving. I do not think that the various sectors of society will support the development of this kind of social enterprises. The various sectors in society must strike a reasonable balance between the development of social enterprises and the upholding of a level playing field, lest new problems may arise and more losses than gains may result.

According to the experience of other countries, the greatest problem confronting the development of social enterprises is actually the shortage of capital and talents. And, at the initial stage of development, the problem is not so much with any shortage of capital. Rather, what are lacking are talents and ideas. Foreign governments have therefore established many seed funds to ensure that social enterprises can have a better start — just a good start and not any huge capital investments. In Hong Kong, there are currently four seed

funds, namely, the "Enhancing Employment of People with Disabilities through Small Enterprise" Project, Enhancing Self-Reliance Through District Partnership Programme, the Community Investment and Inclusion Fund and the Partnership Fund for the Disadvantaged. These four funds were set up one following another after 2001, but they have not achieved any remarkable results so far. Some reasons for this are their restrictive requirements and applicants' and the approving authorities' narrow perception of social enterprises. I personally think that NGOs are not yet able to shake off their doubt as to whether they can walk on two legs, so to speak.

Therefore, the Government should on the one hand conduct a further review of the operation of these seed funds, so as to facilitate the start-up financing of social enterprises. Possible measures are the expansion of target applicants to the social enterprises operated by charitable organizations, raising the amounts of funding, simplifying the application formalities and stepping up manpower training in some cases.

On the other hand, as I have mentioned, Deputy President, talents are an important asset of social enterprises. Social enterprises are supposed to operate on a commercial basis and must therefore face keen market competition. But their management personnel are mostly social workers who have no business exposure at all. They do not know the concepts necessary for marketing or understanding the market, such as cost control. Even if they are now provided with a one-off grant, they will not know how to go about the task. I therefore think that we must seek to promote this kind of knowledge, especially the knowledge of quality control in business operation. Maybe, the business sector can consider how to support the promotion of such knowledge.

As a matter of fact, many successful businessmen do want to serve the community. But it will be extremely difficult for experienced market experts to support people who do not know any basic business concepts. How can they possibly go about the task?

I hope that the Government can introduce more professional management knowledge and experience into social enterprises, meaning that it should introduce people with such knowledge into social enterprises, so that a wider platform transcending the social work sector can be built to foster cross-sector co-operation and build up collaboration among all parties involved. I also hope that the Government can widely publicize some existing examples of social

enterprises. At present, there are already many successful social enterprises which do not receive any funding from the Government and society. Most of them are of very good educational value to the public. The Government must not think that all will be fine if these social enterprises can be left alone in their development. Rather, it should assist in promoting all these social enterprises that are the products of people's wisdom.

I know that quite a number of sizeable local private-sector organizations, such as the Sun Hung Kai Properties Limited, the Cheung Kong (Holdings) Limited, the New World Development Company Limited and the Hong Kong Jockey Club, are very interested in participating in the development of social enterprises. However, this does not mean that they should participate directly and work with NGOs in the operation of social enterprises. The reason is that these organizations are not capable of such detailed guidance. I think discussions with these organizations should instead be held to identify broad directions. I suppose it will be easier to arouse their enthusiasm that way. The business sector may offer its valuable experience to social enterprises, identify market positioning for them and assist in their marketing efforts. Under the existing "Enhancing Employment of People with Disabilities through Small Enterprise" Project, for example, some business people have been providing voluntary consultancy service to social enterprises which are successful in applying for funding under the project. Social enterprises in Hong Kong will flourish in the future. I think one of the reasons is that everybody wants to make them a success.

Having said that, Deputy President, I still wish to raise four points. First, there must not be any wholesale copying of the models of social enterprises adopted in other places. This is very much similar to the case of democratization, where there must not be any total imitation of others' models. Any models of social enterprises that are total imitations of others' are doomed to failure, and in such cases, even the original objectives may be forgotten.

Second, our NGOs must concentrate on creativity in the course of development. In regard to fund-raising, for example, they have hitherto adhered to annual flag-days as the only means. There has been no creativity at all. I think they must upgrade their knowledge of creative operation.

Third, the focus of social enterprises should not be the enterprises themselves. Rather, what counts should be their operational practices and mindsets. I hope that if Members want to discuss the issue of social enterprises, they can bear this point in mind.

Fourth, social enterprises should not be over-ambitious. They must first build a solid foundation and proceed step by step, mindful of their capability. They must not think that others will always give them guidance, will always pay great attention to them, will always treat them like a princess, or will always give them large amounts of money for expansion. Such a mentality is simply wrong.

DEPUTY PRESIDENT (in Cantonese): Time is up.

MRS SOPHIE LEUNG (in Cantonese): This is all I want to say, Deputy President.

MR ALBERT HO (in Cantonese): Deputy President, in the broad sense, a social enterprise is an enterprise which operates with a corporate strategy and on a commercial basis for the achievement of certain social goals, and which lays emphasis on social values rather than the maximization of financial benefits for the enterprise itself. But we must not ignore the role of the government and the executive authorities in promoting the development of social enterprises. For this reason, the Democratic Party recommends the establishment of two funds, so that both immediate start-up funding and long-term support can be provided to assist social enterprises in their sustainable development. Besides, these funds can also promote public education on social enterprises, thus providing them with greater room for development.

Deputy President, since the Government and the organizations under its control the bulk of our public resources, they are duty-bound to formulate policies on facilitating the development of social enterprises. What is more, the fiscal surplus of the Government this year may be as large as \$70 billion, so it surely has the ability to enhance its measures of promoting the development of social enterprises.

At present, of the 400 or so social enterprises in Hong Kong, about 90% are in financial difficulties. Most of these social enterprises can meet the most basic overheads only. This is very much attributable to the lukewarm support from the Administration. This is an issue we must look into. In 2006, the Commission on Poverty set aside \$150 million for poverty alleviation work in the community, in the hope of providing social enterprises with funding for five years. It is a pity that more than a year has passed since the programme was launched, but just a mere sum of \$50 million has been granted so far. And, fewer than 60 enterprises have been granted funding. According to government statistics, in the second phase, while 52 valid applications were received, only 15 of them were approved. Some 70% of the applications, as disclosed by applicants themselves, have met with no responses at all. An analysis of the successful applications shows that most applicants are social welfare agencies or organizations supported by them. Usually, such organizations will hire professionals to write up proposals or give professional advice, so their chances of success are greater. However, in the case of those social enterprises without this background, since their employees or even the applicants themselves do not have the required professional knowledge, they may not even know how to fill out the application form. In view of this, we propose to set up a \$500 million social enterprise seed fund (seed fund) and to incorporate the Enhancing Self-Reliance Through District Partnership Programme into this fund. On the one hand, with the additional capital, the scope of funding can be expanded to cover a wider range of businesses. And, on the other hand, the eligibility requirements can also be relaxed, thus giving more chances to those who wish to set up social enterprises. At the same time, the Government should of course take proactive steps to assist applicants in understanding the seed fund and its technical requirements.

What is more, the seed fund should also assume the very important responsibility of promoting public education on social enterprises and even business operation. Social enterprises are generally smaller in size, so they can never compete with large enterprises. Therefore, community support for them is highly important. In the United Kingdom and Finland, the experience of developing social enterprises is quite successful. The people in these two countries will, of their own accord, treat the logos of social enterprises as symbols of their priority consumption choices, supporting the development of such enterprises with concrete actions. It is a pity that the SAR Government has always resorted to upholding the free market as an excuse for not taking any

actions to promote social enterprises among the public. As a result, very few people indeed know of the existence of social enterprises. Sometime ago, an organization conducted a survey that covered some 500 people in Hong Kong. According to the findings, 60% of the respondents did not know anything about social enterprises. And, 80% of the respondents were even unaware that the Government was vigorously pursuing the policy of promoting the development of social enterprises. It is indeed true that without any community support, social enterprises will be easily marginalized by large enterprises in the course of fierce market competition. Therefore, the seed fund should also play the role of a promoter. It should finance activities related to the promotion of social enterprises, so as to muster community support for them. Besides, the seed fund may serve as a platform for promoting co-operation between social enterprises and the business sector. One-stop support services should be provided, so as to ensure the sound development of social enterprises.

Deputy President, apart from investing resources in the establishment of the seed fund, the authorities can still play a more proactive and positive role in assisting in the development of social enterprises. As I have just mentioned, high rents are the greatest difficulty faced by social enterprises. Since sales outlets cannot be found easily, most social enterprises must rent shops on short-term tenancy in shopping centres of housing estates or even operate in mobile stalls. I therefore hope that the Government can take the lead by urging various government departments and public organizations, such as the Housing Authority and the Hospital Authority, to lease their shops or stalls to social enterprises at rents below market rates, so as to help social enterprises to maintain their operation. The Government should also adopt a greater number of measures to encourage government departments and statutory bodies to consider the special situations of social enterprises and exercise an appropriate degree of discretion in their favour when awarding contracts.

Deputy President, public funding support is bound to be limited, so social enterprises trying to discharge their social responsibilities on a self-financing basis should really receive social support and commendation. But the Government must refrain from offering mere lip-service. Instead, it should follow my advice and take proactive steps to offer concrete support, so as to promote the development of social enterprises.

With these remarks, I will propose my amendment.

MR WONG KWOK-HING (in Cantonese): Deputy President, it is an incontestable fact that although the economy of Hong Kong has been continuously improving in recent years, the wealth gap problem has still been worsening. At a time when the economy is booming in all sectors, the low-income population is still rising incessantly, families in Tin Shui Wai are still plagued with never-ending problems, prices are rising with the return of inflation, and the difficulties faced by the lower strata of society are not alleviated. Governments all over the world which similarly face the wealth gap problem brought about by the global economy have implemented various policies to assist elementary workers in securing employment. Of all these policies, the promotion of social enterprises is the latest trend.

Deputy President, social enterprises are small and medium enterprises (SMEs) that offer employment, business start-up and training opportunities to elementary workers facing employment difficulties who need to change their occupations or start their own businesses. Such enterprises will devote their profits to charitable purposes. In Singapore, there are already 150 active social enterprises, one third of which offer assistance to low-income earners. In this country, the definition of social enterprises is very clear. Under the definition, social enterprises are distinguished from charitable organizations, in the sense that they are supposed to create opportunities for the poor, the disabled and other people facing employment difficulties, helping them to upgrade their values. They are also supposed to earn profits because only a profitable social enterprise can sustain or even expand itself without depending on outside help.

I have therefore sought to amend the part on competition in Mrs Sophie LEUNG's amendment, in the hope of clearly defining the need for and significance of competition. There should not be any unfair competition between social enterprises and SMEs, because they are both businesses, and their only aim is to make profits. The only difference between them is that in the case of SMEs, profits are pocketed by their proprietors, but social enterprises will reinvest their profits in the community and their self-development. This is the fundamental difference between SMEs and social enterprises. At present, the immediate task for the Government should be the formulation of some clear regulations on social enterprises. The definition and objectives of social enterprises must be clearly set out, so as to enhance their ability to compete with SMEs and enable them to get the market share they deserve. For this reason, social enterprises and SMEs are not mutually exclusive. And, I do not quite agree with Mrs Sophie LEUNG, who claims in her amendment that unfair

competition may result, so it is necessary to take preventive steps. I think it is necessary to correct such a misunderstanding. Actually, both social enterprises and SMEs need to do the best they can and compete with one another fairly in the market, so as to earn profits. It is only after earning reasonable profits that social enterprises and SMEs, for that matter, can gain a firm footing in the market. Then, they can make reinvestment in further production. And, in this way, the cycle goes on and on.

Deputy President, another point is that the Government must take the lead in promoting social enterprises. It must promote cross-sector co-operation, with a view to developing a platform for participation by all. It must also foster the building up of partnership among all sectors, so that they can complement one another and expand the room for collaboration among social enterprises under the principle of mutual benefit.

Social enterprises must not think that since they are concerned with charitable social objectives, they can compromise their service and product standards. Any social enterprise aspiring to success must first deliver quality service to its clients. It is only after achieving business success that it can bring benefits to society and earn profits for itself. Therefore, besides enthusiasm, the success of a social enterprise must also depend on a viable model of business operation. This will in turn depend on the Government's provision of management courses and business advisory services to social enterprises. At the same time, the Government must also take the lead in encouraging and mobilizing the participation of those business people who have both the mind and ability to render support, so as to equip social enterprises with the professional expertise and market sense necessary for entrepreneurial management.

Deputy President, the development of social enterprises in foreign countries is promoted by the business sector in many cases. For example, an enterprise may draw on its own experience and set up a specialized production line in the form of a social enterprise. Another example is that unemployed people may be hired to perform waste recovery work. Or, they may be given training in some vocational skills such as culinary skills, hair-dressing and vehicle maintenance. In the United Kingdom, there is a famous chef who has made use of his reputation in the industry and set up a restaurant cum training school called Fifteen. In this establishment, poor youngsters are trained into qualified chefs. *(The buzzer sounded)* Deputy President, do I have 10 minutes for my speech?

DEPUTY PRESIDENT (in Cantonese): You have up to 7 minutes.

MR WONG KWOK-HING (in Cantonese): Earlier on, I received a submission from the Association of Professional Personnel (Hotels, Food and Beverage). It is suggested in the submission that the Government should offer concessions to the business sector for the development of low-priced two-star or three-star hotels in remote areas and new towns such as Tin Shui Wai. It is also suggested that, as recommended by Prof Nelson CHOW, the authorities should stop allocating newly completed public housing units and convert them to hostels operated as social enterprises, so as to develop the resort and catering industries in Tin Shui Wai. This will solve the unemployment problem in the district. At the same time, skills training courses related to the hotel and catering industries can also be provided to train up the manpower urgently needed by these industries. Can Members imagine all the resultant positive effects on Tin Shui Wai?

At present, members of the public may easily think that social enterprises *(The buzzer sounded)*

DEPUTY PRESIDENT (in Cantonese): Time is up.

SECRETARY FOR HOME AFFAIRS (in Cantonese): Deputy President, I am very thankful to Miss CHAN Yuen-han for proposing the motion on "Promoting social enterprises" and four other Members for separately proposing their amendments.

Miss CHAN Yuen-han has proposed, among others, making rules and regulations to clarify the definition of social enterprises. I believe the proposal was raised because the concept of social enterprises is relatively new in Hong Kong, and the general public are still not keenly aware of what social enterprises refer to. As pointed out by Miss CHAN, social enterprises are actually businesses, with the objective of making profits and becoming financially self-reliant. Their mode of operation is different from that of organizations providing social services as a form of welfare. I am saying this not to imply it is inappropriate to provide social services in the form of welfare. The SAR

Government has a firm commitment towards welfare services. However, when it comes to social enterprises, we have to emphasize that they must be operated as enterprises, and able to satisfy market needs and make profits.

Social enterprises have to make profits in order to sustain. However, the objective of establishing social enterprises is not to generate profits for shareholders, but to ultimately achieve certain social objectives. For instance, social enterprises may provide the services (such as elderly support services) or products required by the community; create employment and training opportunities for job-seekers; protect the environment; and make use of their profits to finance social services within their ambit. The profits made by social enterprises are used mainly for reinvesting in their own businesses to achieve their established social objectives.

Deputy President, we think the issue should be addressed with a practical approach, not by dealing with definitions. As enterprises in the market are ever changing, social enterprises may come in all shapes and sizes. Not only is there no standardized definition in the international community, the concept of social enterprises is also constantly changing. We think that using an established framework to impose unnecessary legal restrictions will, on the contrary, stifle the development of social enterprises and minimize the benefits brought by social enterprises to employees and consumers. Hence, we emphasize that, insofar as promoting the development of social enterprises in Hong Kong is concerned, we must begin with the actual situation of Hong Kong, rather than its definition or definitions adopted overseas. In short, we have to work for the well-being of the people.

Let me illustrate my point with an example. It was announced last week that the Government and the Hong Kong Jockey Club would collaborate to introduce a programme in Tin Shui Wai to create more than 2 000 jobs. Frankly speaking, during the initial discussion, the programme was proposed as a social enterprise. However, in the course of negotiation, it was found that it would be more time-consuming and difficult to implement the programme if it were to enjoy certain concessions offered by government policies after satisfying the general concept of social enterprises. We therefore considered it not absolutely necessary for the programme to be implemented as a social enterprise. Under such circumstances, a number of departments of the SAR Government, including the Transport and Housing Bureau, the Labour and Welfare Bureau, and even the Financial Services and the Treasury Bureau adopted complementary

measures with a view to expediting the implementation of the programme. Last week, we were finally able to announce that an agreement on the programme had been successfully reached. In short, the response to the programme from various sectors in Tin Shui Wai is positive.

Hence, to launch and successfully develop social enterprises, there must be social entrepreneurs ready to realize their creativity and explore the potential demands of the market. We also agree that the Government can, through taking measures on various fronts, complement and promote the development of social enterprises by, for instance, setting up a seed fund to support the initial operation of social enterprises; assist in training talents for social enterprises; expanding the scope of publicity to enhance public understanding of social enterprises; encouraging the private sector to participate in promoting the development of social enterprises; and acting as an intermediary to step up promotion and facilitate cross-sector collaboration in jointly promoting the development of social enterprises.

Both Miss CHAN Yuen-han and Mr Albert HO have raised the suggestion that the Government should provide financing channels for social enterprises, including setting up a seed fund and loan fund, and encouraging financial institutions to offer low-interest loans. In fact, the Government has already set up a seed fund for social enterprises in several specific areas to support their initial operation. Under the relevant assistance scheme, a \$50 million Special Training and Enhancement Programme was set up several years ago to assist people with disabilities in seeking employment and NGOs in operating small enterprises with the granting of a maximum of \$2 million to each business to meet its operating cost for the first two years. As at June 2007, around \$23 million has been approved under the scheme for NGOs to operate more than 40 small enterprises.

In addition, the Enhancing Self-Reliance Through District Partnership Programme was launched in 2006-2007 to expand the scope of beneficiaries to cover able-bodied disadvantaged persons by providing them with employment opportunities to enable their self-reliance. Under the Programme, a seed fund is offered to social enterprises. The funding ceiling for each project is \$3 million, and the maximum funding period is two years. As at November 2007, some 51 million has been allocated under the Programme to more than 50 social enterprise projects belonging to different areas. The scope

of business of these social enterprises includes eco-tourism, green recycling, escorting the sick on medical consultation, organic farming, home help services, and so on. Around \$100 million is still available under the Programme for organizations to apply for operating social enterprises. We will keep in view the financial conditions of the Programme and consider raising the amount of funds in this regard if necessary.

The Chief Executive explicitly stated in this year's policy address that "We have to foster a new caring culture in Hong Kong. We need to nurture more social entrepreneurs to achieve our social goals with entrepreneurial thinking and commercial strategies". Certainly, we are not so naive as to think that social enterprises are a panacea. Nevertheless, considering the development of Hong Kong at the present stage, we believe the territory has the conditions to vigorously develop social enterprises and, most importantly, create a favourable social and market environment. The Home Affairs Bureau attaches great importance to promoting the shaping of a new caring culture in the community and encouraging the operation and development of social enterprises.

In the promotion of social enterprises, a series of issues still need further examination. For instance, we should further study the positioning of social enterprises in the market, in the light of the environment of Hong Kong's market, to cope with needs and sustainable development, and what policies should be adopted to support the development of social enterprises, and so on. A social enterprise summit will be held this month to discuss the way forward for the development of social enterprises in Hong Kong. Members are greatly welcomed to provide valuable opinions on these matters.

Deputy President, I so submit.

MR TOMMY CHEUNG (in Cantonese): Deputy President, the Liberal Party has always supported the development of social enterprises, in the hope that they can give the disadvantaged in society one more way out and improve their lot. But we are also worried whether the actual operation of social enterprises will pose unfair competition to other SMEs. Therefore, by making an amendment to the first point of the original motion, Mrs Sophie LEUNG actually wants to

highlight that we must clarify the true significance and objectives of social enterprises. As its name suggests, a social enterprise does not make profit maximization its corporate objective. Rather, a social enterprise should be capable of surviving on its own, and it should at the same time seek to achieve certain social objectives.

Since Members all agree that social enterprises can perform the function of upgrading social capabilities and establish positive social values, they think that the Government should offer assistance to these enterprises. But it does not mean that social enterprises should enhance their efforts to compete with SMEs and to snatch the "rice bowls" of others. It is especially worth mentioning that since most social enterprises will receive various forms of government support, the more than 300 000 SMEs in Hong Kong will have to face unfair competition if social enterprises are to compete with them. However, we are also of the view that social enterprises and SMEs are different kinds of organizations, and they have their respective roles to play. Therefore, it should never be any zero-sum game, never a fight to the death.

I am therefore very much puzzled by Mr WONG Kwok-hing's amendment, which asserts, among other things, that we must strengthen the ability of social enterprises to compete with SMEs and make sure that they can gain their due market share. Has Mr WONG Kwok-hing ever really tried to understand the significance of social enterprises? Has he ever considered the situation of the 300 000 SMEs in Hong Kong? Has he ever considered the overall business environment in Hong Kong?

Let me cite an example to illustrate my point. There are two adjacent cafeterias. One of them is a social enterprise that enjoys rent concession and profits tax exemption. And, it is also granted seed money for business operation. But the other one — Chan Kee, maybe — is owned by a couple. The husband and the wife must work very hard all day long together with just one or two employees. Every month, the couple must pay the rent, which is very high. And, they must also pay profits tax. There are not any preferential treatment whatsoever for them. I think that just after a few months, the couple's Chan Kee will have to close down. They will join the unemployed ranks and have to apply for Comprehensive Social Security Assistance (CSSA).

The reason is that because of all the overheads, employee's wages and the interest that will otherwise be generated by the capital investment in the cafeteria, a cup of "milk tea"² at Chan Kee may have to be sold at \$10 for the business to be viable. But in the case of the adjacent social enterprise, owing to the various forms of assistance it receives, it may still make profit even if it sells a cup of "milk tea" at \$5 only. How can SMEs continue with their operation in that case?

If, in addition, we also follow Mr WONG Kwok-hing's advice and seek to ensure that social enterprises can gain their due market share, we will be talking about planned economy, right? Even state enterprises in the Mainland must now also seek to become listed companies and compete with other enterprises in the market. Therefore, it really puzzles us a great deal as to why Mr WONG Kwok-hing should have proposed such an amendment. Perhaps, Mr WONG Kwok-hing intends to establish a social enterprise engaged in fitting-out works, one which can enjoy all sorts of preferential treatment like rent concession, low-interest loans, wage subsidy and award of government works contract on a priority basis. It may also be his intention to compete with Ping Kee Fitting-out Company for business until the latter closes down. Am I correct?

As for Mr Albert HO's proposal on establishing a \$500 million social enterprise seed fund and a \$1,000 million social enterprise development loan fund, the Liberal Party thinks that their establishment is really open to question.

Currently, the Government already operates four seed funds. But these have not been fully utilized by the various social sectors. For instance, in the 2005 policy address, the Chief Executive announced the setting up of the \$200 million Partnership Fund for the Disadvantaged, but after three rounds of applications, only some \$23 million has been granted. The result has not been quite so satisfactory.

For this reason, the Government had better conduct a further review of the operation of the various seed funds, so as to facilitate venture capital financing. Possible measures should include the expansion of fund coverage to charitable organizations, increases in fund investments, the streamlining of application

² "Milk tea" is a Hong Kong term for English tea, which is served with milk. The purpose is to distinguish this type of tea from Chinese tea, which is not served with any milk.

procedures and the extension of funding periods. Besides, the authorities may also consider the introduction of minor amendments to the three SME funding schemes, so that social enterprises can also be included.

Indeed, we do not oppose the establishment of new seed funds. But we do not think that there are any reasons for fixing the amounts at \$500 million and \$1 billion without even questioning whether there are any actual needs. We think that we should be more prudent on this point.

Deputy President, I so submit.

MR TAM YIU-CHUNG (in Cantonese): Deputy President, as a result of Hong Kong's economic restructuring in recent years, large numbers of workers with lower employability have been plunged into unemployment. Some NGOs have therefore established various types of social enterprises to create employment opportunities for these workers. And, the SAR Government has also started to encourage the development of social enterprises.

Fostering the development of social enterprises can promote employment, and, more importantly, marginalized workers with low competitiveness can thus be helped to become self-reliant and build up their work confidence. Besides, social enterprises can also fill the gaps left by certain social services. In many areas such as health care, education and community development, social enterprises can provide huge quantities of basic services. According to research, through a wide range of activities, social enterprises can enrich the culture and life in the communities and add to their vitality. Apart from service provision, social enterprises may also play a pioneering role in some cases, such as uncovering ignored problems and arousing public concern. By promoting community integration and community building, social enterprises also play a very significant role in the building of community groups. They can help establish trust among various community groups, thus fostering social harmony.

Like ordinary private enterprises, Hong Kong social enterprises must also face fierce market competition and very great market risks. But the operation of social enterprises is even more difficult than that of private enterprises. First, to social enterprises, there are no greater constraints than the difficulties in financing and attracting quality business operation personnel. Enterprises

dedicated to helping the unemployed cannot easily receive the sympathy of society, thus leading to difficulties in fund-raising. Since social enterprises cannot build up strong brand names and distinct images, they all encounter difficulties in fund-raising and recruiting management personnel. The obstacles to the development of social enterprises in Hong Kong are still mainly the shortages of capital, management talents and government policy support. And, social recognition and support for social enterprises is also inadequate. Insufficient communication and co-operation between social enterprises and private enterprises have also created various difficulties for social enterprises in financing, recruitment of talents, business development and sustainable development.

In order to foster multi-sector co-operation of all in expediting the development of social enterprises in Hong Kong, the DAB published a proposal on developing social enterprises entitled *A Community-based Approach to Fostering Self-reliance of the Poor* in October this year. In this proposal, improvements in 11 areas are proposed. The requested improvements include the establishment by the Government of a special unit for formulating a development strategy, providing assistance in financing and more subsidy, and encouraging enterprises to take on underprivileged workers and the unemployed; giving preferential treatment to social enterprises in public procurement exercises; providing tax concession; encouraging enterprises and individuals to provide funding to social enterprises; establishing a social enterprise training and operation centre; improving the existing regulatory framework; and the formation of a social enterprise association with government funding to enhance public understanding of and support for social enterprises, promote corporate social responsibility and step up studies and exchanges on social enterprises.

Today, I shall focus on the capital requirements of social enterprises. The shortage of funding support is the greatest difficulty faced by social enterprises. According to a report published by the Hong Kong Council of Social Service in 2005, 82% of social enterprise respondents said that they faced the shortage of funding support. Although social enterprises all operate on a commercial basis, they still find it difficult to obtain any commercial financing due to various reasons (such as the lack of good track records). Since social enterprises need to achieve the aim of helping people to become self-reliant, their productivity and efficiency are generally lower than those of private enterprises. This has also caused a liquidity problem.

In order to assist the launch of social enterprises, the Government must provide funding support, especially at the initial stage of their inception. The DAB therefore proposes that additional resources should be allocated to finance the development of social enterprises, especially at the initial stage of their inception. Appropriate seed funds should be set up to help social enterprises during the periods when they are in dire need of capital. The Government is currently operating a number of funding schemes, such as the Community Investment and Inclusion Fund and the Enhancing Self-Reliance Through District Partnership Programme. But the funding support provided is just short-term in nature, lasting for two years at most. As a result, social enterprises all find it very difficult to formulate any long-term plans, and not only this, they are also severely constrained even in developing their routine business. For this reason, social enterprises do not dare to take any longer-term orders. This has restricted their development. The Government should review its short-term funding policy and assist social enterprises in obtaining long-term financing, so that they can formulate longer-term development plans.

Second, the Government should support voluntary agencies and private organizations in establishing social enterprise venture funds. At present, in North America and Europe, there are already 100 such funds. People engaged in venture funds provide not only funding support but also expert advice on financial management and business operation. The Government may offer matching grants, or it may simply provide part of the required funding, so as to encourage the establishment of such funds for investment in social enterprises or extending loans to them. Besides, the Government should also open up new financing channels for the development of social enterprises, such as bank loan guarantee and low-interest loans and the establishment of mutual-aid funds.

I so submit.

MR LEE CHEUK-YAN (in Cantonese): Deputy President, the Hong Kong Confederation of Trade Unions strongly supports the development of social enterprises. But I also agree with a remark made by the Secretary just now. I agree with his remark, so I hope that he will in return agree with all that I have to say. This was his remark: social enterprises are no panacea. I think this is a very important remark.

Secretary, do you know what I am worried about? My greatest worry is that the Government may change the policy objective of promoting social enterprises to "doing the easy instead of the difficult and distracting people's attention". What is meant by this? Members are all aware of the circumstances under which social enterprises are developed. They are developed at this very time when the wealth gap problem in Hong Kong is worsening. In this macro environment of Hong Kong, however much the economy improves, the incomes of low-income earners will remain low all the same. Apparently, the unemployment rate has declined, but we also know that there is often the problem of "invisible unemployment". If Members care to visit any public housing estates and local communities, they will invariably see many middle-aged people sitting in the gardens there, doing nothing. They may not admit that they are unemployed because they have actually stopped looking for jobs. At present, those who have stopped looking for jobs are not counted as unemployed.

Therefore, what can the unemployment rate reflect anyway? It can only reflect the number of people who are unemployed and who still want to look for jobs. And, those unemployed persons who have lost all hopes of finding a job are not counted. It is especially worth noting that age discrimination is still very serious now — human rights issues such as age discrimination also falls within the Secretary's portfolio, but, maybe not, for it may now be the responsibility of the Secretary for Constitutional and Mainland Affairs. Age discrimination still exists. Those who have stopped looking for jobs are not counted as unemployed.

The problem of unemployment is still with us. The problem of low incomes is still very serious. In such a macro environment, how can we solve all the problems? Social enterprises may play a supplementary role. But if the Government as a whole does not seek to tackle the problem of low incomes, the policy objective of developing social enterprises, as I have just said, will only be changed to "doing the easy instead of the difficult and distracting people's attention". What I mean is that the Government just wants to show people that it is doing something. But in reality, it has done nothing to tackle the most serious problems. For instance, in regard to the problem of low-income earners, the most important thing to do should be the setting of a minimum wage. This issue will also pose a problem to social enterprises. Should social enterprises offer a minimum wage? I do not know what the Government thinks. I have not heard anything from it so far.

We in the Hong Kong Confederation of Trade Unions certainly adhere to our conviction that there must be a minimum wage. But others do not think so. If even social enterprises do not adopt a minimum wage, then, honestly, they are as guilty of exploitation as private enterprises. But will people be any happier when they are exploited by social enterprises? Will the exploitation be any more meaningful, for that matter? If we do not tackle these macro problems, if we only wish to develop social enterprises as a means of distracting attention This is something we certainly do not wish to see. Therefore, I hope that the Secretary (This may not be his responsibility anymore) and the Government as a whole can refrain from focusing their attention only on social enterprises.

I am not saying that I do not support the practice of enabling social enterprises to play a supplementary role. I totally agree that the development of social enterprises is a desirable option, for we must do as much as we can. Deputy President, we are now discussing social enterprises, but I must say that while these enterprises are certainly "social", they are not really "enterprises" as such. What do I mean? People who operate social enterprises always say that they must help people secure employment, provide training to them and seek to achieve certain social objectives, instead of focusing solely on profits. These are all very fine concepts. Everybody will strongly support them. But why do I say that these social enterprises are not enterprises as such? Because we do not have enough entrepreneurs to run our social enterprises.

Members can see that those people who are operating social enterprises now are all from NGOs, and frankly speaking, they are no businessmen at all. No businessman will come forward and say, "I shall give up my business. I shall now work for the development of social enterprises." Mr WONG Kwok-hing referred to Jamie OLIVER of the United Kingdom as an example. Jamie OLIVER is himself a successful entrepreneur. And, he personally provides training to people who want to set up a restaurant. He does the job personally, rather than just acting as an advisor. In other words, what he has been doing is unlike the partnership programme conceived by the Government. He personally provides training on setting up a restaurant. This is a very important thing and also something that we lack. How many Hong Kong entrepreneurs are willing to do the job personally, instead of just acting as partners? How many Hong Kong entrepreneurs are willing to say that they have made enough money, that they have earned enough from stocks speculation (Stocks speculation does not requires too much time anyway), and that they would rather spend their time on social enterprises?

Are there any such entrepreneurs in Hong Kong? Frankly speaking, there are none. In that case, how can we create the kind of atmosphere required for the emergence of such people in Hong Kong? This is the only way to promote the development of social enterprises. I must therefore make an appeal here. What our social enterprises lack most is the personal involvement of entrepreneurs in their promotion.

Finally, I wish to discuss government support. In this connection, I certainly think the seed funds mentioned just now are very important. Without any seed funds, no social enterprises can possibly be established in the very first place. Just now, Mr Tommy CHEUNG questioned how the Democratic Party had come up with the amount of \$500 million. Actually, in many cases, I also do not know how the Government could come up with its decisions. Honestly speaking, talking about the \$300 million government funding for the Community Investment and Inclusion Fund, we also do not know how the Government has come up with this amount either. I think it will be all very fine as long as the Government can set aside funding specifically for the purpose and then take concrete actions, instead of offering mere lip-service. The Government will of course explain that it has already been allocating funding to the Enhancing Self-Reliance Through District Partnership Programme. But I hope that seed funds specifically for social enterprises can be established. This is more important. There is still another problem. How can we solve the problem of development sites? In Tin Shui Wai, for example, there are many car parks. But how can we convert these car parks into development sites? This is a very difficult problem.

Lastly, concerning administration, I think the Government must set up an administrative unit or department with supreme authority, so as to promote departmental support for the cause. This is also the only way to promote the development of social enterprises.

Thank you, Deputy President.

MR KWONG CHI-KIN (in Cantonese): Deputy President, there can be many different models of social enterprises. But in Hong Kong, most social enterprises are currently operated by NGOs or charitable organizations. The Chief Executive has undertaken in the policy address to convene a summit on social enterprises at the end of this year and to formulate an action plan.

Besides, the Government has also started to promote the development of social enterprises through the Enhancing Self-Reliance Through District Partnership Programme. But is the Government really aware of the difficulties faced by NGOs in the course of promoting the development of social enterprises?

In Hong Kong, sites are the biggest headache of all business operators. Social enterprise operators similarly face this problem. In the hope of achieving high business turnover, business operators naturally want to set up their shops in places with a high flow of people. But in such places, rents will certainly be exorbitant, amounting to hundreds of thousands of dollars in many cases. Social enterprises with very small business capitals are simply unable to afford such exorbitant rents. An office-bear of an NGO responsible for operating a social enterprise shop has pointed out that they are facing a dilemma: they want to run a shop in a busy area but rents in such an area are very high. They hope that the Government can encourage the business sector to lower the rents of shops operated by social enterprises. Or, they also hope that the business sector can voluntarily provide NGOs with partial rent rebates, so as to help social enterprises achieve self-reliance. There is also the suggestion that the Government should rent the shops and venues on government premises to shops operated by social enterprises on a priority basis. And, in such cases, rent concession should also be provided. Tuck shops in public hospitals and schools are some examples. Since there is "monopoly" in these places, the shops there will face less competition and this can help increase their business turnover. Besides, shops and venues can also be rented to social enterprises under tenancy agreements with greater flexibility. For example, rents or licence fees can be linked to business turnover, meaning that all fees payable shall be determined in the light of business turnover.

(THE PRESIDENT resumed the Chair)

Social enterprises also face liquidity problems. For example, when it comes to purchases, some social enterprises do not know how to compare prices, or their purchase volumes are just too small. As a result, they are unable to lower costs. And, suppliers will not give them any credit periods either. It will take time to sell their goods, but they must pay their suppliers on time.

Consequently, they often face liquidity problems. Over time, this will hinder the long-term development of social enterprises.

Since social enterprises are operated on a commercial basis, their operators must have very sharp market acumen. Some social enterprises are set up with funding from the Enhancing Self-Reliance Through District Partnership Programme, and they also have target clients in mind and know how to train up talents. But when it comes to actual operation, they may still fail due to the lack of market acumen and poor operation. In some cases, after opening a shop, the operator cannot identify a clear market positioning. Some social enterprises, on the other hand, think that low prices are the key to survival. To their surprise, however, they are unable to survive as a result of dirt cheap prices offered by their competitors. There are in fact many examples of failure, where the social enterprises concerned must depend on government funding for survival due to continual losses. When government funding is exhausted, these social enterprises may even have to fold. All these examples can show that social enterprises must have market acumen, and they must be able to evaluate the situation and conduct market analyses. Social enterprises and the business sector can actually join hands to solve this problem. The business sector may provide social enterprises with operational advice. At the same time, the authorities may also offer training to social enterprise operators, so as to equip them with commercial perspectives. As mentioned in paragraph 71 of the policy address (and I quote), "In this new era, we have to foster a new caring culture in Hong Kong. We need to nurture more social entrepreneurs to achieve our social goals with entrepreneurial thinking and commercial strategies."

Lastly, I must also say that public understanding of and support for social enterprises are also very important. Sometime ago, the Church of United Brethren in Christ surveyed 541 local residents aged 18 or above. The findings revealed that 63.2% of the respondents were completely ignorant of what social enterprises are. And, 81.7% of them did not know that the Government is vigorously promoting their development. But 62.1% of them nonetheless agreed that social enterprises should be developed to assist the disadvantaged in solving the unemployment problem. In Western societies, social enterprises have undergone quite a long period of development. A social enterprise culture has thus been established. As a result, the public have a very good understanding of the social contribution and clear objectives of social enterprises, and they support them very strongly. Even though the goods and

services offered by social enterprises may not be the cheapest, people will still render their support in view of the resultant social benefits. But in Hong Kong, people still do not understand social enterprises well enough. They have even show prejudice against shops employing people with disabilities. Generally speaking, the public still do not think that they should accord priority to social enterprises due to the social benefits they can bring. The Government should conduct publicity on the significance of social enterprises in the mass media on a regular basis, so as to enhance consumers' understanding and recognition of social enterprises. That way, social enterprises will be able to command greater support.

With these remarks, Madam President, I support the motion moved by Miss CHAN Yuen-han.

MR LEUNG YIU-CHUNG (in Cantonese): President, the preamble of Miss CHAN Yuen-han's original motion reads, "That, although the unemployment rate has come down to a new low, elementary workers still face the plight of low wages, long working hours and even difficulties in securing employment; to alleviate the hardship of elementary workers, the Administration should implement various policies on facilitating the employment of labour in order to improve the employment situation and narrow the gap between the rich and the poor; one of such policies is to 'promote the development of social enterprises and boost employment' as proposed by the Chief Executive in his policy address". For the purpose of effectively promoting social enterprises, Miss CHAN raised a seven-point proposal. President, the preamble gives me an impression that it is hoped that social enterprises can help resolve the plight of low wages, long working hours, not the unemployment problem, faced by workers. This is what the original motion actually seeks to achieve. But is this really the case?

President, with reference to overseas examples, the objective of social enterprises is, generally speaking, not to resolve the problems of low wages and long working hours but resolving unemployment. This is the key point. Anyhow, it is very strange for the Chief Executive to mention social enterprises in this year's policy address because, as stated in the preamble, the employment rate has started to rebound. As the situation is not too bad, why should the Government still have to propose social enterprises? I guess there can only be two reasons. First, the Government is probably too slow and unresponsive.

On seeing the promotion of social enterprises by many countries, the Government does not feel good since it will lag behind others if it does not follow suit. This is why it seeks to promote social enterprises. This is one of the reasons.

What about the other reason? I am on the contrary a bit worried about this reason. President, I am suspicious. I have often been suspicious of the Government's ulterior motive. What am I actually worrying about? I am worried that promoting social enterprises will give the Government an opportunity to slash or refrain from increasing investment in social services. This is my concern. I am saying this because at present social services are funded by a lump sum grant. We often see that many voluntary agencies have started to levy charges. For instance, fees are now charged for tutoring and after-school care services, and even elderly services. Social workers are no longer called social workers; instead, they are called project officers or managers. They are no longer promoting social services with the mentality of serving the community. Rather, they regard themselves as operators of social services. This is most worrying to me because if the development of social enterprises is more satisfactory, the Government will think that they can operate on a self-financing basis. Will there be a further need for allocation of funds? I am being suspicious for fear that the Government might act in this manner. Therefore, the precondition for the Government in developing social enterprises is not to slash any social welfare services. On the contrary, the Government should continue increasing the same to a certain degree and if necessary. Actually, the demand for social services has continued to rise in Hong Kong. For instance, the growing elderly population has made it necessary for elderly services to be enhanced. Therefore, services in this area must be strengthened instead. I hope the Government will not require voluntary agencies to enhance services in this area with the lump sum grant. This is really my concern.

This is certainly not the attitude of Miss CHAN Yuen-han. I find her relatively positive. How positive is she? She hopes to help some disadvantaged people to find employment in the course of promoting social enterprises. We can see that social enterprises in many countries are providing the disadvantaged with excellent employment opportunities. In Spain which we visited recently, for example, social enterprises can really provide job opportunities for some people with disabilities who have difficulty in securing a job. Furthermore, these social enterprises have continued to develop while making money, with the newly created vacancies reserved for the disadvantaged

too. Besides the people with disabilities mentioned earlier, some low-skilled and poorly-educated people are benefited too. This approach is very good. As it is not at all easy to provide job opportunities to these people in ordinary capitalist markets, social enterprises should assume such social responsibility and play a social role. This is why we should render our support and we also hope that the Government can be motivated to step up its effort in promoting social enterprises.

However, social enterprises cannot be promoted by mere empty talk. Is the Government doing enough by just setting up a seed fund? We can tell from overseas experience that this is not enough because a seed fund is just a starter fund. It is difficult for social enterprises to continue to develop because the law of the jungle prevails in a free, capitalist market. If a business is thriving, some people will join in the competition, and even swallow up rivals' businesses. This is why social enterprises must be protected by the Government. Without such protection, it is difficult and impossible for social enterprises to compete in the free market. Hence, social enterprises are definitely safeguarded and protected in other countries. In Spain, for instance, people with disabilities are protected by the government by enacting legislation to allow them to sell lottery tickets. The Spanish Government has not only provided them with operating funds, but also enacted legislation to protect them. In Britain, for instance, social enterprises are provided with abundant land for the construction of warehouses. In this respect, safeguard and protection must be provided by the government. Of the various proposals raised by Miss CHAN Yuen-han, I consider items (f) and (g), namely the Government and private organizations providing shops, properties and venues with rent exemption/concession to social enterprises; and reserving a certain percentage of the procurement of government goods and services for social enterprises, in order to provide room for the development of such enterprises, more important. This is because if social enterprises are left to compete in the market without our care, I believe they will definitely face enormous difficulty. Therefore, as pointed out by me earlier, some social enterprises have ended in failure, not success. If we are to ensure their success, the Government must make more efforts to offer assistance in terms of legislation, policies, and even resources. Otherwise, it is difficult for social enterprises to develop in a comprehensive manner.

One of the factors contributing to the success of social enterprises is that social enterprises cannot be treated as the same as co-operatives. In other words, co-operatives and social enterprises should develop in their own

directions independently. I hope we can discuss the development of co-operatives if we have the chance to do so in the future. This is because co-operatives provide us with good experience, for they are capable of helping employees to find employment and develop.

President, I so submit.

PROF PATRICK LAU (in Cantonese): President, the objective of promoting social enterprises is to pool resources from different sectors to, through the mode of partnership, utilize social resources more effectively to help the poor. In brief, the objective is to promote market economy to ease the pressure on public finance. Therefore, if the Government is required to provide abundant funds, engage in intensive participation, and even formulate initiatives, not only will the operation of the free market and fair competition be impeded, the usefulness of social enterprises will also be affected.

Therefore, in helping social enterprises, it is most important for the Government to teach them how to upgrade their competitive edge to ensure their survival in the extremely competitive market to ultimately achieve the objective of self-reliance. I recall a remark made by a Financial Secretary years ago, that we had to teach people how to fish. If social enterprises basically know nothing about the art of doing business and keep losing money instead of making it, then even if more funds are provided by the Government to set up a number of funds, no fish will be caught in the end. Not only will their bait be lost, social enterprises will get wet all over as well.

President, to develop in such a free market as Hong Kong, social enterprises must know how to compete with others. While Chinese people emphasize timing and climate, location and human relations, there is a 7P theory in Western market economy, namely Product, Price, Place, Promotion, People, Process and Phenomenon. In my opinion, three of the 7Ps, namely People, Price and Place, are particularly vital to operating social enterprises. These three conditions must complement one another properly before social enterprises can successfully gain a competitive edge in the market.

In other words, the first thing to do is to find out how to make use of market strategies to cater to the needs of people. To achieve this, training human resources is the first step. Besides management skills, the ability to

make accurate analysis and sharp insight are very important too. Therefore, the Government should concentrate on coaching them on how to analyse the market situation, cultivate their market acumen, and get a clear grasp of their own positioning in the market before they can sustain their operation. Otherwise, even if they are very good at management, they can still not compete in the market if they cannot grasp the fluidity of the market, the characteristics of humans, and meet the needs of customers.

The second requirement is related to the knowledge of gauging and grasping the prices of goods or services. To people living in different districts, the same goods might mean different values. Therefore, it is necessary to analyse in detail the goods or the clientele and study the actual needs of the people living in the district. For instance, the demand for provision of door-to-door meal delivery services by voluntary agencies might be higher in old districts where there is an ageing population. On the contrary, in districts with high birth rates, the value of child care services will become higher. Insofar as prices of goods are concerned, goods must be sold by social enterprises at relatively cheap prices for the purpose of competing with major supermarkets. To lower sale prices, voluntary agencies are required to provide assistance. Alternatively, large-scale social enterprises can make bulk purchases at lower prices for distribution to small and medium social enterprises for retail sales in their respective districts. As low prices will surely attract customers, the goods will have market value, and the social enterprises will then be able to sustain their business operation.

Besides the requirements of "People" and "Price", "Place" is very important too. Even McDonald's needs to find a suitable place before it can attract customers. Therefore, I find that District Councils (DCs) can be helpful in this respect. Through the unique development of 18 districts, DCs may provide social enterprises with community-based assistance. Mr Frederick FUNG and I have once collaborated with some architects in seeking assistance from DCs to identify families living in poor conditions in their respective districts for provision of household maintenance services with great success. Likewise, social enterprises can collaborate with DCs to identify the needs of different places in their districts, as DCs are most familiar with their own districts. Most importantly, social enterprises should be able to grasp creativity and the opportunities to strike first to gain a favourable position in the market and avoid scrambling to do the same thing one after another. The beautification

initiatives in the 18 districts are an excellent example demonstrating how job opportunities can be created in-district.

Flexibility and creativity is most vital to the operation of social enterprises so that new business and job opportunities can be created. Let me cite an example. Years ago, when the economy was in the doldrums, an architect who could not find any jobs to do ventured to operate an art studio to teach small children drawing. Eventually, he succeeded in creating a new way of making money, and he found this even better than working as an architect. Therefore, it is vital for the Government's training initiatives to stimulate creativity. Most importantly, it must be able to come up with creative services, in the light of the needs of different districts, and provide training to the unemployed to ensure that they can participate in the services in the future. Speaking of this, I must sing praises of Secretary Matthew CHEUNG for his idea of providing a magician training programme for non-engaged youths. The programme has not only successfully grasped creativity and the opportunities to strike first, but also turned magic shows into a new industry. Magic shows have now become a regular entertainment in many banquets.

If the three requirements of market economy can be fully met, we can certainly find the right recipe for success, make effective use of social resources, expand the market share of social enterprises, and enable more unemployed people who require assistance to rejoin the employment market to break away from long-term reliance on the Government, and even relieve the Government of the financial burden of providing welfare to unemployed people and low-income earners. Therefore, it is most important for the Government to realize the crux of the problem, and to provide appropriate assistance and training support with a community-based and people-oriented guiding principle. Only through a platform allowing fair competition, developing market economy, and promoting social enterprises can we truly help facilitate employment and resolve the disparity between the rich and the poor. Thank you, President.

DR KWOK KA-KI (in Cantonese): Madam President, we have heard lots of good news recently, including an estimate that the Government's fiscal surplus this year will exceed a record \$50 billion. Yesterday, I even heard some members of political parties say that the figure would reach \$80 billion, or even \$100 billion. I have no idea if this will turn out to be true. However, I feel ashamed when I compare this figure with the resources injected by the Government into social enterprises.

In paragraph 71 of this year's policy address, the Chief Executive proposes to narrow the wealth gap, increase employment and encourage more people in the community to work for meaningful causes. In this regard, social enterprises play a significant role. But first of all, let us examine the difference between the Government's words and deeds. To implement the two-phase programme, the Government has allocated a total of \$50 million to 5 000 new projects over a period of one year. During the second phase of the programme, however, only \$13 million was allocated to benefit 280 people, or a mere 1 100 people, even if the participation of the Hong Kong Council of Social Service in social enterprises is taken into account. I feel terribly ashamed of these figures. Will the Secretary feel the same way as I do?

At this moment, it is reported that the Government are still considering ways to use its overflowing surplus. Some have proposed to reduce profits tax, lower the standard tax rates, and so on, in a bid to help the rich get even richer because they can never make enough money. The point is: Can the Government really help the community by using its surplus in this way? It must be appreciated that, although the employment rate is falling at the moment, there are still many in the community who have yet been able to secure employment. This is because mismatch of occupations, economic restructuring, family factors, the employment situation in different communities, and various social factors have made it impossible for them to join the job market.

Let me cite Tin Shui Wai as an example. As Members are aware, the unemployment rate in Tin Shui Wai is actually higher. Even though recruitment drives have been organized there, many people can still not take up the jobs offered mainly because, first, the wages offered by those jobs cannot make up for the exorbitant transport fares and meal expenses; and second, they cannot manage to work in many of the occupations on offer. For some middle-aged unemployed persons or housewives, many occupations are not suitable to them. It was against this background that we came up with the idea of operating social enterprises.

Let us look at the situation elsewhere. I do not want to repeat too many figures as some were already mentioned by colleagues earlier. However, I would like to point out that there are 55 000 social enterprises in Britain and 420 000 people engaging in social enterprises in Spain. We can see that there are great differences between these countries and Hong Kong in terms of determination and strength. There is a complete lack of co-ordination among

Policy Bureaux at the government level. I have recently chatted with a mutual support organ and asked them why they did not seek to operate social enterprises. They explained that their organ had been receiving assistance from the Social Welfare Department (SWD). However, they would be disqualified from receiving assistance once they joined the social enterprises programme, because the Government would tell them in future that they should continue to apply for funds through social enterprises or the Community Investment and Inclusion Fund. At the same time, the SWD would definitely stop providing them with assistance because they had proved to be capable. I think I have to investigate and verify this point to ensure that the policy is really like this. However, should this be the case, Members can see that Policy Bureaux have failed to resolve problems or appreciate other problems because of their lack of co-ordination.

The target clients of these organizations, which have extremely scarce resources, actually include the disadvantaged and some rehabilitating patients. I think Members have probably heard of the Hong Kong Federation of Handicapped Youth. Despite its successful bid for a convenience store earlier, it was unfortunately expelled by the Hospital Authority on the ground that its bidding price was too low. Since it could not afford the rent, it was not allowed to continue with its business. This was not the worst case. Worse still, the SWD refused to offer it assistance after learning that it was able to operate a convenience store. Such being the case, how can we encourage organizations to apply for funding to operate social enterprises?

Secondly, I heard the remarks made by Mrs Sophie LEUNG and other colleagues of the Liberal Party, that the interests of small and medium enterprises (SMEs) must be protected. Frankly speaking, there is no need for them to worry. If those people are capable, there would be no need for them to operate social enterprises. Members should understand that they have absolutely no knowledge of how to operate businesses. Neither are they capable of operating businesses because not only do they lack the funds and means to do it, they also have no knowledge of how to conduct promotion campaigns and, in fact, doing anything. If they are capable, they would have become bosses already. Will they still need to apply for funds to operate social enterprises? This is impossible. Hence, how will SMEs be affected? It seems to me that the business sector is a bit over-worried. Even after a period of time, Hong Kong will still be far from that. There is no cause for concern unless many in the business sector offer a helping hand to social enterprises and

make them thrive. However, there is still a long way to go. Furthermore, I do not see that the business sector is providing excessive support in this regard. On the contrary, they have raised many doubts.

Most importantly, we are quite perplexed by the commitment of the Government. Actually, it is very difficult to promote social enterprises in a relatively meaningful manner with such a limited amount of resources. Social enterprises certainly require the complementary effort of the business sector. Let me cite myself as an example. I see that there is actually plenty of scope for social enterprises to operate in hospitals. This is because many discharged elderly patients have to return to the community, and they require a wide range of services such as meal delivery, escort for medical consultation and assistance in taking medicine, and so on. Rehabilitating mental patients also require such services as home visits, reminders to take medicine, and care. This is something the business sector will not do because it is actually not profit-making. This has also posed a major problem to other Policy Bureaux. Owing to our failure to provide the chronically ill (including rehabilitating mental patients and discharged patients) with adequate care, the rate of their re-admission due to relapse is very high. This demonstrates a lack of co-ordination among Policy Bureaux and government departments. If the Secretary is willing to discuss with other Policy Bureaux and listen to their needs, these enterprises will naturally although they are called enterprises, they can actually not be treated as enterprises. They merely seek to help some people to obtain better care.

Anyhow, I support the motion and all the amendments, and hope that the Government can give us a positive response. *(The buzzer sounded)*

Thank you, Madam President.

MS LI FUNG-YING (in Cantonese): Madam President, the issues related to this motion discussed in this Council today, namely promoting the development of social enterprises, were actually extensively discussed by the Commission on Poverty, dissolved in the middle of this year, at the end of last year. Social enterprises as a programme aiming to serve the community must be operated according to certain commercial principles while serving the community. I believe Honourable Members will support this idea of opening up a channel for the joint participation of the Government and society in serving the community.

However, what should be done to promote the development of social enterprises when such enterprises are to be developed in the actual social environment. The situation will be like the present one in which we find different amendments and probably marked differences between our perspectives.

I believe government participation is indispensable to the promotion and success of social enterprises in Hong Kong. However, throughout the discussions on social enterprises over the past two years, the Government was merely adopting a position of promoting discussions in the community while striving to avoid any commitment. The policy address delivered by the Chief Executive in October this year aptly reflects this non-committal position of the Government. The policy address reads, "Eligible operators of social enterprises are not only non-profit-making organizations. The business community can play an important part as well". Furthermore, the Government will "invite non-profit-making organizations and the business community to participate in these projects, and also convene a summit on social enterprises before year end". To enable the development of social enterprises in Hong Kong, the community has to create an environment conducive to the operation of such enterprises. However, the Government has merely resorted to appealing to the conscience of the business community in promoting the development of social enterprises. Despite its frequent emphases on creating a business-friendly environment, we have never heard the Government say it will create an environment conducive to the development of social enterprises.

A number of proposals raised in the amendments today appeal to the Government to create an environment conducive to the operation of social enterprises. I support these proposals in principle. Notwithstanding the improvement in the unemployment rate at present, many low-skilled workers, even if they manage to secure employment, are still suffering from working poverty. In relation to the issue of social enterprises under discussion today, I think one of our directions in promoting the development of social enterprises should focus on how such enterprises can help unemployed low-skilled workers seek employment and ameliorate the problem of working poverty.

Some programmes similar to social enterprises, such as the Special Training and Enhancement Programme, are offered in the community at present. However, the Programme requires that half of the salaried employees must be people with disabilities, though this ratio is already less stringent than the initial 60%. This means that NGOs will be excluded from the Programme if their

objective is not to serve people with disabilities. While I have no intention to appeal to the Government here to further lower the ratio of the people with disabilities employed, I do not hope to see the interest of the fund serving the disadvantaged undermined for the sake of protecting the interest of some disadvantaged people. One of the feasible solutions is to support the Government setting up a seed fund to serve unemployed workers to help them rejoin the community and improve their livelihood.

We also face another problem arising from the provision of services by social enterprises. A successful social enterprise should not engage in vicious competition with its neighbouring shops by dealing a blow to small, local operators in pursuit of viability. Instead, it should enrich the life of the community by providing a diversity of choice for local residents. To achieve this, a comprehensive study on different communities must be conducted to enable a reasonable balance to be maintained when social enterprises are set up.

Madam President, the logic of requiring social enterprises as a conscience programme to operate according to the law of the jungle practised in the commercial market is full of great contradictions. It is precisely for this reason that soil suitable for the development of social enterprises must be provided when the proposal for developing social enterprises is raised. We cannot but face this social reality. While it is vital for the Government to allocate funds, this is only a starting point for the development of social enterprises. Furthermore, the Government is obligated to, and required to play a key role to, work out solutions to enable social enterprises to take root, germinate and thrive in the community.

Thank you, Madam President.

MR RONNY TONG (in Cantonese): President, we have a new colleague who swore in earlier today, so I really do not wish to give her a negative impression. However, frankly speaking, I cannot help stop myself from expressing how I feel in my heart. Although I have on hand a speech drafted by my assistant, I have no wish to read it out after reading it because there is absolutely nothing new in it. I have made a similar speech three or four times before.

President, it has only been three and a half years since I became a Member of this Council, and yet I have already become a cynic. Just now I consulted a dictionary for the Chinese definition of "cynic", and found that it is translated as "諷世者", which means a pessimist who believes people always act selfishly. How can I help preventing myself from becoming such kind of a person? President, this issue has been discussed for years. My colleagues are even more laughable. The 14 amendments are simply presented like a Christmas tree. Is the Government not informed? Such information is readily available on the Internet. Let me cite Britain as an example. During a visit to the country in 2005, I studied the matter with a local poverty alleviation group, and I was given a long lecture about what was being done in the country. By 2006, the third sector was already set up in the country, with a workforce of more than 3 000. At present, the number of social enterprises in Britain has increased to 15 000, with their annual turnover reaching £18 billion. In short, social enterprises in Britain have made rapid development in a matter of three years.

What has been done in Hong Kong over the past three years? It is still insisted in this Council that there are 14 initiatives, such as tax concessions, planning concessions, and so on. People have talked about them to ad nauseam because they are well known to everyone. What happened eventually? Consequently, the Chief Executive mentioned the need to promote social enterprises in this year's policy address. Ms LI Fung-ying was absolutely right just now. She said precisely what I was prepared to say. According to the relevant paragraph of the policy address, enterprises in Hong Kong should fulfil their social responsibilities. This has highlighted the SAR Government or the Chief Executive's awareness of or determination in promoting social enterprises. In the speech delivered by the Liberal Party just now — the Honourable colleague who spoke earlier has left this Chamber — she advised the Government to give careful consideration on the ground that social enterprises would scramble for profit with SMEs. Do they not understand what it is meant by social enterprises?

PRESIDENT (in Cantonese): Mrs Sophie LEUNG, is it a point of order?

MRS SOPHIE LEUNG (in Cantonese): President, I am afraid he has made a mistake. We did not say that social enterprises would compete with SMEs for profits. We did say "probably" and we were afraid that they would do so.

PRESIDENT (in Cantonese): Mrs Sophie LEUNG, if you want to clarify the remark made by Mr Ronny TONG just now, I will give you an opportunity to do so after Mr TONG has finished his speech. Mr TONG, please continue.

MR RONNY TONG (in Cantonese): My apologies if I have wrongly quoted her speech. However, President, she was implying something like social enterprises are treated by the Liberal Party as an economic policy. Social enterprises are not an economic policy. The Government treats them as a political slogan. For the Government, chanting the slogan of "social enterprises" can be taken as evidence of its concern about people's livelihood, and the Government should thus be given extra marks. However, we have to understand that social enterprises should actually be seen as a social policy. Its major objective is not only to create economic benefits, but also to bring social improvements. Actually, the main objective of using economic activities as a momentum is not to make profit but to ameliorate inequality in society or help the disadvantaged. Such being the case, who should bear the responsibility? Should the business community or the Government bear the responsibility? To fulfil its responsibility, the Government has to do more than handing out money. Neither are we appealing to the Government to hand out money. The Liberal Party certainly feels that there is excessive money in the seed fund. I am probably inclined to agree that it is not simply about handing out money. Insofar as other areas are concerned, if the Government is determined to promote the development of social enterprises, efforts should be made by utilizing other specific resources in addition to money, for the Government can make extra efforts in terms of tax, planning, land grant, rents and even transport allowance.

In fact, there are lots of such examples in Britain and Spain. Do our colleagues have to fly such a long distance to pay a visit there? There is actually no need to do so. The most important point is not what we are going to do, but whether we are going to do this.

President, there is no need to make our motion today a Christmas tree. Neither are these 14 items required. We merely request the Government to do one thing, that is, be determined to accomplish this matter. I am sure the Government understands what it is meant by social enterprises. As pointed out by me earlier, the answer is readily available on the Internet. There is a lot of information telling us how to achieve success. The biggest obstacle lies not in resources, but in contradictions in concepts of governance. If the Government

is willing to fulfil its social responsibilities, our discussion here today will be unnecessary. Of course, it makes no difference regardless of the outcome of our discussion and whether or not the motion is passed. Because our past experience tells us that the outcomes of the discussion on these issues will be exactly the same, whether the issues are discussed three, four, five or 10 times. Neither will there be any response nor media coverage. Furthermore, the vast majority of Honourable colleagues will not sit here in the Chamber to listen because the television programmes shown outside the Chamber are more appealing.

Hence, President, this is why I have become a cynic just three years after I became a Member of this Council. President, you, as the President of this Council, probably slightly share my feeling, but this is certainly the reality. Several days ago, the Legislative Council By-election was held in Hong Kong. This is why we have a new colleague here. It is found that, according to a number of opinion polls, Hong Kong people do not care about politics; they merely care about issues concerning people's livelihood. This one is an excellent example, for it is related to the people's livelihood. But the crucial point is not about how to do it, but whether it is necessary to do so. This issue is related not only to politics, but also to management and vision of governance. And yet, the Government has chosen not to assume the responsibility. The Chief Executive thinks that the responsibility should be borne by the business community, not by the Government. Regardless of the amount of money it possesses, even if it reaches \$50 billion, the Government will still not do it.

President, every bread-and-butter issue carries political implications. Thank you, President.

PRESIDENT (in Cantonese): Mrs Sophie LEUNG, do you wish to elucidate that part of your speech which has been misunderstood?

MRS SOPHIE LEUNG (in Cantonese): Yes, President, thank you for giving me an opportunity to elucidate. As I pointed out earlier, not only have we not said anything like that, it was also not what we implied. Actually, Mr TONG has also said that the Liberal Party regards the seed fund as a means to hand out money. But the fact is we have not mentioned anything about handing out

money. I hope the Honourable Member can stop misleading us in the future. Social enterprises and social responsibilities are two different matters. Although they are related, they are different. Thank you, President.

MRS ANSON CHAN (in Cantonese): Madam President, today is the first time I attend the Legislative Council meeting as an elected Member. With the public's high hopes pinned on me, I am thrilled and yet overjoyed, and I would like to express my deepest thanks to them.

The first question of the debate participated by me today is supporting social enterprises and caring for the disparity between the rich and the poor. This is also one of my election pledges. I am obliged to voice the aspirations of the general public and my most sincere care for society. I very much share Mr Ronny TONG's earlier remarks, that democracy and people's livelihood can not be separated. Without democracy and justice, the disadvantaged groups would not receive the care they should get.

To start with, I would like to point out that the Government is expected to have a surplus of at least \$50 billion this year. While the Government's Budget has made generous cuts on profits tax and rates, nothing has been done to address the hardship of the disadvantaged groups, especially the unemployed and the poor living in remote communities.

Exorbitant transport expenses have greatly undermined their employment opportunities. As a result, the unemployment rates in such remote districts as Tin Shui Wai and Yuen Long are constantly on the high side. The Hong Kong Jockey Club's recent opening of a telebet centre in Tin Shui Wai to provide more than 2 000 full-time or part-time jobs is indeed good news for people living in the district. However, in the face of the extremely high unemployment rates, how many organizations are required to follow the example of the Hong Kong Jockey Club and how many job vacancies are required to be created before enough is done? Instead of relying on utterly inadequate measures and pinning hopes on major organizations to work employment miracles in remote districts, we had better make the Government properly assume its duties in providing more resources and assisting more social enterprises in operating, developing and expanding their business in the districts. Only in doing so can the Government offer practical help to the local residents to restore their dignity in living while working.

Of course, social enterprises are not a panacea for the problem of working poverty. At present, the number of jobs provided by social enterprises is still limited. However, social enterprises can at least provide the unemployed with employment and training opportunities, which is especially important to long-term unemployed persons. Only in doing so can the community be able to regain its vitality and vigour and rid itself of the disappointment and misery of being labelled as a city of sadness. Every one of us must live and work, and be self-reliant before we can live in hope.

Hence, the Government should expeditiously introduce more measures to help and support social enterprises, including setting up a registration regime for social enterprises and providing tax and rent concessions. On the other hand, efforts should be stepped up to promote public awareness of social enterprises, as the success of social enterprises hinges on public recognition of their quality services and products before their horizons can be further broadened. With the public's understanding of and support for their underlying social value, social enterprises will then be able to expand their market and command more support from consumers and residents.

During my election campaign, I deeply felt the hardship faced by the disadvantaged groups and the aspirations of the unemployed for employment. I hope the Government can enhance its support measures. I also hope the voices of the Legislative Council will be taken seriously by the Government so that the disadvantaged groups can have more hope and opportunities.

Madam President, I so submit.

MR ALAN LEONG (in Cantonese): President, in the election platform of Chief Executive Donald TSANG, social enterprises were put under "favourable employment environment". However, it is shared by a number of government officials, Members of this Council, businessmen and NGOs intent on developing social enterprises that the significance of social enterprises actually goes beyond improving employment. Social enterprises may bring various social benefits, pool various social goals, and even gradually change the environment of the community and the people's way of living, thus leading to a silent social revolution.

As mentioned by Mr Ronny TONG earlier in the meeting, social enterprises are defined by the Office of the Third Sector of the British Cabinet as "businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners". The so-called social objectives can be manifested through different modes of operation.

President, there are at present more than 55 000 social enterprises across Britain. Their businesses and forms of operation come in many shapes and sizes, from large development trusts, community enterprises, housing societies, village enterprises, recreation trusts, and even soccer fans trusts. The businesses operated may cover small village shops, community childcare centres, and even a top-class international restaurant operated by a well-known chef, Jamie OLIVER. For Britain and many advanced countries intent on developing social enterprises, the concept of social enterprises can aptly demonstrate that social responsibilities and commercial success can definitely co-exist.

At present, Hong Kong can be described as being passionate but puzzled about promoting social enterprises. The Government has all along been emphasizing that social enterprises should not affect the current operation of the market. At the same time, social enterprises were confined a long time ago to a position where participation in competition was discouraged. As a result, there are no incentives for social enterprises to upgrade their capacity for sustained operation. Hence, it is actually impossible for such enterprises to achieve substantial social effectiveness, except for enabling the disadvantaged to acquire a skill for making a living. If social enterprises cannot rely on their own capacity to survive in the end, then the so-called job opportunities cannot be sustained. In effect, the survival of social enterprises has to be supported by public money and welfare organizations. Consequently, social enterprises can only turn into alternative sheltered workshops.

Actually, President, like other entrepreneurs, social enterprises operators can absolutely rely on their own strength to develop their business, provided that there is a channel for easier access to the market and a lower threshold and cost requirement. For Hong Kong, renowned for its entrepreneurship, this concept is not stranger at all. Of course, an effective mechanism must be put in place to prevent people from exploiting the social enterprise tag in operating businesses,

regulate the use of profits by social enterprises, and ensure that profits are distributed in such a way that social objectives are taken into account. In other words, there is no need for us to prevent social enterprises from entering the market and making profits, only that monitoring must be carried out to ensure the profits are well spent.

President, it is in line with this concept that Community Interest Companies (CICs) are established in Britain. Though it is convenient and highly flexible for CICs to be established, enterprises must be strictly regulated in three areas: Firstly, CIC profits and assets are not tax-free, and neither can they be distributed to CIC members. The profits and assets can only be held by a CIC or transferred to a charitable organization or another CIC solely for social benefit purposes. Secondly, a report must be submitted when a CIC is established to spell out the social benefit and business plan of its services for endorsement by the approval authorities. Furthermore, a CIC has to submit an annual report to explain its accounts and the social benefit achieved over the past year.

The mode of CIC can be said to have untied the knot of a number of people in developing social enterprises. On the one hand, as a mechanism is already in place to ensure the profits of CICs to be used for social benefit purposes, the Government needs not deliberately compel the companies to become non-profit-making organizations. Nor will CICs be deprived of the convenience of accessing the market for the sake of making profits. On the other hand, as social enterprises may enjoy flexibility in financing, and even raise funds by issuing shares, coupled with the regulation of their operational and profit-making ability, the financial sector will have more confidence in social enterprises, thus making financing and market access easier for them.

President, not only can successful social enterprises compete with other strong competitors in the market, some people participating in social enterprises can even gain an opportunity to improve their livelihood and even jump out of social enterprises to become the leaders of certain trades and industries. The restaurant operated by Jamie OLIVER and mentioned by me earlier has made a special effort in employing many non-engaged young people. A number of these young people, having been taught culinary skills, are expected to ultimately become top chefs of prestigious restaurants in the future.

In India, an optical company divides its market into two by selling identical glasses in the urban and rural areas. By lowering the prices of the glasses sold in its rural market, coupled with effective marketing, the company has finally managed to make profits in both markets. At the same time, people living in the rural areas are able to improve their vision. This shows that, with suitable social policies and entrepreneurial creativity, social enterprises can absolutely serve not only as a tool to accommodate the disadvantaged and lower the unemployment rate on behalf of the Government, but also as a channel to mobilize everyone in society to reform the community.

With these remarks, President, I support the motion and amendments.

MR BERNARD CHAN: Madam President, as the Chairperson of the Hong Kong Council of Social Service, I would be very interested to see social enterprises expand in Hong Kong, as they have in some other places. However, I am afraid to say that in some ways, this motion might give people the wrong idea about social enterprises.

A social enterprise is supposed to be self-supporting. It should not need government loans or funding or seed money. There are two reasons for this.

Firstly, the whole point of a social enterprise is to free people from dependency on the Government. The idea is to encourage self-reliance in the community, rather than devise new ways for people to depend on the Government.

Secondly, if a social enterprise receives financial assistance from the Government, it will be able to compete unfairly against private-sector, profit-making enterprises. That would be the case not only with subsidized loans or seed money, but also through cheap premises and other help.

In theory, subsidies for a social enterprise can produce pay back through cost savings for the Government. An obvious example would be by getting people off welfare or reducing environmental damage. But the best way to make sure a social enterprise is positive and viable is by letting it compete fairly in the open market.

Experience overseas shows that businesses run for partly social ends can be very successful. But these enterprises are usually part of a bottom-up process. They are local initiatives, with involvement of the non-governmental organizations (NGOs), community groups or private sector. The process is not run by civil servants.

Maybe we should all ask ourselves why Hong Kong no longer has that tradition of local self-help. Everyone — the business community, the more disadvantaged parts of the population, and the bureaucracy itself — looks to the Government. This motion and its amendments give that impression very clearly. No one questions the idea of the Government leading the process in various ways. It may be because we still have the old, top-down system of colonial administration. It might be because of the economic changes and volatility of the last 10 years or so.

Whatever the reason, it might be more helpful if the Government and the community as a whole stepped back and asked some basic questions about the overall environment for small enterprises.

Does our social welfare system discourage people from working? Can we make sure that it is flexible enough to reward people who go out and earn money?

Does red tape get in the way? Do business licences, regulations on land and building use, and rules on health and safety prevent small enterprises from being started up or growing? Obviously, we need some regulations, but have we gone too far in some areas?

Does the lack of competition in parts of the domestic economy penalize smaller companies at the expense of big ones?

I am all in favour of social enterprises. I look forward to seeing more of them developed by the NGOs, educational bodies, youth groups, churches and neighbourhood and other groups. But if they need a new bureaucracy to start them up and micro-manage them, or some other sort of government subsidies, they are simply band-aids.

What they really need is an environment which encourages and rewards all self-starting enterprises — whether it is for profit or for social ends. That is the big picture we should ask the Government to look at.

Thank you.

MR ALBERT CHAN (in Cantonese): President, I would like to congratulate Mrs Anson Chan for her earlier speech. That a former senior official can express concern and care for the disadvantaged in this Chamber is hard to come by. Perhaps there have been changes brought about by her baptism of democracy. This is because such baptism may not only change the appearance of a person, but also bring him new values. I hope those senior officials who used to work with her can have an opportunity to make such a change too. Of course, Secretary TSANG Tak-sing, who is present at this meeting today, is not included. Therefore, I do not expect him to change. Nevertheless, senior officials who followed Mrs CHAN for years during the former British Hong Kong era should model on her changes for the sake of benefiting the disadvantaged. Had Mrs CHAN been able to change her attitude a few years earlier, more disadvantaged people could probably have been benefited. Had she been able to demonstrate such attitude when she held the posts of Secretary for Economic Services and Chief Secretary of Administration, I believe even more disadvantaged people would have been benefited.

President, to promote social enterprises, the Government must adopt complementary measures and provide support in terms of policies on assets, land, management and training. Earlier in the meeting, several Members already cited numerous examples, including Britain, Spain and others. As for the so-called social enterprises operated in Hong Kong, we can only regard them as no more than a bad joke after reading the policy address and listening to the officials' speeches, unless a new breakthrough is made by Secretary TSANG Tak-sing later in the meeting. As pointed out by several Members just now, the capitals and assets of social enterprises, especially benefits, should be shared by the grassroots or the disadvantaged. Furthermore, assets should be shared by the grassroots too. This represents a strong socialist democracy concept. Under no circumstances should major consortia be allowed to further reap exorbitant profits on the pretext of social enterprises. This is why I think the Government has completely distorted the basic principle and spirit of social

enterprises with its invitation to consortia for bids on the recently launched Revitalisation Scheme. The disadvantaged and groups should be allowed to operate the Government's assets and monuments so that they can share the benefits for the implementation of the spirit of social enterprises. Allowing major consortia to bid for the Revitalisation Scheme is merely an alternative form of collusion between business and the Government and transfer of benefits, which has absolutely nothing to do with social enterprises, not the least relevance.

If we look at Hong Kong, we will find that it is actually in a state of extreme abnormality. A principle and concept of social enterprises is that the Government will offer support in terms of assets, whether in the form of funds, capital injection or stocks. The Hong Kong Government is the shareholder of numerous organizations. For instance, the Housing Authority has earlier made more than \$30 billion from the sale of its assets to The Link REIT, and the Airport Authority is wholly owned by the Government. Recently, there was the merger of the MTR Corporation Limited (MTRCL) and the Kowloon-Canton Railway Corporation (KCRC) to become the MTR Corporation Limited. While all the assets of the KCRC were owned by the Government, the vast majority of the assets of the MTRCL were also wholly owned by the Government. Moreover, Hong Kong Disneyland was given a substantial injection by the Government of tens of billion dollars. Actually, it is absolutely feasible for the Government to operate social enterprises through capital injection in this manner. However, as the concept of "big market, small government" is adopted by our government with its judgment based on such plutocratic value as collusion between business and the Government and transfer of benefits, the Government has given absolutely no consideration to returning benefits to the community at large. However, we are actually the owners of the assets and capitals, because they all come from public money with the endorsement of the Legislative Council.

Hence, if we look back at the current situation of Hong Kong, we will find that it is utterly abnormal and ridiculous. We are absolutely capable of making use of public money to promote social enterprises. We are absolutely capable, Hong Kong people have absolutely the talent, and we absolutely have the ability to govern, to promote social enterprises. However, in the absence of a government returned by a democratic system, this government will only continue to favour major consortia and engage in collusion between business and the Government and transfer of benefits. What is more, it is hardly acceptable and

ridiculous for the Government to make further transfers of benefits to financial magnates on the pretext of social enterprises. I hope Secretary TSANG Tak-sing can deny or negate what I said and give us the answers to these questions. Can the consortia get a slice of the cake under the Revitalisation Scheme? Will the Revitalisation Scheme enable the consortia to go further to obtain special benefits on the pretext of social enterprises?

President, let us examine a number of funds. I have recently examined a number of funds approved by the Government some time ago and found that the programmes organized by the so-called social enterprises through the assistance provided under the funds is actually another kind of transfer of political benefits. Many of this type of organizations are satellite organizations closely affiliated to certain political groups or parties, and these political groups and political parties have obtained funds through satellite organizations in the fine-sounding name of creating job opportunities in the districts. Actually, their real intention is to employ the core members of political groups and parties to establish a relationship in the districts to secure support from voters, set up community networks through the provision of services (many of them are related to environmental protection programmes) and thereby establish political relations. This is another way of transfer of political benefits.

Under the present circumstances, Hong Kong demonstrates a unique abnormality, that is, social enterprises exist in name only. Not only can social enterprises be manipulated by bureaucrats, politicians and consortia are even allowed to reap benefits from social enterprises. I hope the academics in Hong Kong can really conduct studies in this area. Sometimes, I really have no idea what they are actually doing. Such information would have been put under close scrutiny in overseas countries with the problems exposed completely. However, the academics in Hong Kong seem to have little understanding of these problems. A government formed by a democratic election is therefore vital to truly operating social enterprises. Thank you, President.

MR LEE WING-TAT (in Cantonese): President, Chief Executive Donald TSANG had once expressed his views in relation to the debate on social enterprises when he stood in the Chief Executive Election. However, according to my observation over the past six months, the direction taken by the Government in addressing this issue was even more obscure than when it was in addressing the issue of universal suffrage. The Government's position towards

universal suffrage is evidently procrastination. In other words, universal suffrage will definitely not be implemented in 2012. But how will the Government deal with social enterprises? Just now, I heard Mr Bernard CHAN express his views. While his speech represents his views, other colleagues also have their own views. Some colleagues prefer intensive intervention by the Government in the form of providing funds, loans, facilitating licensing, concessionary policies, land grant or allocation, and so on. There are many feasible ways of government intervention. The scale of intervention can even be upgraded to such an extent that a special department is assigned to take charge of this matter. According to Mr Bernard CHAN, the Government should strive to minimize its intervention in this, and the market or other social organizations, welfare agencies, voluntary agencies should be allowed to develop social enterprises instead.

Today, as a Member of the Legislative Council, I still have no idea what the Government intends to do. In other words, what is the Government's preference? Does the Government wish to do this or that? Perhaps neither one is correct. According to the speech delivered by Secretary TSANG Tak-shing, both are incorrect. The Government's direction is to adopt a middle-of-the-road approach.

It has been six months since Donald TSANG was re-elected as Chief Executive. Even though I have read the relevant documents, I still have no idea of the Government's direction. As a result, the community has been waiting very anxiously, but there is nothing they can do. All the so-called examples of social enterprises frequently cited by the Government are actually trite. However, I would like to praise the Senior Citizen Home Safety Association, for Mr LAW Chi-kwong of the Democratic Party is also a participant of this programme.

The second example I would like to cite is the assistance offered by Mr Frederick FUNG to "sam hong" workers, that is, workers engaging in the plastering, painting and carpentry trades. I was told by Frederick FUNG that less than 100 persons had been employed. Another example is the Society for Community Organization, which has once applied to the Government for funding to employ some underemployed people to work for it. However, in terms of cost-effectiveness, \$1 million has actually been spent to employ some 100 workers. Though Mr LEE Cheuk-yan of the Hong Kong Confederation of Trade Unions has stated that he will operate a social enterprise in the recycling

business, I think the number of people who will be employed by him should be less than 10.

Actually, we are already among those Members who are most concerned about this policy, and yet I still have no idea what the Government wishes to achieve. Some colleagues said that they were seeking to achieve objectives to ensure that social enterprises could make the unemployment rate of Hong Kong by, for instance, employing an extra 10 000 or 5 000 people annually or making it easier for certain disadvantaged groups in society, such as CSSA recipients, mothers of single-parent families or people with disabilities, to join the workforce in society.

I am extremely sorry, Secretary TSANG Tak-sing. I really want to read some documents to find out what the Administration is preparing to do. I have cited a number of examples. I did not mean to say that the plans of Mr LEE Cheuk-yan and Mr Frederick FUNG would not work. However, if we were to wait for them to operate social enterprises, we might end up employing less than 1 000 people even if we continued our effort for 300 years. During the Chief Executive Election, this task was already included by the Chief Executive as his major election platform. And then, it was mentioned again during a Question and Answer Session, and discussed for a long time in the community. Today, more than six months have passed. I have really been very patient. I will definitely sit here until the end of this debate. When Secretary TSANG Tak-sing speaks later in the meeting, can he tell us what the Government actually intends to do? Are there any indicators? Which mode will be adopted? Will the intervention be as intensive as what was suggested by some colleagues or as minimal as what was suggested by Mr Bernard CHAN? Is there a timetable? When will social enterprises be promoted? On what scale will they be promoted? What objectives does the Government wish to achieve?

Many people who are concerned about this question are actually waiting for the Government to spell out these details. I will be quite disappointed if such information is still unavailable today, because the matter cannot be delayed for too long and, in particular, this is part of the election platform. Although the term of office of Chief Executive Donald TSANG lasts five years during which he can think carefully in the first year and take a small step in the third year, I believe he is not the type of person who seeks to resort to procrastination.

Is the Secretary facing many conflicting demands with respect to this issue, that is, the principle of "big market, small government" will be violated if government intervention is excessive? If the Government minimizes its intervention frankly speaking, I once had a discussion with NGOs, and I was told that they were actually not interested in making the effort because, generally speaking, it was not at all an easy undertaking. Furthermore, there is no special policy dealing with a majority of cases. Of course, there are some samples in which the Government will sometimes shorten its licensing process by expediting its vetting and approval. However, there are only one or two such examples. It is not a general policy.

Therefore, President, I actually do not have any particular personal views. However, I hope the Secretary can explain in detail the Government's plan when he responds later. Thank you, President.

MR LEUNG KWOK-HUNG (in Cantonese): Social enterprises are one of the selling points of Donald TSANG. LEE Wing-tat talked about many instances of sophistry. I wonder if Members have heard of a widely-known character. When I was in primary school, everyone knew this character, Mr About-the-Same, a creation by HU Shi (胡適) to make a mockery of the Chinese nationals. The Chief Executive is Mr About-the-Same. Taking the dot stroke from "民主" (meaning democracy) will make it "民王", and this is said to be about the same, and he has always said so. The case of "社企" (the short form of social enterprises in Chinese) is the same, for it is interpreted as "社會企直" (which literally means society standing still), meaning not being able to make any movement.

Members, I also visited Spain and Britain with public money. The visit to these countries was actually unnecessary, for we can always look up such knowledge on the Internet. But I would like to meet those people there and this, I consider most important. The first person whom I met was given special permission by the government to sell raffles and she has set up a company called "ONCE". This Chairwoman with whom we had met was visually impaired. She was very confident and showed not the least sense of inferiority. Apart from reducing the unemployment rate and adjusting the distribution of wealth, social enterprises can actually restore in these people their dignity as human beings.

Members, Article 39 of the Basic Law has extended the United Nations human rights covenants to Hong Kong. Article 9 of the United Nations International Covenant on Economic, Social and Cultural Rights provides that "The States Parties to the present Covenant recognize the right of everyone to social security, including social insurance." The SAR Government has not enacted legislation to impose regulation on itself in respect of this Article, which means that it has not made any promise to the people of Hong Kong. This is even worse than the practices in ancient monarchies. When LIU Bang was fighting with XIANG Yu, he still promulgated three rules to make clear what he would do. Apart from Donald TSANG coming forth chattering and blabbering and meeting with us on a few occasions a year, what has our Government done?

I bought a fat duck today. I have to show it to Members. I used to say that it is hollow inside, but look at it now. It has become so fat that it cannot even put on the socks or move around. When I give it a hit, it makes a move. When I hit it again, it makes another move. This is the situation we face in Hong Kong. If we do not make use of this Council to press the Government, the Government would simply take no notice of us.

"Donald the Fat Duck" has sent his subordinates to this Council today. He did so because we have this motion debate here. Otherwise, it would be our wishful thinking to see them here. When I asked an oral question during the Question Time in this Council and after I had asked a supplementary question, Mrs FAN would tell me to shut up, not allowing me to ask further questions. The situation now is that when I make a move, it makes a move, and this fat duck has become so fat that it cannot even put on the socks. I actually have no intention to make a mockery of him. But as the Treasury is flooded with money, it has fattened so much that it is like a teal blown up.

Now, let us not talk about social enterprises. Earlier on I saw many elderly people taking a "wind meal" outside this building, for they were standing outside, exposed to the wind. Why did they do so? They were asking the Government to increase the "fruit grant", because the Comprehensive Social Security Assistance (CSSA) payment has been cut twice. My buddy, social enterprises should be introduced only when basic social protection is provided, like putting cream onto a cake but now, we do not even have the cake, so how can we talk about the cream? Will the Government feel ashamed? We should have the protection of minimum wage and maximum working hours; we should

have the right to collective bargaining; we should have this right and that right, and all these are written in the United Nations human rights covenants. I bought this copy over 20 years ago and it is so badly worn-out now; it is indeed badly worn-out but still, we have yet to see the realization of these rights.

After the reunification, we have Article 39 of the Basic Law. I made no mention of the International Covenant on Civil and Political Rights, and I have only referred to the International Covenant on Economic, Social and Cultural Rights. How far has the Government fulfilled its obligations? The Government always says that Hong Kong people are too political and so, it is difficult for the Government to divert its attention to deal with economic, social and cultural issues. Is the Government talking gibberish? This is gibberish indeed. My buddy, in this Council today, certainly many people will say that social enterprises must go ahead, but let me tell Members, it is impossible to put them into practice. Why? In the public housing estates, the vacancy rate is very high — I am not talking about the residential units, but shop spaces, because the Link Management "Tai Pan" is now called the "Big double-crosser", while I would probably be thrown into a pot of boiling oil. I have said long before that this is doomed to failure.

In order to operate social enterprises, the social assets and resources under the control of the Government have to be privatized. What resources and assets can be set aside to provide support? The bosses have grown so fat that they cannot even put on their socks. They are like fat ducks that make one move only when given a hit and yet, the Government is still offering tax rebates and rates rebates to them. I have already asked John TSANG to charge a higher commission from this "casino" of the Hong Kong Exchanges and Clearing Limited, and if it asks for 0.0001%, it will receive annually an additional income in millions of dollars — sorry, it should be tens of billion dollars. If this amount of tens of billion dollars is used to set up social enterprises and to provide relief to the elderly and also people who do not meet the seven-year residence requirement and therefore have to rely on their children's CSSA payment in order to take care of their children, would it not be more than enough? What else can you say? I support social enterprises, and I agree that some people should be given cream to eat, but I all the more agree that everybody should have a share of the cake. We must get this cake. We must fight for this cake together.

To get this cake, we must fight for a fair chance to share the cake, and the means to do it is a democratic political system. We do not need a fat duck that moves only when given a hard kick. We want each and every citizen of Hong Kong to be able to work with dignity. We must get this cake, and we must eat the cream as well. We will continue to win more seats next year, so that this Council can be representative of the grassroots in Hong Kong, representative of people with conscience in Hong Kong. Now I must hit this fat duck. Donald TSANG, you must remember to work hard. Thank you, President.

PRESIDENT (in Cantonese): Mr LEUNG Kwok-hung, I have told you before that this Chamber is equipped with a very good audio system and you can speak at a normal pitch. Some Members then reminded me that this is rather subjective, for how do we tell whether a voice level is high or otherwise? This is why I have put this very small device here and according to its measurement, during the last two minutes of your speech, your voice exceeded 80 dB. *(Laughter)*

MR LEUNG KWOK-HUNG (in Cantonese): President, I had spoken from the bottom of my heart. I was extremely furious with the Government. I am sorry.

PRESIDENT (in Cantonese): Alright.

MR ALBERT CHENG (in Cantonese): Mr LEUNG Kwok-hung's voice level has reached 80 dB. He spoke so loudly only to make his voice heard. If Mr LEUNG Kwok-hung could lower his voice a bit, Members might find it easier to accept his remarks. What he meant was that social enterprises are not a panacea capable of solving social problems and the problem of unemployment. LEUNG Kwok-hung actually has a point but, alas, the decibel level of his voice is too high and this is quite unpleasant to the ears of Members. Yet, what he has said is actually correct.

With regard to this motion debate today, I have listened to the speeches made by many Members earlier, and I found that many of them consider social

enterprises an effective solution to social problems and the problem of unemployment, but this is not true in reality. Many others have misconceptions about social enterprises. I wish to cite two examples to explain what is most important about social enterprises.

What do social enterprises mean? First, the noun "enterprises" definitely connotes making profit. They do not ask for subsidies; nor are they schemes to create job opportunities. When a gap appears in whichever industry or in the market where nobody is running a business, social enterprises will emerge. Through the operation of social enterprises, profit can be made and job opportunities created and at the same time, resources can be injected into society again. I had precisely used this concept, that is, "welfare agencies can set up enterprises, and enterprises can provide welfare", when I advocated the establishment of the Senior Citizen Home Safety Association back then. The Chief Executive always mentions the Senior Citizen Home Safety Association, saying that it is a success model of social enterprise.

Apart from this good model cited by me, there are also the bad models, or the antithesis. There are actually two bad examples. One is Radio Television Hong Kong (RTHK), and the other is TDC, the Trade Development Council. Both are using public coffers to compete with the public for profit.

Certainly, RTHK is a rather sensitive issue, but I have no grudge against RTHK. I am only saying that RTHK, being a broadcaster financed by hundreds of million dollars from public coffers yearly, should carry out the work of public service broadcasting. Certainly, a review of public service broadcasting is underway. Public service broadcasting means that their programmes produced should not compete with private broadcasters for audience or audience rating. On the contrary, they should serve the disadvantaged groups in the community. They should produce programmes which are shunned by commercial radios for the reason of profitability, and this is what we expect of public service broadcasting. Certainly, we are not discussing public service broadcasting now. I just wish to cite an example.

I am very worried that when we campaign for social enterprises, we are only geared to ask for government subsidies or even the award of franchise, or exclusive right or priority in operation, such as giving priority to social

enterprises in awarding contracts for cleansing or security work, or there are even calls for land grants by the Government, such as granting land to facilitate waste recovery for environmental projects. As land price is exorbitantly high in Hong Kong, the Government is urged to grant land for them to recover plastic bottles, papers, and so on, so that they can operate their environmental projects. This is competing with the public for profit.

The case of the TDC is even more outrageous. In 1989 I was the Chairman of the Hong Kong Publishers and Distributors Association, and the industry had consistently put forward the view that the TDC should not be engaged in the publishing business. Things have finally developed to the present state where the TDC has monopolized the exhibition venues, for all the prime exhibition slots have almost been monopolized by the TDC, such as the period of the toy exhibition. These two examples cited by me can actually be considered as social enterprises. They have created job opportunities and made handsome profits every year. Take the TDC as an example. The profit that it has made is ploughed back to the TDC without being pocketed by anyone. The case of RTHK is just the same. The public funds spent on RTHK are also meant to make good deeds, as it has returned the profit to the community in terms of the quality of its programmes.

Why did I cite these two examples? I wish to point out that in any discussion about social enterprises, it is most important to consider firstly, whether their operation can create job opportunities, whether they are profitable, and whether the profit hence made can be channelled back into society to serve more members of the community? Secondly, certainly they must be able to create job opportunities, but we should not think that we can take advantage of the opportunity of the Government advocating the promotion of social enterprises to ask the Government for funding and land grant for operating social enterprises or for hiring workers when these enterprises may turn out to be operating with a loss eventually. Nevertheless, there is a caveat to this, that the taxpayers have paid salaries tax and business operators have also paid their profits tax, but the Government has used the money to create a competitor to compete for profit with the existing operators. Such being the case, the SMEs will be hit the hardest. I only wish to remind Members that whether it be the motion or the various amendments today which have a lot to do with enterprises, their sponsors nonetheless do not understand what social enterprises actually mean.

Some colleagues cited some examples in Britain, saying that coffee beans are purchased from the farmers direct, involving no middleman in the process. The products are then sold to coffee shops direct to make a profit. However, the middlemen are also taxpayers engaging in purchasing, logistics, trading and promotional work, and their commercial viability would be exploited as a result. I have listened to the speech of Mr LEUNG Kwok-hung earlier, and I would certainly advise him to speak more softly. What I am saying is that if his arguments are sound, he needs not speak so loudly.

In order to solve the social problems, we should start from the root. In respect of labour, for instance, the minimum wage and the right to collective bargaining mentioned by Mr LEUNG Kwok-hung are very important. We must first tackle the problem of unemployment, rather than replacing it with social enterprises, thinking that the operation of social enterprises can solve the social problems.

Therefore, let me reiterate that I have risen to speak in order to remind Members of the principle of social enterprises and that is, "welfare agencies can set up enterprises, and enterprises can provide welfare", and this is the ideal of social enterprises.

Thank you, President.

DR LUI MING-WAH (in Cantonese): President, riding on the hopes and momentum brought by CEPA at end-2003 and the stimulation of the Individual Visit Scheme to consumer spending, the economy of Hong Kong has recovered rapidly, with an annual growth of about 6% in GDP. In 2007, the Central Government promulgated the policy of QDII to transfer the northern capital southwards, prompting state-owned conglomerates and private enterprises in the Mainland to list in the Hong Kong stock market, causing the stock market to boom like blazes and the Hang Seng Index to reach new highs with a huge influx of capital into Hong Kong. The price of luxurious apartments on Hong Kong Island has recently rocketed to an all-time high of over \$40,000 per sq ft. Yet, all these pictures of prosperity cannot cover the plights faced by the lower class in their living. For instance, while the unemployment rate has dropped to 3.9%, the grassroots and non-skilled workers still face low wages and difficulties in employment. The number of poor households is on the rise, and the

expansion of social wealth has nothing to do with them. The wealth gap problem has been deteriorating, sowing discontent among the disadvantaged. To build a harmonious society, the key lies in resolving the employment problem of the grassroots. In order to provide relief to these undesirable situations, the policy proposed by the Chief Executive in the policy address of promoting social enterprises as a means to facilitate employment is correct and wise. But as to the definition of social enterprises, what support policies the Government should provide, the impact of social enterprises on similar private enterprises, and so on, these will need to be discussed and a consensus has to be reached to pre-empt arguments in the future.

Social enterprises are a mode of business activity with specific objectives and they can exist in various forms. But in Hong Kong, they should have the ultimate objective of creating jobs to absorb as many jobless people as possible. In this connection, social enterprises in Hong Kong should mainly be service sector-based and business-oriented, and the level of personal skills required should not be too high.

In setting up social enterprises, consideration should be given to the following points:

1. The establishment of social enterprises requires support from the Government. For example, the Government can set up start-up funds, provide tax concessions, rent concessions for government property, and so on. But serious consideration should be given to whether these enterprises can sustain their viability when the Government's start-up funds are exhausted. If they cannot sustain their operation because of the loss incurred, the Government should not provide support to these enterprises, or else they would only become a negative equity to society.
2. Social enterprises are commercial, service-oriented enterprises. The Government should consider in detail how to avoid competition with similar private enterprises, in order not to create new conflicts.
3. If the Government will introduce policies to provide concessions, such as tax concessions and rent concessions, is it unfair to similar private enterprises?

4. If the Government's policy to provide concessions is effective, it will lead to a proliferation of social enterprises. The Government should make stipulations on the setting up of social enterprises and their management as well as the distribution of profits, in order to prevent abuse of government policies.
5. Social enterprises should be non-profit-making undertakings that belong to everyone who works in them. They are enterprises operating in the form of co-operatives with no principal shareholder. Their employees' wages cannot be higher than those offered by similar private enterprises.
6. There is the suggestion that major private enterprises should offer rent concessions to social enterprises and also provide them with support in other areas. This is an unreasonable requirement for private enterprises, and it is also impractical in the business community. So, given that the Hong Kong economy which is highly developed and extremely competitive, the promotion of social enterprises is indeed easier said than done.

In fact, if we give more thoughts to this issue, we will see that several kinds of social services can be provided in the form of social enterprises, as the scope of their service can be clearly defined, for example, the street cleansing work in Hong Kong and Kowloon, management of government car parks, management of government property and parks, management of on-street parking meters, the washing of thousands of government vehicles, manufacturing of disciplined forces uniforms, and manufacturing of beds, desks, chairs, and so on, of government offices and quarters. However, stipulations must be clearly made on the terms of service and the management system to ensure that their operation will benefit the employees.

Finally, I would say that the Chief Executive has realized the importance of the people's employment to society. If the Chief Executive can also appreciate the importance of the local industries, not only economic development can be taken forward, jobs can also be created. This will indeed kill two birds with one stone, so what reason is there to deter the Chief Executive from taking this forward? It is most regrettable that despite appeals made by the community and the industries over the years, the Government has remained indifferent and taken no action on various pretexts. How can it not be disappointing to us?

Now, the Government is intent on promoting social enterprises, but the promotion of the local industries is a policy at an even higher level which can produce more positive results and more significant social benefits, so I hope that the Government will consider it in depth. Thank you, President.

DR FERNANDO CHEUNG (in Cantonese): President, I thank Miss CHAN Yuen-han for proposing this motion. Obviously, social enterprises are a major means employed by the Government headed by Donald TSANG to alleviate poverty. But judging from the current scale of social enterprises, there is indeed a long way to go before the objective of poverty alleviation can be achieved. According to official figures, there are now more than 200 social enterprises taking on about 1 100 employees. No matter from which angle we look at this, as the population of the poor is over one million and if we aim to alleviate poverty by way of social enterprises which currently take on 1 000-odd people, I would say that this measure amounts to even less than a drop in a bucket.

As a member of the social welfare sector, I certainly would not consider social enterprises unwelcome. Social enterprises are a viable option worthy of promotion whether in other countries or in the current circumstances of Hong Kong. In the final analysis, social enterprises may be an ultimate goal of the entire society and even the entire corporate society. Imagine: For everything that exists, what exactly is the purpose of their existence? Social enterprises exist certainly for economic development and creation of wealth. What is the purpose of creating wealth? It is to improve society, and to improve the people's living and so, there is actually a social purpose to achieve in the end.

During the recent visit of the Legislative Council to Spain and Britain, what is it that has impressed me most deeply? It is their culture of accepting that the ultimate purpose of enterprises is not to make personal or corporate gains, but to work in the public interest of society as a whole. We can hardly feel the presence of such a culture in Hong Kong.

I asked them how their social enterprises manage to survive. We visited a furniture manufacturing workshop in Liverpool where some ex-mental patients are engaged in furniture making. Obviously, they may not be able to control their cost as effectively as other enterprises in general, but how can their products maintain any competitiveness and how do they maintain their operation as a social enterprise?

They pointed out that firstly, the government has implemented some measures, which cannot be considered as "slanting" towards social enterprises. Their government has, among other things, included some social factors in its procurement policy. For instance, when the government wishes to procure some commodities, in order to be qualified for accepting orders from the government, an enterprise must operate for certain social purposes, such as providing job training to workers and taking on employees from the disadvantaged groups, and in the entire process of production, it must also ensure promotion prospects for their trained employees. These are not the considerations of enterprises in general.

The entrepreneurs in Hong Kong have been "fattened" to such an extent that they cannot even put on their socks and yet, they have been paring down the cost of service by first outsourcing their service and then cutting the number of their staff. This is happening everywhere in Hong Kong, and a new round of staff retrenchment will invariably take place at year end, in order to evade the "double pay" for their employees.

Many enterprises have acted unscrupulously in order to secure business. But if they wish to do business with the government, or if they wish that the government will procure their service or outsource its service to them, the operation of the entire enterprise must include social purposes. This is not "slanting", but a standardized practice. That is, all enterprises, disregarding their scale of operation, must include social factors when tendering for contracts of government services. It is very important that the government takes the lead to include social factors or elements in the entrepreneurial spirit.

Secondly, they said that even the consumers have a part to play too, and this is indeed an eye opener to me. They pointed out that when making purchases, such as buying furniture, coffee, and so on, consumers do not only consider the price and they do not buy something just because it is cheap. Instead, they will consider whether the company has fulfilled its social responsibility. If a company is a social enterprise with the objective of assisting the disadvantaged, consumers are willing to pay a little more for their products. This is their culture.

Certainly, I believe that nowadays in Hong Kong where the dominance of capitalism still prevails, we have not yet reached a state where everyone can shift

their focus on money to showing care and support to other people. Yet, it is still not impossible to achieve this. But I wish to point out that their government has the determination to do it, and there is room for this culture to be cultivated in the minds of the people there. In their case, the government's determination can be further extended to reach the central policy level.

During our visit to Britain, we learned that a member of the Cabinet is specially tasked to monitor the third sector. There is this Office under the Cabinet to specifically promote the development of social enterprises. Legislation is enacted there, and there is also the CIC, namely, the Community Interest Companies, as mentioned by Mr Alan LEONG earlier on. They will also give consideration to the tax regime later and examine how arrangements can be made under the tax regime to enable these social enterprises to attain robust development.

In respect of the points made in Miss CHAN Yuen-han's motion, I think some of them are worthy of consideration and implementation by the Government.

Finally, I wish to point out that social enterprises should operate in a good environment. If the social welfare sector continue to rely on the third-sector organizations or the NGOs, only those large organizations will be benefited due to vicious competition, while the small organizations will not be able to operate stably. From the current development I can see that even some large organizations may have to co-operate with the consortiums in order to maintain their competitiveness. Added to this is the Government's express statement that there is a difference in affinity with the Government, because when setting up a fund or seed fund, the authorities have always made different arrangements according to the affinity with the Government. If things will go on this way, I believe the development of social enterprises will not be very healthy, and it will be even more difficult to achieve the objective of poverty alleviation. Frankly speaking, poverty alleviation cannot rely solely on social enterprises, for their scale of operation is too small. We should expeditiously carry out the many initiatives in social security or other welfare policies, rather than using social enterprises as a "shield".

With these remarks, President, I support the motion.

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

(No other Member indicated a wish to speak)

PRESIDENT (in Cantonese): Miss CHAN Yuen-han, you may now speak on the amendments. You have up to five minutes to speak.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I thank all the 20-odd colleagues who have participated in this debate on my motion to which a number of colleagues have also proposed amendments. Having listened to the speeches made by colleagues, I found that this debate on promoting social enterprises is very important. Mrs Sophie LEUNG said earlier that she had raised this issue before, but her focus then was very different.

Why do I say that it is important? In fact, from colleagues' amendments and speeches, we know that we may have touched the same thing, just that we touch it from different positions. For me, the part that I have touched or what I am concerned about is how to provide more opportunities to people with difficulties in employment in Hong Kong and how to provide more opportunities to the disadvantaged. The Government has been providing support to them through various policies. It is spending money or public money for this purpose but after the money is spent, nothing has been heard of it. In the Legislative Council I have long called for training, training or retraining and I have called for the establishment of a retraining council, and the Labour Department and the Social Welfare Department (SWD) have spent more than \$3 billion per annum on these services targeting the youth.

The Government is already spending money on it. We are not suggesting that the Government should spend money for no reason, and I think the money spent must yield results. An example is the Support for Self-reliance Scheme of the SWD. What results have been achieved in the end? We have seen no result at all and yet, money is spent on it all the same. This is the point that I wish to stress. The objectives proposed by Mr Frederick FUNG are consistent with the angle from which I look at this issue. We can include in these objectives the promotion of environmental protection, cultural education, and facilitating employment.

Madam President, Mr Frederick FUNG has shared with us his experience, and I wish to share mine with colleagues. In view of the lack of medical and education facilities in Hong Kong after the War, the Federation of Trade Unions had, in collaboration with various labour organizations, raised funds, so as to identify and purchase premises for use as medical clinics and for the purpose of promoting education among workers. Owing to subsequent changes in society and seeing that the Government had done nothing to promote vocational training, we opened in the 1980s our study centres which were also financed by the funds we raised. These organizations — Let us not talk about the educational institutions and focus only on our medical clinics and study centres. They have become enterprises which are operated with sensitive business acumen and the assistance from many professionals. The profit made by the enterprises has also been channelled for reinvestment.

In fact, many organizations in society have been carrying out work similar to that mentioned by me or Mr Frederick FUNG. We are not the only organizations doing this kind of work. If the Government is genuinely committed to promoting social enterprises, the areas to be covered can be very extensive. The point is that it cannot spend money rashly as it is doing now. In respect of training or retraining for youth alone, and even if we exclude the training for adults, the annual spending by the Government is already billions of dollars, and I stress, billions of dollars. When the Government talks about promoting social enterprises today, I hope it can set out the criteria and direction for development in this respect. I must particularly stress one point and that is, we must provide the conditions to sustain their development, and their sustainable development will require the support of many policies.

Speaking of policies, some colleagues opined that this would benefit certain people. If we look at the community as a whole, even if the Government does not draw up policies to help the disadvantaged and the unemployed, it still has to pay for the costs, and our proposal only aims to enable them to move on at an equal pace. I think the small and medium enterprises (SMEs) also have to compete with the wealthy businessmen in their operation, and I think such competition is fair because the Government has provided many funds to support the SMEs. What we are suggesting is the same.

Madam President, I must stress that this is work we should do, and society has actually allocated plenty of resources for this purpose. The question lies in how they can sustain their development as social enterprises, and this is also one of my purposes in proposing this motion.

Colleagues have touched the same thing from different positions, but I think we can still explore and discuss this further. The most important thing is whether or not the Government has the confidence and determination to solve unemployment and the problems faced by the disadvantaged. If it has the confidence, this may well be a good method but it would be necessary to implement many other measures, including enacting legislation, launching funds, granting land, and so on.

Madam President, with regard to the amendments proposed by colleagues from different angles, I think we can further explore and discuss these proposals together.

Thank you, Madam President.

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, I would like to thank Honourable Members for expressing their valuable opinions on the motion and amendments. I would now like to make a few points in response to the questions raised by Members.

Regarding the remarks made by several Members that social enterprises require a start-up fund or seed fund, I have already pointed out in the first part of my speech that support can be offered to social enterprises by some of the funds currently provided by the Government.

In addition, the vast majority of social enterprises in Hong Kong are small and medium enterprises (SMEs). According to the definition adopted in Hong Kong, manufacturing enterprises with fewer than 100 employees or non-manufacturing enterprises with fewer than 50 employees are regarded as SMEs in Hong Kong. These SMEs may apply to the \$2.2 billion SME Funding Schemes set up by the Government for funding. For instance, under the SME Loan Guarantee Scheme, the Government provides SMEs with credit guarantee to help them to secure loans from participating lending institutions for acquiring business installations and equipment and meeting working capital needs.

If these capitals are used to support SMEs, the issue of concern raised by Mr Tommy CHEUNG, namely unfair competition, will definitely not occur, as all SMEs are eligible to apply.

Both Mr TAM Yiu-chung and Prof Patrick LAU put great emphasis on the importance of talents and expertise of operation and management to social enterprises. The Enhancing Self-Reliance Through District Partnership Programme established by the Home Affairs Department has launched a Mentorship Programme to match the organizations and groups funded by the former Programme with voluntary mentors from the business community and professional sectors for business consultancy services, thereby enhancing the competitive edge of the funded projects. Mentors are experienced entrepreneurs, senior executives and professionals. In addition, to facilitate understanding of the progress of the approved projects and review and examine their progress, members of the advisory board and the secretariat of the Enhancing Self-Reliance Through District Partnership Programme will pay regular visits to the relevant enterprises to give advice in a wide range of areas, such as the business operation, management and publicity of enterprises. The secretariat of the Programme will also hold regular sharing meetings to facilitate understanding of the difficulties and challenges encountered by various organizations in starting and running social enterprises, and encourage various organizations and enterprises to seek opportunities of collaboration to achieve synergy.

As SMEs, social enterprises can also enjoy the free advisory services provided by the Support and Consultation Centre for SMEs run by the Trade and Industry Department for SMEs (including business starters) and participate in the Mentorship Programme.

Earlier Mr KWONG Chi-kin asked whether concessionary rent can be offered to social enterprises to enable them to rent shops, properties or venues at lower prices. We are aware of the support offered by some property developers to social enterprises in this regard. Furthermore, similar arrangements have also been made by public organizations. For instance, social enterprises are supported by the MTR Corporation Limited in various ways, including the leasing of sites in individual stations (such as Tung Chung and Nam Cheong Stations) at concessionary rent. We will continue to work in this respect to promote collaboration between business enterprises and social enterprises. We will also further study other measures mentioned in the motion for supporting social enterprises.

Madam President, our new Member today is a former top official. Not only did she criticize the SAR Government, she also agreed that without

democracy, there would be no people's livelihood. Both the Chief Executive and the SAR Government have made it clear that they will endeavour to take forward democracy, develop the economy, and promote the people's livelihood. And yet she made the remark that without democracy, there would be no people's livelihood. I remember she was once in charge of economic and welfare affairs under British colonial rule. Unless she considers colonial rule democratic, I have no idea whether what she did then was about people's livelihood or officials' livelihood — perhaps she should have been named guan-sheng (officials' livelihood) rather than an-sheng (Anson). She said that she noted the difficulties faced by members of the public during her election campaign. So apart from being suddenly democratic, she also suddenly cares for people's livelihood. Madam President, I so submit.

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

MR FREDERICK FUNG (in Cantonese): President, I move that Miss CHAN Yuen-han's motion be amended.

Mr Frederick FUNG moved the following amendment: (Translation)

"To add "as the mission of social enterprises is to pursue both social and economic objectives, and social objectives may include various aspects such as environmental protection, cultural education and facilitating employment, etc; and" after "That, "; to add "gradually" after "the unemployment rate has"; to delete "to a new low" after "come down"; to delete ", the Administration should implement various policies on facilitating the employment of labour in order to improve the employment situation" after "hardship of elementary workers"; to delete "; one of such policies is to 'promote the development of social enterprises and boost employment' as proposed by the Chief Executive in his Policy Address; " after "the rich and the poor" and substitute with ", "; to delete "effectively promote social enterprises" after "the following policies to" and substitute with "promote the development of social enterprises as one of the policies to facilitate and improve employment"; to add "establishing a high-level cross-bureau task force to formulate overall strategies for developing social enterprises; (b) " after " (a) "; to delete

;" after "the definition of such enterprises" and substitute with ", and at the same time encouraging social enterprises to employ a certain proportion of unemployed persons and people with disabilities in the light of their modes of operation; (c) enhancing the awareness of the business sector about social enterprises and encouraging the sector to make use of their professional knowledge to participate in the development of social enterprises, and at the same time enhancing public awareness about social enterprises in order to remove their misunderstanding that social enterprises will lead to unfair competition; (d) introducing more social enterprises in areas where the poverty problem is more serious, such as Sham Shui Po and Tin Shui Wai, etc, so as to increase employment opportunities in these districts; "; to delete the original " (b) " and substitute with " (e) "; to delete the original " (c) " and substitute with " (f) "; to delete the original " (d) " and substitute with " (g) "; to add ", as well as offering further tax concession to social enterprises which employ a certain proportion of unemployed persons and people with disabilities" after "newly established social enterprises"; to delete the original " (e) " and substitute with " (h) "; to delete the original " (f) " and substitute with " (i) "; and to delete the original " (g) " and substitute with " (j) lowering the tender threshold for social enterprises and". "

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Frederick FUNG to Miss CHAN Yuen-han'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 Albert HO will withdraw his amendment if Mr Frederick FUNG's amendment is passed. As this is the case now, Mr Albert HO will not move his amendment.

As Mr Frederick FUNG's amendment has been passed, I have given leave for Mrs Sophie LEUNG to revise the terms of her amendment, as set out in the paper which has been circularized to Members. As the terms of Mrs Sophie LEUNG's revised amendment do not include the part of her original amendment which Mr WONG Kwok-hing's amendment seeks to amend, Mr WONG Kwok-hing, therefore, may not move his amendment to Mrs Sophie LEUNG's revised amendment.

PRESIDENT (in Cantonese): Mrs Sophie LEUNG, when you move your revised amendment, you have up to three minutes to explain the revised terms in your amendment, but you may not repeat what you have already covered in your earlier speech. You may now move your revised amendment.

MRS SOPHIE LEUNG (in Cantonese): President, I think I can finish my speech in less than three minutes. I think Members who understand will understand, and those who do not will not understand anyway. It is best that everyone can practically take part in the work of social enterprises. In this regard, President, I think I am quite experienced, and I hope that through their practical participation in social enterprises, Hong Kong people can truly understand the plights of the people and also understand that when they say helping others is the source of happiness, they should not be just paying lip-service to it.

President, I move that Miss CHAN Yuen-han's motion as amended by Mr Frederick FUNG, be further amended by my revised amendment.

Mrs Sophie LEUNG moved the following further amendment to the motion as amended by Mr Frederick FUNG: (Translation)

"To add "; and (k) promoting cross-sector collaboration and developing a platform for participation in different aspects, as well as facilitating the

establishment of partnership, so that various sectors can expand the scope for collaboration among social enterprises in a complementary and mutually beneficial environment; (l) establishing the value and raising public awareness of social enterprises through publicity and education programmes in schools and the community; (m) eliminating administrative and policy barriers which may hinder the development of social enterprises, so as to create an environment conducive to the growth of such enterprises; and (n) breaking away from the confines of the pure social work sector by encouraging and embracing the participation of willing and capable talents from the business sector, so that social enterprises can possess such management elements as professionalism and market sensitivity" immediately before the full stop. "

PRESIDENT (in Cantonese): I now propose the question to you and that is That Mrs Sophie LEUNG's amendment to Miss CHAN Yuen-han's motion as amended by Mr Frederick FUNG, 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): Miss CHAN Yuen-han, you may now reply and you have three minutes 11 seconds.

MISS CHAN YUEN-HAN (in Cantonese): President, once again, I thank colleagues for participating in this debate. As I mentioned earlier, colleagues have different interpretations of social enterprises but in spite of this, there is still a mainstream view among us. That is, we all think that there are some means, such as promoting social enterprises, to help these poor people, including the disadvantaged, the unemployed or people who have difficulties in securing employment. I think Members all agree to this point.

Another point agreed by Members is that the Government must have in place a set of policies for these people. Although the Liberal Party holds a different view, colleagues generally consider it necessary for the Government to identify ways to provide assistance to them.

The Secretary said earlier that the making of rules and regulations would compromise the flexibility of policy implementation. This is not true. As "Long Hair" said earlier, we can see this very clearly from the webpage in Britain. Their rules and regulations are more lenient, and the social enterprises there can be very diversified. The social enterprises need only have to explicitly state their objectives and show clearly that they are working for the benefit of the disadvantaged and people with difficulties in securing employment, and that the profit made will not be pocketed by the enterprises but will be used for continued investment. Members have cited many examples in Britain, and as the Secretary also said earlier, some companies or property developers are also willing to provide spaces for hawking activities by the disadvantaged, and as long as the enterprises do not pocket the profit but contribute it to the poor, I think the option of involving the businessmen can be further discussed.

Bernard CHAN asked earlier to what extent government intervention is suitable. He considered government intervention unnecessary. I guess what he means is that the Government knows nothing about business operation. But we are not asking the Government to operate a business. Rather, we are asking it to make rules and regulations, such as defining social enterprises, how profits should be distributed, the arrangements for financing, and whether or not some tax concessions should be provided to support the disadvantaged in the operation of social enterprises. All these will require policy formulation by the Government, and this is not government intervention in business operation. I guess that is what Bernard CHAN means.

I think if it is a mainstream view to promote social enterprises, the Government cannot evade it. If the Government will only make ambiguous comments in a perfunctory manner and eventually spend hundreds of million dollars and then tell us that its job is completed and that assistance has already been provided, that would be unacceptable. This is precisely the point I made in response to the amendments earlier. I said I do not wish to spend too much of the taxpayers' money, only to find out in the end that we cannot help these people land a job with dignity and a job for which they will be reasonably paid. This is what I mean, and I hope that the disadvantaged groups can have competitiveness in the labour market. This is our wish.

A summit conference will be held in December this year. I hope that the Chief Executive can hear what we have said in this debate today, and I hope that the SAR Government can really have the determination to address this issue squarely, rather than just making some window-dressing gestures.

I so submit. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Miss CHAN Yuen-han, as amended by Mr Frederick FUNG and Mrs Sophie LEUNG, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Second motion: Comprehensively reviewing subsidized home ownership schemes.

I now call upon Mr CHAN Kam-lam to speak and move his motion.

COMPREHENSIVELY REVIEWING SUBSIDIZED HOME OWNERSHIP SCHEMES

MR CHAN KAM LAM (in Cantonese): President, I move that my motion be passed.

Clothing, food, housing and transport are the basic necessities of living to Hong Kong people, and home ownership has all along been the wish of Hong Kong people and even a goal that they have made lifelong efforts to achieve. However, the current property prices in Hong Kong have made this goal beyond their reach, as it is difficult for them to realize their wish in Hong Kong where a foot of land is worth an inch of gold. To enable members of the public to realize this dream and foster their sense of belonging to Hong Kong, the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) calls on the Government to expeditiously review the existing housing policy and expeditiously resume the construction of flats under the Home Ownership Scheme (HOS) and also reintroduce other subsidized home ownership schemes.

Some people said that the policy of producing 85 000 flats, which included HOS flats, was the chief culprit for the plunge of the property market in 1998. But in all fairness, HOS flats and the private property market are two different markets. The property market crash back then was mainly due to the bursting of the economic bubbles in Hong Kong and in the entire Asian market caused by the Asian financial turmoil, which prompted banks to tighten their lending policy, resulting in a large number of mortgagees being forced to increase cash equity injection for their property. On the other hand, as the economic downturn, unemployment and wage cut were serious, the public's affordability in buying property or repaying mortgage loans was affected and this caused the property market to plunge drastically. Given that there were problems with the overall economic conditions, members of the public still did not dare to buy their flats hastily despite that property prices had dropped by an astonishing margin then. Although HOS flats are subsidized, their sale was also sluggish, and some HOS flat owners in financial difficulties were even forced to return their

flats to the Housing Department (HD). Over the past few years, more than 3 000 flats have been returned to the HD.

In 2002, the Government decided to cease the production and sale of HOS flats in the light of the overall economic conditions in Hong Kong. In order not to deal a further blow to the economy which was already very weak at the time, the DAB did not oppose the decision. However, we stated at the time that the resumption of the construction of HOS flats should be reconsidered at an appropriate time.

President, I remember that in 2002, when announcing the decision to cease the production of HOS flats the Secretary for Housing, Planning and Lands said that HOS flats had accomplished their historical mission. Today, I would like to explore the question of whether or not HOS flats have completed their historical mission. Certainly, there has been much controversy over this question in the community. It is true that in 2002 when the economic recession was serious, the continued existence of HOS flats was indeed unnecessary, for members of the general public could easily acquire the homes they needed in the market at rather low prices. That said, we have seen that over a period of almost three decades since the introduction of HOS flats, close to 300 000 families have become property owners through this scheme, and they, having fulfilled their wish to own their homes, can work hard for their career. If the SAR Government insists that building a harmonious and stable society remains one of its important basic strategies, we consider that the Government should meet the housing needs of people in the lower middle class by providing them with a ladder to home ownership, so that they can own a comfortable home and then work hard for their career wholeheartedly. It goes without saying that HOS flats do serve a valuable function.

Why do I propose this motion in the Legislative Council today? The reason is simple. It is because the HOS policy has been frozen for five years and various signs are showing that it is now the right time to conduct a review of the past policies on subsidized housing.

Since 2003 property prices in the private sector have risen by as much as 64%. Before 1997 the local property market was crazy, and the unreasonable property prices had further widened the gap between the rich and the poor in Hong Kong. The rising trend of property prices has already given us a warning, as the dream of the general public to buy their own flats has drifted

farther and farther away from them. It is never our wish to see the Government hastily starting the construction of HOS flats only when there is widespread social discontent. So, today, we hope that the Government can be forward-looking, not to identify solutions only when problems have emerged. We hope that the Government can heed the views of Members of the Legislative Council.

The Secretary for Transport and Housing stated the other day the three major considerations for resuming the construction of HOS flats. They include whether there is a serious imbalance in the supply of flats in the market, whether there is an insufficient supply of middle- and lower-priced residential flats and whether a consensus has been reached in the community. The DAB already put forward our views on this issue in the debate on the policy address in the Legislative Council. If we have to wait until all the three conditions mentioned by the Secretary are fully met, I think the problem will never be solved.

According to the information of the Land Registry, in the second half of the year up to end-November, the registration of residential units in the primary and secondary markets totalled over 55 000 cases. Projecting on this basis, we expect the number to exceed 70 000 for the whole year. We think that there should not be any problem for the number to reach this level, which is even comparable to the level in 1997. Judging from the crazy development of the property market both in 1997 and at present, we consider that there is already the sign of slight deviation from healthy development. I hope that the Secretary can be more sensitive to these figures, in order to prevent the public from suffering losses again at the peak of the property market.

With regard to the supply in the private sector, while the supply of private residential flats certainly has not plummeted, we still see that the supply of small flats has dropped continuously. From the information in the Hong Kong Property Review 2007, some 16 000 residential units were completed in the private sector in 2006 and of the new units completed last year, over 70% are units measuring over 400 sq ft, while those with an area of less than 400 sq ft accounted for only a very small proportion. In other words, the supply of flats for first-time buyers is limited. Under the effect of negative interest rate, some investors have in recent months changed their strategy by buying property instead to yield a return from the rent, in order to preserve the value of their investment. We often say that Tuen Mun is the district where it is most easily for first-time buyers to buy their own flats. There used to be a lot of flats

supplied in the secondary market and at relatively low prices. But recently, we have learnt from many estate agents that there may even be a shortage of small flats in the secondary market in Tuen Mun.

We can imagine that when the supply of small flats in both the primary and secondary markets has become so tight, while the newly completed flats in the private sector tend to be bigger and bigger in size, members of the ordinary public who do not have the means to acquire their homes will undoubtedly face a very difficult situation. We, therefore, consider it necessary to resume the construction of HOS flats in order to fill this gap. This is no doubt a commendable policy which is needed urgently.

The changes in property prices in recent years have also given cause for concern. According to the information of the Rating and Valuation Department, the price index of units measuring less than 400 sq ft increased by as much as 64% in just four years' time between 2003 and November this year. As I said just now, Tuen Mun has all along been considered as a base for first-time buyers as many flats costing less than \$1 million are available there, but even property prices in Tuen Mun have continuously soared recently, and this year alone has registered an increase of 18% to 21%. We think that the situation this year alone is already a bit worrying. For this reason, the Government should identify solutions the problem of home ownership for the public.

Moreover, we would like to make some suggestions on the resumption of construction of HOS flats. Many people are concerned that resuming the production of HOS flats will affect the private market, and if the property prices in the private sector would drop substantially, the property market crash that happened after the 1997 financial turmoil would recur and this would create knock-on effects such as employment problems for construction workers or even problems relating to property mortgages. Indeed, we have taken these into consideration. We understand that the local property market plays a very important role in the economy of Hong Kong. We, therefore, propose that about 3 000 to 5 000 new HOS flats can be produced yearly in the future, of which 80% or 70% should be sold to Green Form applicants, while the remaining 20% or 30% to White Form applicants. In other words, only 600 to 1 000 HOS flats will be sold to applicants who are not public rental housing (PRH) tenants, while the units vacated by PRH tenants can be allocated to other people in need. Last year alone, close to 10 000 surplus HOS flats were sold,

with 5 000 of them sold to PRH tenants. This will provide more vacated PRH units for other people to move in.

The following figures may give us some insights. In early November the DAB conducted a questionnaire survey to gauge the public's views on subsidized home ownership schemes. It was found in the survey that 73% of the PRH tenants supported the resumption of the production of HOS flats by the Government; close to 50% of the PRH tenants even said that they would be willing to buy HOS flats if their production is resumed. From the enthusiastic response in the last two rounds of subscription for HOS flats, we can see that HOS flats have remained very popular. Meanwhile, about 63% of the interviewees with a household income of less than \$20,000 supported the resumption of the production of HOS flats by the Government. In other words, the lower-middle class has a very keen demand for HOS flats. It also shows that once the scheme is truly launched, only the lower-middle class will buy HOS flats and so, the private market will not be affected.

President, when the Government proposed the cessation of the production of HOS flats back then, we pointed out clearly that this policy should be reviewed afresh in due course. While we understand that views have remained diverse in the community due to concern about the impact on the property market, we consider that it should be acceptable if the HOS flats to be produced is kept at a more prudent and appropriate number. Certainly, there are still some surplus HOS flats to be put up for sale in the next two years. We hope that the Government can, in these two years, conduct a comprehensive review and consult the views of the community. I hope that the Government can reintroduce this policy when a consensus has been reached to a certain extent.

Thank you, President.

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

"That this Council urges the Government to expeditiously review afresh the various subsidized home ownership schemes, including the Home Ownership Scheme, Tenants Purchase Scheme and Home Assistance Loan Scheme, with a view to more effectively utilizing housing resources and alleviating the burden of housing on the public."

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

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

I will call upon Mr LEE Wing-tat to speak first, to be followed by Mr WONG Kwok-hing; but no amendments are to be moved at this stage.

MR LEE WING-TAT (in Cantonese): The recent years have seen the recovery of the Hong Kong economy. As at September this year, the inflation rate has increased to 3.4%. The property market has become prosperous again and since 2003, the private market has been on an upward track, in terms of both the number of transactions and the total amount of transactions.

From the statistics on the property market provided by the Rating and Valuation Department, the private property market in Hong Kong has significantly recovered since the latter half of 2003, as the price indices of various types of flats have persistently soared. In the several months after May 2007, the indices increased to over 100 and reached 103 the highest, while the price index of small/medium units with a saleable area of 40 to 69.9 sq m also increased to 100.4, surpassing the level in 1999.

According to the information of the Land Registry, since 2003 the overall property market has been thriving. The total number of agreements for sale and purchase of private residential units as well as the total amount of transactions have generally risen year after year to an extent far exceeding the levels in 2002. In 2003 there were over 70 000 transactions. This year, the number already reached some 107 000 in the first 11 months, an all-time high in recent years. The total amount of transactions has increased to nearly \$373 billion in the first 11 months this year, which is also a new high in recent years, equivalent to 1.4 times more than the \$154 billion in 2002 or an increase of about 20% over 2005.

According to the information of the Midland Realty, property prices in the private sector have increased by 10% over last year. Given the many

favourable conditions to the property market, property prices have continued to rise and estate agents have estimated a 20% increase in property prices in the first quarter next year. An increase of 10% to 20% per annum has put a lot of pressure on the grassroots when they wish to buy their own flats in the future.

As private property prices continue to rise, the demand of the grassroots for HOS flats will increase. Take Phase 1 of the sales programme of surplus HOS flats in 2007 as an example. Over 14 000 applications were received, showing an oversubscription rate of 3.5 times while that in Phase 2 was 3.4 times. The oversubscription rate has returned to the level in 2001 when the rate was only three times.

Madam President, the Housing Authority (HA) cannot complete in a short period of time the entire process from land planning to putting up HOS flats for sale in the market, for the process will take four to five, or even seven to eight years. In this connection, the Democratic Party urges the Government to take action now to review the subsidized home ownership schemes implemented by the HA in the past. The direction of the review should be to proactively consider resuming the construction of HOS flats, reintroducing the sales programme of public rental housing (PRH) flats, and so on, with a view to helping the grassroots to acquire their homes.

The HOS can meet the wish of people with a low income of buying their own flats and also increase the turnover of PRH units, in that PRH tenants whose financial conditions have improved, including households paying 1.5 times or double the rent, can return their units through purchasing HOS flats and this will, in turn, reduce the need to build more PRH units.

Under its past housing plans, the HA had tended to provide HOS flats in the vicinity of PRH estates. This, coupled with private residential property developments, has resulted in a mixed approach of housing development in the community whereby different population groups are included in the demographic structure of the community. As different population groups have different needs for community facilities and economic services, this can take forward social and economic activities in the community, including the provision of a diversified labour market and employment opportunities, thus injecting pluralism and vibrancy into the community.

HOS flats aside, we consider that the HA should also consider resuming the sale of PRH units and offer more PRH units in different districts for sale, so that more PRH tenants can buy their units at a few hundreds of thousand dollars only, thus enabling them to have a more stable living as they do not have to worry about their affordability for the rent which has increased year after year or being forced to move out of their units when they are no longer eligible for PRH tenancy. In fact, after these tenants have purchased their PRH units, the biggest advantage to them is that they do not have to be tested for their financial eligibility and eligibility for tenancy once every few years and they can have flexibility in deploying PRH tenancy of their family members. This is a view most often expressed to us in the districts. These households actually do not just wish to save money from the rent, because when they have become owners of their PRH units, they can ask their children to live with them when they grow old — which the Government has encouraged the people to do — without having to go through a cumbersome process or running the risk of their application for adding their children to the tenancy of their units being rejected by the HD. For this reason, I hope that the Secretary will consider this not just from the angle of selling these PRH units. She should also consider it from the angle that this will help promote family harmony and the policy of encouraging grown-up children to live with their parents.

In fact, Madam President, when private property prices are continuously rising, it will become difficult for PRH tenants to buy their own flats in the private sector, and as the door to buying HOS flats has been closed, the "well-off" tenants would only be forced to give up the tenancy of some family members in order to continuously live in their PRH units. This will give rise to the problem mentioned by me earlier and that is, in some older PRH estates we have seen a gradually increasing percentage of elderly tenants. In some PRH estates with which I am familiar, such as Cheung Shan Estate, Kwai Shing West Estate and Cheung Ching Estate in Kwai Ching and Tsuen Wan, the percentage of tenants aged above 60 is already as high as 25% to 30%. The reason is that they had to exclude their younger children from the tenancy of their units in times of an economic boom, in order not to pay 1.5 times or double the rent.

Madam President, the sale of HOS flats and PRH units will generate a stable revenue for the HA, which will enable the HA to provide more PRH units to meet future needs.

The provision of an appropriate number of HOS flats or PRH units for sale will not cause a serious impact on the overall private market. It is because HOS flats and the PRH units available for sale target mostly at families with comparatively lower income and limited affordability. These flats, the cost of which ranges from hundreds of thousand dollars to \$1 million-odd, are different from residential flats developed by property developers in the private market which cost \$2 million to \$3 million. The overlapping of the two markets has been smaller and smaller.

The HA can also flexibly adjust the price of HOS flats and PRH units designated for sale and offer different price discounts in the light of the market conditions when these flats are put up for sale, so as to minimize the impact on the private market. Madam President, Members may remember that after the financial turmoil in 1997, Secretary Michael SUEN proposed the "SUEN's nine strokes". The Democratic Party considered at the time that the Government had made too many concessions for property developers by making such an irreversible policy decision on HOS flats and the sale of PRH units. Had the Government only suggested at the time that the construction of HOS flats and sale of PRH units would be suspended temporarily and that a review would be conducted at an appropriate time, it would not have put itself in this extremely embarrassing situation, that is, while the authorities have announced a complete halt, the community is nevertheless calling on the Government to conduct a review.

Madam President, the Secretary has stated three conditions as the prerequisite for giving consideration to resuming the construction of HOS flats and sale of PRH units. This year, property prices have increased at a rate in excess of several times of the wages of the general wage earners, while the supply of new flats over the last few years has also dropped gradually year after year. In other words, the first two conditions are going to be met, but the Secretary said that it would be necessary to obtain the consent of property developers for resumption of the construction of HOS flats and sale of PRH units. This is simply impossible. The Secretary is deliberately making things difficult for the public, for a consensus will never be reached. I, therefore, hope that the Secretary can start reviewing this policy and make preparations for the HOS and for the sale of PRH units in advance. Thank you, Madam President.

MR WONG KWOK-HING (in Cantonese): Madam President, the thrust of my amendment to Mr CHAN Kam-lam's motion is to "relaunch the various subsidized home ownership schemes", replacing the wording of "review afresh" in the original motion or "proactively consider resuming" as in Mr LEE Wing-tat's amendment. It is because whether it be "expeditiously review afresh" or "and proactively consider resuming", both remain at a stage of "talking or discussing". "Review" is about talking or discussing something; so is "considering". How can we just discuss it or talk about it all the time without stating a clear timetable? As to "proactively consider resuming", it is still not a substantive action to relaunch the schemes and it is only asking the Government to adopt a proactive attitude. But even though a proactive attitude is adopted, it remains nothing more than "consideration", which still remains at a stage of "talking or discussing", let alone setting out a clear timetable. If we must consider this and that, or make an examination here and there, when will it be the end of all such consideration?

Madam President, what is the difference between my amendment and the original motion as well as LEE Wing-tat's amendment? The difference is that I have highlighted the pressing need for the Government to assist the grassroots to buy their own flats and explicitly call on the Government to "expeditiously relaunch" the various schemes. Why should it "expeditiously relaunch" these schemes? Because the Government had, in view of the financial turmoil and the outbreak of SARS in Hong Kong, introduced measures to save the property market by suspending the construction of HOS flats in a broad-brush manner, terminating the Tenant Purchase Scheme (TPS) for public rental housing (PRH) tenants and ceasing the Home Purchase Loan Scheme and Home Starter Loan Scheme which provided housing subsidies to the grassroots, involving a total of four schemes. Through the improvement of their living conditions and buying their own flats, the grassroots can move up the social ladder in an easier way which requires a smaller amount of investment, but this avenue has been severed as a result of these emergency measures taken by the Government to rescue the market. This step taken by the Government which has done more damage than good should be rectified at this point in time when the property market is on an upward trend.

Madam President, what is the latest situation of the property market? For example, with regard to the 6 000 surplus HOS flats sold this year, the

oversubscription rate was 3.5 times, while the remaining 16 000 surplus HOS flats are also expected to be sold in 2009. However, the grassroots still very much hope to acquire their homes at less expensive costs with the land premium waived.

Madam President, since April this year the number of property transactions in the market has reached an average of 10 000 monthly. In October this year, 15 719 transactions were recorded, an increase of almost 40% over the same period last year. In November this year (last month), there were 18 000 transactions, the highest in a single month since 1997. The number of residential property transactions this year is expected to break 140 000. This shows that the property market is continuously picking up on an upward track.

Madam President, we must not lose sight of the fact that we are entering a phase of inflation in Hong Kong, and property prices have also started to soar. Earlier on some colleagues already drew attention to the drastic increase in the prices of small flats. In this connection, a responsible government has no reason to let these shell-less snails, or the grassroots, face yet again the torment and exploitation of high rent and high property prices.

Over the last few decades, the various subsidized home ownership schemes of the Government have indeed performed a function as described by DU Fu in these few lines of a poem: "If only there are tens of thousands of mansions, to shelter all the poor scholars, who shall then beam in smiles". The targets of these schemes are the "poor scholars" as in the poem. Madam President, there are stringent requirements to meet in order to qualify as "poor scholars", as they have to pass the asset test and means test, and must be tested to be eligible before they can enjoy the benefits of these four schemes of the Government. Therefore, the schemes have their specific targets, and they also have successful experience and results during the past few decades and so, they will not constitute vicious competition to the private market. Therefore, if the Government is biased in favour of the interests of property developers by abolishing these four schemes in a broad-brush manner and refusing to relaunch them, it would be unfair to the public.

Under the TPS, for instance, PRH tenants can buy the units in which they are living, and there is a practical need in this respect. As some colleagues have

mentioned this point earlier, I am not going to repeat it. The HOS, on the other hand, enables the grassroots to buy their own flats without having to pay a high cost. These are good policies of the Government, so why are they not implemented? Moreover, the Home Purchase Loan Scheme and Home Starter Loan Scheme were also introduced by the Government to provide assistance to the lower class, with the objective of easing the burden of down payment on the public when property prices are high, in order to enable them to acquire their own homes.

If the Government does not relaunch the Home Purchase Loan Scheme or the Home Starter Loan Scheme, I hope that in order to be fair, the Government can accord fair and equal treatment to all by allowing financial institutions to offer to the public mortgage loans equivalent to 100% of the property value, similar to the loan amount secured by the former Chief Secretary for Administration, Mrs Anson CHAN, who is now a Member of the Legislative Council. If the Government refused to do so, I would consider the Government unfair. So, I hope the Secretary can explain this point to us. If she refused to relaunch those two schemes, she should allow the public to take out mortgage loans being 100% of the property value, like that secured by Anson CHAN and in that case, there would not be this problem and the burden on the public could then be eased. Perhaps Mrs Anson CHAN can talk about this later on when she speaks. She is not in the Chamber now, and I do not know if she can hear this. But I hope she can tell us how she could successfully take out a mortgage loan being 100% of the property value, and I hope that she can share her experience with all the people of Hong Kong. If members of the public can benefit from Mrs CHAN's valuable experience, they do not have to pin unrealistic hopes on the Government for the implementation of the Home Purchase Loan Scheme or the Home Starter Loan Scheme, as they can buy their own flats by taking out mortgage loans being 100% of the property value. If Mrs CHAN speaks later on, I hope she can share her wonderful experience with the people of Hong Kong.

Finally, with regard to the motion and the amendments today, the overall spirit is to call on the Government to learn a lesson. Now, the economy of Hong Kong has entered a phase of inflation while property prices in Hong Kong have also picked up an upward track. It is impossible for the grassroots (mostly wage earners) to afford the exorbitant property prices, so how can they aspire to home ownership? I, therefore, hope that the Secretary can earnestly consider again the proposals in the motion and the amendments and earnestly give a reply

to the questions that I have asked earlier. Otherwise, I think she would be unfair to the grassroots and wage earners. I hope the Secretary can give a positive response to my appeal. Thank you, Madam President.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Madam President, first of all, I would like to thank Mr CHAN Kam-lam for proposing the motion on "Comprehensively reviewing subsidized home ownership schemes" and Mr LEE Wing-tat and Mr WONG Kwok-hing for proposing amendments respectively to the motion.

Housing is one of the four basic needs of life besides clothing, food and transportation. Members are concerned about what can be done to make the people live and work happily, in particular about how the burden of housing on the public can be alleviated. We agree to all these and we understand them very well. We will listen carefully to views expressed by Members on this motion and we will give a detailed response later in the conclusion.

At the present stage, I wish only to clarify one point. Mr LEE Wing-tat earlier has talked about the three factors of consideration I pointed out previously, one of which was that a consensus should be reached in the community. But he said that I had asked that a consensus should be reached with the developers. I wish to make a clarification here because he has distorted the remarks I made earlier in this Council.

Madam President, I so submit.

MR TOMMY CHEUNG (in Cantonese): Madam President, with regard to the three subsidized home ownership schemes mentioned in the original motion, the Liberal Party has no objection to conducting a review of them, but on the proposal made in the amendments of immediately resuming the construction of HOS flats, we consider that caution is warranted.

Looking back, the Government launched the HOS back in 1978 because the rising property prices had made it impossible for the public to afford private residential flats. But after the impact caused by the housing policy to provide 85 000 flats, the Government eventually announced in 2002 that the sale and production of HOS flats would cease indefinitely. The HOS had, therefore,

formally accomplished its mission and would become history, and the Government would completely withdraw from the property market and cease to play the role of a "special property developer".

The Government has earlier expressed reservations about resuming the construction of HOS flats, stating three major principles in considering whether there is a need to resume the construction of HOS flats. These principles include whether there is a tendency that property prices in the secondary market have risen to a level comparable to luxurious apartments, whether there is an insufficient supply of middle- and lower-priced residential flats, which will adversely affect the turnover of PRH flats, and whether a consensus is reached in the community.

The Liberal Party considers that before making a decision on resuming the construction of HOS flats, we should carefully examine the situation and get a full picture of the developments in society, in order to ascertain whether there are the conditions for resuming the construction of HOS flats.

From the information obtained by the Liberal Party, insofar as property prices are concerned, the price indices of private flats compiled by the Rating and Valuation Department show that the prices of residential flats of 100 sq m (or 1 076 sq ft) in the secondary market have remained stable over the past three years, and the current price level is still 41.9% lower than the peak in 1997, showing that the prices of small/medium private residential flats have not increased substantially following the upturn of the economy, let alone a tendency that prices have risen to a level comparable to luxurious apartments.

We have also obtained information on 10 housing estates with flats for first-time home buyers which cost less than \$2 million, in order to compare the movements in their prices over the past few years. The findings show that over the past two years, in most of these housing estates, including Mei Foo Sun Chuen, City One Shatin, Sunshine City and Tuen Mun Town Plaza, the price has remained at a level between \$2,000 to \$3,000 per sq ft on average with almost no increase or decrease at all.

To those moderately well-off families with a monthly household income of over \$20,000, it is not difficult at all to buy a flat in these housing estates. Take City One Shatin as an example. A flat of 410 sq ft in the middle floors was sold at \$1.46 million in November. Assuming that the owner takes out a mortgage

loan being 70% of the property value to be repaid in 20 years, the monthly mortgage payment is only \$6,329, accounting for some 30% of the total household income. Even if he takes out a mortgage loan being 90% of the property value, the monthly payment is \$8,137, accounting for less than 40% of the total income, which is absolutely within his affordability.

Meanwhile, insofar as the supply of new flats is concerned, completions this year are estimated at 8 900, which is not a large number, but a total of 25 000 flats will be completed next year and in the year after next. Together with the 13 000 unsold new flats in the market, the supply of new flats will basically remain stable over a period of time in the future, and there is no question of an imbalance, so to speak.

On the contrary, if we look at the two phases of the sales programme of HOS flats which have just been launched, the prices of the flats are not inexpensive at all. For example, of the returned flats put up for sale in phase 2, a flat of 567 sq ft in the high floors of Aldrich Garden, Shau Kei Wan, costs \$1,661,000, and if we look at the transactions in August and compare it with a flat of 534 sq ft in the high floors of Perfect Mount Garden, a private housing estate in the same district in the secondary market, the price difference is only 19%. Another example is that a flat of 495 sq ft in the high floors of Kingsford Terrace Stage II in Wong Tai Sin costs \$1,363,000, which is only around 10% less expensive than a flat of 490 sq ft in the high floors of Telford Garden.

Madam President, HOS flats are characterized as a less expensive option than flats in the private sector but in exchange for this, they are subject to many restrictions. Apart from a two-year ban on sale, their facilities compare far less favourably than those in private housing estates. However, as the price differential between HOS flats and private flats has become smaller and smaller, do HOS flats still serve their original purpose of offering an inexpensive option to the public?

There is the suggestion that an appropriate number of HOS flats should be offered for subscription by PRH tenants who can then return their PRH units, thereby shortening the waiting time of applicants for PRH units. But I wish to cite phase 1 of the sales programme of HOS flats introduced early this year as an example. Of the 12 023 applications received, only 4 216 were submitted by Green Form Applicants, accounting for less than one third of the total number of applications. As 2 906 units were allocated to Green Form Applicants, the

oversubscription rate was only 45.1%, and it finally turned out that only 2 100 applicants have purchased HOS flats, showing that the response was just lukewarm. Obviously, it is no longer "smug calculation" to make use of HOS flats to attract PRH tenants to return their PRH units.

Finally, the finance of the Housing Authority has been quite optimistic in recent years, amassing a cash surplus of \$52 billion in 2006-2007. The amount will further increase to \$69.8 billion in 2010-2011, which means that it no longer has to rely on the construction of HOS flats to "make money".

Madam President, the Liberal Party considers that the Government should not hastily assume the role of a developer again and casually undertake to resume the construction of HOS flats without detailed consideration. The Liberal Party considers that at the present stage, the Government should comprehensively examine the developments in the property market and then conduct a review of various subsidized home ownership schemes before deciding on how to alleviate the burden of housing on the public. At this stage, the Liberal Party considers that if the Government genuinely wishes to assist the public in home ownership, it can introduce home loan schemes to assist members of the public to purchase flats in a more flexible and direct manner.

Madam President, I so submit.

MR CHEUNG HOK-MING (in Cantonese): Madam President, Hong Kong has little land and a huge population, it follows that housing is one of the greatest concerns of the general public. According to government forecasts made earlier, half a million people will be added to the territory for every 10 years in future. We can see that the demand for private sector housing and subsidized housing among these new inhabitants of Hong Kong will certainly increase instead of fall.

A housing policy should have a long-term vision, it should meet the needs of the times and be flexible enough. The motion proposed by Mr CHAN Kam-lam of the DAB serves to remind us that now is the right time to review various kinds of subsidized home ownership schemes and to formulate a housing policy that can balance the interests of all quarters and enable the public to live and work happily.

The housing policy as practised by the Hong Kong Government in the past was drawn up to meet the needs of the times. In order that the living conditions of the people can be improved and that families from the low and middle income groups can own their homes, the Government launched in 1978 the first batch of flats under the HOS to offer a chance of home ownership to those low-income families that could not afford a flat in the private sector market. With the outbreak of the Asian financial turmoil in 1997, the economy of Hong Kong was seriously battered and property prices plummeted at that time of a faltering economy. The result was serious overlapping between the subsidized home ownership schemes and the private sector property market, thus the Government took the bold step to cease the production of HOS flats and so stabilized the property market.

Now as the economy has recovered and the stock and property markets are robust, there is however a widening wealth gap in society. The lower-middle class and the grassroots do not benefit much from the boom. The surge in property prices in the private sector market is much faster than the rise in wages. The hopes of prospective home buyers hence fall flat.

In any economically advanced society, both the community and the government have the responsibility to improve the living conditions of the low-income groups. This will reduce conflicts between different classes and minimize social problems. In 1998 the First-term SAR Government launched the Tenants Purchase Scheme (TPS) to assist PRH tenants who could not afford private housing to purchase the PRH flats they lived in at a concessionary price. The measure was also aimed at alleviating the heavy burden of the Housing Authority (HA) in paying for public housing. It was a beneficial policy which returned wealth to the people and it had been well-received among PRH tenants. Unfortunately, the TPS was ceased after Phase 6B had been launched. The DAB has received comments from many PRH tenants that they hope that the TPS can continue. The DAB urges the Government to relaunch the scheme so that PRH tenants can have another option of home ownership.

Figures from the HA show that half of the flats allocated to applicants on the Waiting List come from PRH flats recovered. It is estimated that only 15 000 PRH flats will be completed every year over the next five years while the number of those on the Waiting List only increases, with about 2 000 to 3 000 new applicants each month.

The Government once launched the Home Assistance Loan Scheme (HALS) with the aim of encouraging those PRH households which could afford private housing to apply for interest-free home loans to purchase an HOS flat in the secondary market or a flat in the private sector. The result is more PRH flats could be spared and hence the waiting time for public housing could be reduced.

The HALS might also enable those who live in private rental housing flats to enjoy greater flexibility in terms of flat size and location when choosing private sector properties to suit their needs. Moreover, the loan was meant to be a kind of home ownership assistance for members of the public with the need. It did not incur any subsidy in premium or involve any construction period, hence, it was not susceptible to rises in costs and market fluctuations. It was a more flexible deployment of resources which could help the public in home ownership and benefit a very wide spectrum of society.

In a recent survey conducted by the DAB on the views of the public on the property market, it is found that 52% of the respondents support the reintroduction of the HALS. Of these, 64% are citizens living in private rental housing. From this it can be seen that many people who rent flats in the private sector want very much to own their homes and they hope that the Government can provide assistance in the form of loans to reduce the financial pressure on them.

Madam President, housing is an essential commodity to the general public, so changes should be made to the housing policy in line with the needs in society and proper adjustments should be made. Now with the upturn of the economy and the great surge in property prices in the private sector, information from the Rating and Valuation Department shows that the price index of flats with a size of less than 400 sq ft has risen by 64% within the short span of time from 2003 to the present. It is the right time to review the various subsidized home ownership schemes so that members of the public may fulfil their dream of home ownership.

Madam President, I so submit.

MR ALBERT CHAN (in Cantonese): President, former Secretary for Housing, Planning and Lands Michael SUEN has a reputation of being an expert on defusing bombs. Now he is helping the Government to defuse bombs in the education minefield. When he was the head of the Housing, Planning and

Lands Bureau, his "nine strokes" were launched with the nice-sounding pretext of defusing bombs caused by the economic downturn and the sharp fall in property prices, but I think he was only defusing bombs in name but transferring interests in reality.

As we review the economic situation, even if the production of HOS flats had not ceased, I am convinced that the Hong Kong economy would recover certainly. It is because the HOS will only bring benefits instead of harms to Hong Kong. It fosters a stable housing environment for our society and increases the job opportunities for the general public. It can spur economic growth and provide the momentum for it. Therefore, when the Government and Uncle SUEN launched the "nine strokes", I opposed them vehemently and furiously. I also condemned the Government for neglecting the needs of the general public, bowing to the giant syndicates and licking their boots.

President, history is actually ironical to the extreme. The motion proposed by Mr CHAN Kam-lam today can be considered the most extreme of all ironies. If my memory has not failed me, in those days he was a staunch supporter of "SUEN's nine strokes". Of course, I welcome his making a U-turn and such a drastic change. It is indeed rare in this Chamber for me to support a motion moved by CHAN Kam-lam. Previously, in this Chamber I was against him in almost every issue, because he is a great "rightist" in the DAB and his economic policies are even more rightist than the Liberal Party.

President, I would not repeat what has already been said on housing needs. For many years I have pointed out again and again in this Chamber that in 1976 the Government stated that housing was one of the four major pillars in social policy. Much has been said about it and the Government may have already overturned completely its view about the four pillars. However, housing indeed has a vital role to play and I hope very much that the new Secretary can see the point. I have often said this, be it to Secretary Michael SUEN or his predecessors. That is, housing has a stabilizing function in society and it is a protective umbrella.

When people are out of work or if they meet any event sad, tragic or furious, their home is their haven and shelter. It is a protective umbrella for them. It is also a damper in society. I remember Hong Kong weathered many storms and upheavals during the past few decades, but there was never any riot

here. Because home is the safe haven to the people. Even if some people would go home and batter their wives or fight, they will not fight outside. This is something very strange about Hong Kong people. If they are really furious about anything, they would rather kill themselves or jump from a building, but they will not fight with the Government. I often say that if the people have tried fighting with the Government with all their might, the Government may take on a different mentality when it is to launch policies in future. The fact that the people of Hong Kong would rather choose to end their lives than to come out and voice their rage and opposition could well be a showcase example of government efforts in fooling the people for so many years.

If the Government is to scrap and dismantle the housing policy, the result is that this protective umbrella will be lost and this damper will be destroyed. The safety net will be punctured. Then violent conflicts and clashes will arise. If they become serious, there may be social upheavals and disturbances.

Now with respect to the housing situation or property prices, compared with 1997, at that time the Hang Seng Index was 18 000 points, but now it is already 30 000 points. The price for luxury flats was as much as \$27,000 per sq ft in 1997, now it is more than \$40,000. Of course, as Mr Tommy CHEUNG said earlier, the prices of low-end flats have not yet reached this level. The fact that the prices of low-end flats have not risen as much as those of the luxury flats serves to expose a marked problem, that the financial means of those living in the low-end flats are very fragile. They will sell their flats if there is only a slight surge in property prices. But things are different for those living in luxury flats, even if buyers are willing to pay more, the owners may not be willing to sell because they think the prices will rise even further. Owing to the unsatisfactory financial conditions of the general public and the drop in income, those who used to be able to afford properties worth a million dollars or so may not be able to buy properties anymore these days.

As the people may not have a steady job and their employment may not be satisfactory, so there is a sharp decline in the desire of people in the middle or lower-middle classes to own a home. Consequently, the prices of low-priced flats do not skyrocket like those of the luxury flats. However, even many low-priced flats like those in Tin Shui Wai or those old buildings in the old urban areas are fetching some \$2,000 per sq ft. A flat priced at some \$2,000 per sq ft is clearly beyond the affordability of many from the lower and middle classes.

Hence, the only way to enable these people to own a home is the sale of HOS flats. This kind of disruption has already appeared, though the Secretary may refuse to admit it. As Tommy CHEUNG has said, if a person making \$20,000 a month is asked to buy a flat worth \$2 million, it is clearly a luxury he cannot afford. And many problems will emerge in his life consequently.

To sustain social stability, there is a need to resume the HOS. I think it is more important to resume the HOS than the Home Assistance Loan Scheme because lending money to people would sometimes be tantamount to cornering someone to a dead end and there may be a lot of uncertainties with repayment afterwards. I hope the Government can consider the importance in this respect and resume the sale of HOS flats as soon as possible.

Thank you, President.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, all along the Hong Kong Federation of Trade Unions (FTU) has an integrated approach to housing policy. We have been talking about it for more than a decade and that is: Public rental housing (PRH) should play the dominant role, followed by the HOS and supplemented by the private-sector market. In the 1980s the FTU set up a Social Affairs Committee and after doing some studies, this became our aspiration.

What then is the situation now? Since the emergence of problems in the property market after the reunification, Mr SUEN then launched his "nine strokes". The result is that avenues that used to better people's life, address the problem of overcrowdedness in the family or prevent tenants from being regarded as well-off tenants and hence their family members having to live separately were curbed. Now the situation has reached such a state that a solution is badly needed. This is the reason why Mr WONG Kwok-hing proposes an amendment in the hope that various subsidized home ownership schemes can be revived.

These comments of mine are made on behalf of my constituency. My constituency includes the districts of Kwun Tong and Wong Tai Sin. Usually, I would hold many residents' meetings a year. In Tsz Hong Estate, which is converted from a HOS estate into a PRH estate, residents pay a rent of some

\$2,000 a month. Those with more family members will pay some \$3,000. In those older housing estates, when the children in the family have grown up, and because of the well-off tenants policy of the Government, they would like the Government to resume the sale of HOS flats. The case is the same for places like Choi Wan Estate where buildings were built several decades ago. For these people, in the past they could address their housing problem through the HOS or the Tenants Purchase Scheme (TPS). Why am I saying that? In the case of some more recent housing estates, that is, those which had been completed for some time but were only offered for occupation a few years ago, such as the Upper Wong Tai Sin Estate, all the public housing estates in Tsz Wan Shan, Sau Mau Ping, and so on, that is, all those housing estates which have been occupied for some five to seven years, the residents there all think that the rent is very high. They would rather pool resources in the family and gather enough money to pay for the down payment and own the property in order to solve the problems of high rentals and income ceiling restrictions.

I hope the Secretary can consider their situation. They have to pay a rent of some \$2,000. If the authorities allow them to pay the down payment and buy a HOS flat, frankly, this will help them a lot. This applies especially to those PRH flats for sale. The Government said that they would have a chance to buy these flats, that is, flats in this kind of Harmony blocks could be purchased. I therefore think that they have a lot of grievances in this respect. Even if those households which have occupied a PRH flat for some 10, 20 or 30 years, like I said earlier, they also have a lot of complaints.

Even in Shun Tin Estate, the residents there are saying that they are now very old and they used to have the chance to solve their housing problems like when after their children have grown up and family finance has improved, they could buy a HOS flat or other kinds of flats, but now they are denied all these chances. Of course, they may make use of their PRH unit to buy flats on sale in the market. But I wish to point out that the supply of these flats is very limited and the conditions are very harsh. I reckon the Secretary may use this to refute our argument. If the Secretary is interested, please come with me on a visit to Wong Tai Sin or Kwun Tong, there she will find that there are lots of such complaints and views among the people.

The Secretary may say that if the people do not like those flats for resale, they may buy those offered in the secondary market. But these flats are very expensive and they are beyond their affordability. We know that be it the HOS

or the TPS, the residents have to pay a very small amount as down payment and they then pay 60% or 40% of the consideration. In such circumstances, they can use very little money to solve the problem of having to pay the rentals for well-off tenants. This is the situation of the grassroots that the Government should appreciate.

With respect to this, those who do not live in PRH estates, such as people living in Fung Wong San Tsuen, they are also indignant. These people are not eligible for PRH and they have to pay market rents for private properties. So they hope very much that the sale of HOS flats can be resumed. The Government should think about these grass-roots people. These people who live in the PRH flats or flats in the private sector are by no means rich, and given the surging inflation and property prices and changes in the secondary market, they all hope that the Government can do something for them. I think the Government must do something for them. It cannot say that it will look into the problem. I agree with WONG Kwok-hing who has said that the Government is saying all the time that it will look into things. I know what is in the mind of the Government. It may be a few years from now after it has finished looking into the issue. What I can see is that there are many people who can lead a better life because of these policies. These people come from PRH or private rental housing and they cannot be considered very poor or rich.

Madam President, when the FTU put forward the view in the 1980s that PRH should play the dominant role, followed by the HOS and supplemented by the private-sector market, we had in fact spent much time looking into the issue before coming up with such a view. We consider that it is only through this that the inadequacies in the Government's housing policy can be addressed and that the problems that exist can be solved. Moreover, it can give some assistance to those who cannot afford private-sector housing, such as those from the sandwich class. For if not, I can say frankly that these complaints would only increase from day to day, just like the case of complaints made by the grassroots who cannot find a job or cannot earn enough to make ends meet even though they toil from day to night.

Madam President, because of this reason, the word "resuming" is used in WONG Kwok-hang's amendment. I hope Members can lend us their support. Of course, we respect difference in opinions, but our stand is that these schemes should be resumed. The authorities should stop saying that they have to look into the issue. Such is our thinking and position.

Thank you, Madam President. I so submit.

DR JOSEPH LEE (in Cantonese): Madam President, on the question of various subsidized home ownership schemes should be reviewed afresh, I think it is imperative that discussions be held before a fresh review is conducted of these subsidized home ownership schemes. In other words, the Government's positioning and role in the housing policy must be discussed and defined first.

Quite a number of commentaries have pointed out that one of the main reasons for Hong Kong successfully transforming in the last century within such a short span of 20 years from a small fishing port to a world-class metropolis is the provision of a large number of PRH flats to the general public. This enabled them to live a peaceful life and so society could make steady progress, thereby spurring economic growth. Now there are still about one third of the population of Hong Kong living in the PRH estates. From this it can be seen that the PRH policy is of vital importance to Hong Kong people.

I think the people will agree that the Government has the responsibility to provide PRH to meet the housing needs of those who cannot afford private rental housing. When the Government has provided accommodation to the people to meet their basic needs, does it still have the responsibility to assist them in home ownership? This is a social issue that we should think over carefully.

After a full-scale review of the housing policy in 2002, the newly defined role of the Government is to provide PRH for the low-income households. The Government was to retract from its role as a developer and the production and disposal of subsidized public housing flats were to cease. The then Secretary for Housing, Planning and Lands pointed out in the meeting of this Council on 13 November 2002 that home ownership was a matter of personal choice and affordability. It was considered unnecessary to maintain the long-term ownership rate, that is, the policy objective of enabling a 70% home ownership rate among Hong Kong people within a decade. The Chief Executive, Mr Donald TSANG, stated clearly in a Chief Executive's Question and Answer Session held in July 2007 that government commitment to demand for public housing in the lower and middle groups would be maintained with the aim of ensuring a place of accommodation for all people in Hong Kong.

So when a review is to be conducted of the various subsidized home ownership schemes, the direction of development and role of the Government in the housing policy should be first examined. Actually, I agree with the view that the housing policy should seek to concentrate resources on providing PRH flats to low-income households that cannot afford to rent or buy flats in the private-sector market. The Housing Authority (HA) should aim at maintaining the waiting time at about three years so that these applicants can be allocated PRH flats soon.

There are currently more than 110 000 applicants on the Waiting List waiting for PRH allocation. The average waiting time is about two years. An average of 2 000 to 3 000 new applications are received every month. The Government should ensure that the HA has an adequate and steady supply of land to meet public demand for PRH. According to the present production programme of the HA, during the five years from 2007-2008 to 2011-2012, the HA will have to produce 77 500 PRH flats, or 11 500 each year, before this demand can be satisfied.

Apart from producing PRH flats, the Government also acted through various subsidized home ownership schemes offered previously such as the Home Ownership Scheme (HOS), Tenants Purchase Scheme (TPS) and Home Assistance Loan Scheme (HALS) to provide financial incentives to encourage PRH tenants with a higher income to own homes and so shorten the waiting time for Waiting List applicants.

Let us first talk about the HOS. The HOS was first introduced by the HA in 1978. During the peak in 2000-2001, as many as 32 000 HOS flats were sold. In 2002, it was announced that HOS flats would cease to be produced and sold. The developments and changes that took place during the period were closely related to the local property market and the overall economy. So when we are to review afresh these subsidized home ownership schemes, especially the question of resuming the production of HOS flats, we must also consider the impact on the economy and the private-sector property market. I agree that careful studies by the Government should be conducted before a decision is made. The main considerations of relaunching the HOS are property prices, whether or not a marked imbalance will appear in supply and the supply of medium to low-priced private-sector flats. A good public policy should never cause any adverse impact on the private property sector either directly or indirectly. Also, we should keep a close watch on the surplus HOS flats which number some 10 000 and they are about to be put up for sale. We should note whether these flats are absorbed by the market.

As for the TPS, the scheme was introduced by the HA in early 1998 with the objective of enabling PRH tenants to buy the flats they rent at an affordable price, in order to assist the Government in achieving its policy objective of reaching a home ownership rate of 70% in 10 years' time. Since the major premise is that this home ownership target does not exist anymore, therefore, I doubt if there is any need to relaunch this scheme. Moreover, this scheme runs counter to the policy on the mobility of PRH flats, hence there is no need to relaunch it. In fact, apart from newly produced PRH flats each year, the recovered PRH flats have all along been the most important source of PRH flat supply, accounting for about half of the PRH flats allocated each year, or some 16 000 flats. According to the present forecast, only about 15 000 PRH flats will be produced annually in the next five years. I therefore think that the HA all the more needs to make effective use of its existing PRH stock for allocation. PRH flats, once sold to the tenants, will never be returned to the HA for re-allocation. Also, the HA should take active steps to review its policies on the recovery of vacated PRH flats and well-off tenants so that more PRH flats can be made available for allocation to those in need.

With the economic recovery in these few years and as land prices surge, so are property prices in the robust private-sector property market. I agree that now is the time to undertake a fresh review of various subsidized home ownership schemes. But as to whether the housing policy of the Government is such that it recognizes its responsibility in assisting the people in home ownership, this is something we need to ponder over. Of course, the Government must not shirk its responsibilities for it is obliged to provide PRH as soon as possible to those who do not have the financial means. This will enable everyone to work and live happily, hence contributing to the steady development of society.

Thank you, Madam President,

MR LI KWOK-YING (in Cantonese): Madam President, for most people in Hong Kong, to own a home is their lifelong dream. For the Government, it hopes to work through the sale of HOS flats and PRH flats or subsidies and loans offered so that PRH tenants who are financially better off can vacate their PRH flats to enable other low-income people and households who are in greater need to be allocated PRH flats. No matter what forms of subsidy are provided to the citizens to help them own their homes, provided that they can meet the needs and aspirations of most citizens, these would be helpful to maintaining social stability.

We understand that the Government, in a bid to reduce market intervention and stop playing the role of a property developer, conducted a fresh review of the housing policy in 2002. The outcome of the review was the announcement that the production and sale of HOS flats would be ceased indefinitely. Likewise, the Tenants Purchase Scheme (TPS) and the Home Assistance Loan Scheme (HALS) were to cease. Hence the HA was no longer required to play the role of a commercial banker. The HA stressed that the changes made to the Schemes were to redefine its policy objective and first priority, being to help low-income people cope with the housing problem.

However, there is still a great public demand for these home ownership schemes. For the HALS and the Home Starter Loan Scheme, there are still some 40 000 cases in mid-2007 in which loans are being drawn. Moreover, ever since 2003, the local property market started to bounce back and the accumulated increase in property prices is more than 70%. Prices begin to soar as inflation sets in and foreign exchange rates stay high. Wage levels have failed to catch up with inflation. Apart from adding to the financial burden of the people, many aspiring home buyers are disappointed when they begin to see their dream of home ownership running away from them.

In view of the actual situation and the market changes, should the Government undertake a review of the existing housing policy at this moment? Should a study be made on resuming the production of an appropriate number of HOS flats and other home ownership measures? These should be done with the primary aim of helping the low-income people address their housing needs while making good use of existing housing resources and government fiscal surplus so that the housing needs and home ownership aspirations of the lower and middle classes can be met both at the same time.

Madam President, the authorities should study the possibility of producing an appropriate amount of HOS flats. The reason is not just the rebound in property prices as mentioned earlier, but also the fact that producing an appropriate amount of HOS flats would help meet the challenge posed by an ageing population, promote harmony in the family and foster the culture of the integration of the old and the young in society. The Hong Kong Housing Society has in recent years launched a housing programme for the relatively well-off elderly who come from the middle class. These people have housing needs but they cannot afford private housing. Ever since the introduction of the

scheme, there has been more demand than supply. It can be seen that ordinary members of the public have an ardent demand for elderly housing programmes.

The population ageing problem in Hong Kong is deteriorating and as more people marry late or get divorced, it can be foreseen that there is a huge demand for housing from the singles. These people may not be able to afford private housing and they are not eligible for public housing. Therefore, the authorities should consider if an appropriate number of HOS flats should be produced to satisfy the present and future housing needs of this growing number of single persons.

Besides housing for the elderly, the HS in a bid to encourage children to live in the same building as their elderly parents has introduced a two-in-one mixed mode development. The idea is to build a housing block with flats for the elderly and private ownership. Earlier on, the HS has striven again to obtain a land grant from the Government to develop such a mixed mode elderly housing project. Since the authorities seek to promote harmony in the family and that the old and the young can live happily together, the housing policy then becomes a great impetus for such a policy. If more HOS flats with a bigger size can be produced and, if priority can be given to children who live with their parents, then an incentive can be given to children to live with their parents, hence achieving the aim of integration of the old and the young.

We should not neglect the stabilizing effect of the HOS on the community. The sale of HOS flats can help more families from the lower and middle classes achieve home ownership, thus enabling ordinary members of the public to own their homes. It serves to change the mentality that the poor are doomed to live in PRH flats while the rich can live in big houses, hence facilitating social mobility and helping the building of a harmonious society. The HOS can encourage some well-off PRH tenants to move out of their flats and make it possible for those in need of public housing to be allocated a PRH flat. Apart from shortening the waiting period for public housing, of more importance is that the Government will not have to worry about finding land to produce large quantities of PRH flats and the land which is reserved for the production of PRH flats can then be used to produce HOS flats. This can raise the value of such land while the increased revenue can be used to improve the facilities and the environment of the housing estates.

Madam President, I agree that the primary task of the HA is to meet the housing needs of the low-income group. Provided that a proper adjustment can be made at the policy level, it can also achieve the good effect of helping the ordinary people in home ownership. Of course, constructing HOS flats is only one of the ways of assisting people to own a home. Regardless of the measures taken, I hope that the authorities can keep abreast of the times, make good use of the resources available and fulfil the wish of a greater number of ordinary members of the public.

Madam President, I so submit.

DR KWOK KA-KI (in Cantonese): Madam President, Secretary Ms Eva CHENG said at the beginning of the debate that clothing, food, accommodation and transportation are issues which the people of Hong Kong are most concerned about. Then I heard Honourable colleagues including Mr Albert CHAN talk about cases of collusion between the Government and business. Secretary, you are lucky, for if you have changed positions and if the Secretary here is Mr SUEN instead of you, I am sure that accusations of collusion between the Government and business will come hot on the heels of one another.

There were two reasons why the Government introduced the HOS in 1978 and I think they still apply today. The first was to encourage PRH tenants with improved means to purchase HOS flats and hence surrender their PRH flats for allocation to those in greater need of them. Second, to offer a chance of home ownership to families whose income exceeded the income ceiling for PRH but who nevertheless could not afford private housing.

Many Honourable colleagues have cited many buildings as examples to show that the difference is not that great after all. I noted that Mr Tommy CHEUNG said that a family with an income of \$20,000 does not spend too much on repaying mortgage if they live in a 400-sq-ft flat in City One in Sha Tin that costs \$1.4 million. I feel very sad on hearing that. Hong Kong is really a special place. The people here are being so poorly regarded and thought of as worthless. A family of four or five people with an income of \$20,000 is still regarded as only fit for living in a 400-sq-ft flat. Now flats built by developers these days are much smaller than the area they claim. A so-called 400-sq-ft flat may in reality have less than 300 sq ft of usable area.

I do not know if the Government really cares about the housing needs of the people. Conditions in society have changed. In 2002, the Government gave a heavy dose of medicine to save the ailing and sagging property market. I would still think today that this dose of medicine is wrong. This is because the Government announced that it would cease to produce HOS flats from then on.

Leaving aside faraway places, we can just look at the Mainland so close to us. It is facing much pressure because there have been serious speculations in the property market. The Central Government has drawn up a policy to first, control the price of properties and increase the supply of land; and second, encourage the provinces and municipalities to build affordable flats to meet the home ownership needs of the people.

There are comments that the Government should stay its hands off the private market because the property market is a free and competitive market. This is of course not true at all. The property market in Hong Kong has never been a free market. The biggest landowner is the Government. The supply of land every year is controlled by the Government. Those developers which are able to build big housing estates are so few in number that they can be counted with the fingers of one hand. Now many buildings are found in large housing estates built by the two railway corporations. The amount of investment put into developing these housing estates often runs to billions of dollars and this is simply beyond the means of the small and medium sized developers.

The property market in Hong Kong is in fact controlled by the Government and a handful of developers. If they are to produce a smaller number of flats, then property prices will soar instantly as if a magic wand has been waved. When property prices fall, the developers will ask the Government to come to their aid and launch some policies. An example is the cessation of the sale of HOS flats in 2002. The truth is that many ordinary members of the public, including those making \$20,000 a month, cannot even fulfil the humble wish of living in a decent place.

In some of our neighbours such as Singapore which is often mentioned and since we say that we are against copying Singapore, we should not be talking about it all the time. But Singapore's policy of building Housing Development Board flats is something which any modern society, including China, should learn and know more about. The policy ensures that not much impact is created

on the private sector while low and middle income people can have the means to home ownership.

I recall that before Secretary Michael SUEN left his office, he proposed a plan to raise the quality of housing in Hong Kong. The simplest way is in fact to provide a greater area of accommodation to the people. However, with the rise in property prices these days and the developers adopting a practice of almost controlling property prices at incidentally the same way, there are not many options left for the general public. What options are left for them when they want to own a home? Buildings in the old urban areas may come to our mind. However, many of these buildings are very old and the supply of these buildings is limited, and as population increases, the supply of this kind of so-called low-priced flats will be unable to meet market demand.

There is another problem with the Housing Authority (HA). Owing to the cessation of the production of HOS flats, the revenue of the HA fell from \$32.6 billion in 2002 to \$17.3 in 2003. In 2004, it even had a deficit of \$1 billion. In order that the Government can rescue the property market, the HA spent \$400 million to restore the HOS flats which had been left vacant for a long time. The expenses offset the surplus for 2004-2005. When we think deeper, we will find that The Link REIT affair which is a sad one was actually caused by that decision of the Government. As the HA had incurred serious deficits, so it had to dispose of its assets. Now The Link REIT is a time-bomb in our society and it is a knife placed on the necks of many from the low-income group and those living in the housing estates, for they will never know when the rent will be increased, hence affecting their living.

I think that a responsible government which is truly people-oriented should examine the housing needs of its people and enable housing quality to be enhanced. This would mean increasing the usable area of the flats and the average usable area per person, and improving the building design, and so on. All these responsibilities are incumbent on the Government. The property market has never been a free one and this is the same in the entire world. The Government should please stop telling lies. I do not know if the motion and the amendments today will ever be passed, but the most important thing is that the Government should make a response and state when it will revoke this wrong and unpopular decision of ceasing the production of HOS flats.

Thank you, Madam President. I so submit.

MR FRED LI (in Cantonese): President, in the summer just passed, I went to several housing estates and met many residents there. Now that the economy has recovered and the summer is way behind us, I still engage in such work after the policy address has been delivered. In the meetings with the residents of the housing estates, although the subject was not listed on the agenda, I still heard many residents from the PRH estates or private buildings ask me when the HOS flats would be put on sale again. Will the Government resume the production of HOS flats and will the PRH flats they live in be put up for sale like those in the estates nearby? Often the residents would ask these questions. In a brain-storming session of the Housing Authority (HA), of which I am a member, I made the proposal again that the HOS and Tenants Purchase Scheme (TPS) should be relaunched.

The HA introduced the HOS in the late 1970s and it has been a proven home ownership mode for the low and middle income groups. It is popular among members of the public. On the one hand the HOS can meet the needs of the low-income group in home ownership while on the other increase the mobility of PRH. This applies in particular to those tenants paying rent at one and a half times or double that of other tenants and even at the market rate. If they want to purchase HOS flats and so vacate their PRH flats for other applicants on the Waiting List, this can reduce the need to produce new PRH flats.

As a matter of fact, the HA has during the past few years reduced the production of PRH flats. Often the demand for allocation is met by renovating the old flats. However, this is not a good solution in the long run, and there is bound to be a need to produce PRH flats in any case. If HOS flats are put up for sale, this mobility can be eased. Also, the HA will lose a source of income. Why did the HA dispose of part of its assets to The Link REIT? Although I was not a member of the HA at that time, I believe that a great pressure it had to face was that there were no more HOS flats for sale. So the HA was caught in a dilemma. Since it has lost the source of income from the sale of HOS flats, it could only dispose of part of its assets to The Link REIT. Consequently, The Link REIT can be listed and the HA can cash in a great sum of money. Now we do not look at the matter from the perspective of money but from the practical needs of the people.

There has been much change in the economy ever since the Government made that decision in 2003. Property prices are no longer like what they were

before. The Democratic Party holds that a small number of HOS flats should be produced as a test. Recently, the Government is selling the surplus HOS flats and from the Phase B HOS units offered for sale lately, we can see that the response from White Form Applicants is not bad at all. It can be said that the actual market situation now has been restored to that of when HOS flats were sold. The number of Green Form Applicants is fewer. The sale of Phase B HOS flats on this occasion show that, provided that the HOS flats are of good quality, even if the prices are higher, the Green Form Applicants, that is, those presently living in PRH flats, are still interested in buying them. This is because they are paying the double rents. Since this is the case, they may as well buy HOS flats and surrender their PRH flats to the Housing Department. Therefore, I think this is worth consideration by the Secretary.

I have read the editorial in today's *Hong Kong Economic Times* and I find it a good source of reference for us. It says that the number of people with upper middle income has increased, so luxury flats like The Arch which I have paid a visit earlier can fetch a price of some \$20,000 to \$30,000 per sq ft. A flat with an area of some 700 sq ft there is sold for more than \$9 million. I just cannot imagine how the people can afford it.

For those wage earners with a lower middle income, they would have a very heavy burden if they want to own a home. Two important factors are involved. The first is that there is a trend in the property market to make the flats luxury flats. As I have said many times, these days the developers are either consciously or unconsciously packaging even the small flats as luxury flats. They would use the so-called first rate building materials and the clubhouses would be fitted out as six-star deluxe ones. But actually, all these expenses are counted as costs for the flats and it is the buyers who will actually pay. I do not know if the Secretary knows that there is a new development in Sham Shui Po where the price per sq ft for a small flat is some \$6,000 to \$7,000. And that is in the Sham Shui Po area. The developer is packaging the development as a luxury one in order to push up the prices. It claims to be selling large units and so much is done to dress up the flats. This applies to the small flats as well. This is actually not a healthy practice because the people will find it harder and harder to buy even a small flat. It is hard for them to afford a small flat in the primary market as first-time home buyers.

The second reason is that with respect to buying second-hand properties, now that the Government has slashed the stamp duty for properties with a consideration of less than \$2 million, this has spurred the speculators to speculate on those second-hand properties in the middle to lower price range. In other words, not only are the people unable to afford a first-hand small flat, they are also at the mercy of the speculative activities in the secondary market of small flats. As far as I know, the consideration for a flat in Mei Foo Sun Chuen which has an age of more than 30 years is almost \$3,000 per sq ft. It can be seen that the prices of flats these days are so terrible.

It is because of these two reasons that we hope the Government As I am a member of the HA, when we discuss this problem, both the HA Chairman and the chairmen of the committees there all think that this is a matter for the top echelons of the SAR Government. Secretary, you are the Chairman of the HA and the Chief Executive and top officials like you are the people who have the final say on these policies, I hope you can add the issue to your agenda for discussion.

The changes that have taken place during these few years have actually impeded the mobility among PRH residents. After these 16 000 surplus HOS flats are all disposed of, there will be no more HOS flats for sale. A batch of surplus flats has been sold this year, and there will be no more HOS flats for sale in two years' time. If a decision is made today to resume the production of HOS flats, this is actually not saying that HOS flats will be completed the next day. At least we will have to wait four more years. I therefore hope that production of HOS flats can commence soon. For if not, we will not be able to meet public demands for them.

I so submit.

MR LEE CHEUK-YAN (in Cantonese): I am very much supportive of resuming the production of HOS flats for the reason that the first property I owned was a HOS flat. Back in those days, at a time of LAU Chin-shek's low-wage policy and when people ate what they could earn and lived what they could afford to live, I was eligible for applying for a HOS flat. After I had succeeded in getting a HOS flat, my life took on a great change. This was because after buying a property, I had a place to live. And on the other hand, as the HOS flats got some form of subsidy, their price was quite low. Then I

could spare resources for some other uses. For example, in paying for the education expenses of my children or other living expenses. Hence, for the low and middle income groups, the HOS is a very important means for them to lead a comfortable life.

However, because of the fall in property prices in those days, the Government decided to cease the production of HOS flats. Just imagine, the production of HOS flats ceased when the property prices fell, then should the production of HOS flats be resumed now that the property prices have risen? We all heard an expression a long time ago and perhaps we have all forgotten it and it is: A snail without a shell. Now we can all predict that the times of snails without shells are bound to revisit us again. This is because we can see the following factors. Property prices are beginning to soar and, coupled with negative interest rates, property prices are set to rise even higher. So we can predict that property prices next year and the year after next will rise. If this is the case, this will get farther and farther beyond the affordability of those with low and middle income. Once the situation gets out of hand, they will be like snails without shells, in great distress in life.

Some people may say that it does not matter, for they can buy second hand flats. Then how much would the monthly mortgage repayments be? If property prices keep on rising, the secondary market will experience the same boom. Just imagine, for someone with a low or middle income, say \$20,000 a month, he will find it very hard if he is to make monthly mortgage repayments of say, \$8,000 to \$9,000, not to say a sum as much as \$10,000. Why can we not really do something so that they can live a happy life and have money to spare and invest in education or other living expenses that can be beneficial to the economy? Do not just consume all the resources of Hong Kong people on buying properties and fuel the property market. We really do not want to see such things happen. If the Government can resume the production of HOS flats, at least the burden borne by these people with low and middle income will not be too heavy and they can then cope with other needs in life.

The Government may say that it does not work, for we must strike a balance in the free market and we must balance the supply and demand in the property market. But I hope the Government can remember one thing and that is, the so-called free market these days is in fact an illusion. Because all the

land is under the control of the Government. As we can see, now we are again back to the days of the high premium policy era. This is obvious enough. Land premium is very high and so are property prices. We are back to that era again. Why can Hong Kong not be able to learn a lesson from the past and why is Hong Kong going back to the times of a high premium policy and high property prices? Why are our entire economy and all the people of Hong Kong working for the developers, so to speak? We do not want to see these things at all.

If a balance can be achieved with the production of HOS flats, this can prevent Hong Kong from taking on the wrong track and making our economy fall into the control of developers. However, the Government may have to yield to the developers at the end of the day, for sometimes many people would say that Hong Kong is governed by developers. I hope very much that the Government can prove this time that this is in fact not the case, that it can prove that Hong Kong is not governed by developers and it can prove that the Government can draw up a policy independently that is beneficial to people's livelihood and the low and middle income people.

I hope the Government can show its guts on this occasion and resume the production of HOS flats and help those people with a low and middle income. Thank you, President.

MR LEUNG YIU-CHUNG (in Cantonese): President, with the exception of Mr WONG Kwok-hing's amendment which proposes that the various subsidized schemes should be relaunched, today's motion and amendment are actually expressing the hope that the Government can expeditiously review afresh the schemes concerned.

President, Mr Fred LI has made it very explicit just now. Even if we relaunch the various subsidized schemes now, in particular the HOS, it will take at least four years before the people can start buying their own homes. If we do not expeditiously address these issues today and allow the procrastination to go on, I worry that at the end of the day, no matter what we need to do, we will have been slow in reacting to the circumstances. By then, the mood of unhappiness and chaos will become prevalent in society. What good will it do to anyone? Both the original motion and Mr LEE Wing-tat's amendment have expressed the hope that the Government can at least conduct reviews as soon as possible. No matter which issues we are talking about, reviews must be

conducted first. However, the Government is not even willing to conduct the review, I find this most unreasonable. The Secretary once said, to this effect, "No, I am not unwilling to do it. But earlier on, I had mentioned three conditions, namely, the very low turnover of PRH flats; whether there is a consensus in society and whether a serious imbalance exists in the property market. When these conditions are met, I would do something about the situation."

President, first of all, I find one thing most ridiculous, that is, these three conditions were proposed by the Government itself. In fact, there is absolutely no consensus in society on them. Why? Because the Government has proposed such conditions on its own without any consultation at all. Not only has it failed to consult this Council or Members, but it has also failed to consult the public on this. Then it went ahead stipulating these three conditions. I feel that this fully shows that the Government does adopt an arrogant attitude and makes all the decisions on its own. Has the Government ever respected public opinions? Has the Government done anything to show that it does attach great significance to the so-called consensus in society? This makes me worry a lot. The Government has always been very grand and nice in its talk, claiming that it will respect the people. But at the end of the day, it would just stick to its own way of doing things in an arbitrary manner. This is my greatest worry.

President, I have this second issue to discuss. Among the three points mentioned by the Secretary, both the first and the third points involve some objective situations, such as the turnover of PRH flats, which can be reflected by some data. On the issue of whether there is an imbalance in the property market, it is also related to some objective facts, on which we can comment. However, regarding the second point on whether there is a consensus in society, it could really be freely interpreted by the Government.

In what circumstances can we say that we have a consensus in society? I really do not know how this can be assessed. For example, Members of the pro-democracy camp keep saying that there is already a consensus in society on the aspiration for the expeditious implementation of dual elections by universal suffrage, but the Government disagrees, saying that there are still a lot of controversies and there is absolutely no yardstick yet. But now the Government has put forward these conditions and insists that the existence of a consensus in society is essential. However, can it tell me how I can assess, how I can

ascertain that a consensus does exist in society? This is open to free interpretation by the Government. I think on this point, it is absolutely unfair to the people. The Government put forward these three conditions, but at the end of the day, the ultimate power is still firmly gripped by the Government, and it can simply act in whatever way it likes. I believe this approach is most unfair and most unreasonable in reality. In fact, as many Honourable colleagues have pointed out earlier, we can see that property prices have been soaring drastically, and in such circumstances, many people who want to buy their own properties find it quite difficult to fulfil their aspiration.

Earlier on, I had a casual chat with an officer of the Housing Department. I told him it was indeed difficult for the people to buy first-hand flats in new development projects. He disagreed and said that there were many new residential development projects. I said expensive flats were of course available, but the supply of flats suitable for the ordinary public was very limited. For first-hand flats priced between \$1 million and \$2 million, the supply was close to zero. He disagreed, saying there were many flats falling within such a price range now — but they were second-hand ones. I said this was exactly the situation now. He also knew that he was referring to second-hand flats — and also some rather old second-hand ones; some relatively newer ones may already exceed the price range. Under such circumstances, I think the people should be given more choices. At the moment, the people can only choose from some worn-out second-hand flats, how can that be regarded as choices? Therefore, the present situation does not match the needs of the people.

Now, it seems that the economic conditions have improved. Whenever the economy shows some slightly improvement, many people would naturally hope to buy their own properties, so as to enable themselves to enjoy a stable life. They would find their hearts more at ease after buying their own homes. Unfortunately, the present Government is indifferent to this. It would only take care of the interests of the consortia in the business sector, but would simply disregard the ordinary people. I find such an approach unfair, and it is really inappropriate as well.

As Mr LEE Cheuk-yan has said earlier, the HOS has been implemented for many years, enabling many residents to move their homes from PRH flats to HOS flats, and some may even move their homes further to private residential flats. Such a "step-by-step" approach is very effective. It worked in the past

to make many people find that life is full of joy and happiness. But why does the Government not reconsider the issue?

Our original motion just requests the Government to at least review afresh the various schemes, whereas Mr WONG Kwok-hing even requests the Government to relaunch the various subsidized home ownership schemes. However, the Government is unwilling to take even the "least" step, thus leaving us with the impression that the Government does not care about the needs of the people. Mr LEE Cheuk-yan has mentioned a new term, that is, "snails without shells". It is in fact an old problem. I have heard many people keep asking, "How can we have the chance to buy our own homes?"

I really hope that the Bureau can listen to our views expressed in today's debate, that is, at least it can expeditiously conduct the review.

President, I so submit.

MRS SELINA CHOW (in Cantonese): President, many Hong Kong people are painfully intrigued by the need of buying themselves a home when they are getting married. The problem is especially serious among younger middle-class people with mediocre incomes. On the one hand, they are not qualified for waiting in the queue for public housing allocation, and on the other, they also cannot solve the problem of having the down payment ready if they choose to buy properties in the private sector. Subsequently, they are forced to become "shell-less" over the long term. In the face of the ever changing rental levels, they naturally have to face a very heavy pressure in life.

As early as 1988, the Government had already launched the Home Assistance Loan Scheme (HALS) for this group of people who could not afford to make the down payment but had very strong aspirations to become home owners. In the meantime, the Housing Society also provided the Home Starter Loan Scheme (HSLs). After putting the figures together, nearly 100 000 families had been benefited by such schemes over the years. However, the Government's abrupt decision then of withdrawing completely from the property market wiped out all these highly popular schemes. The Liberal Party thinks that the move overlooked the actual needs of aspiring home buyers.

In fact, the income level of many typical low-income middle-class families, such as those two-person families earning \$15,000 to \$20,000 a month, has already exceeded the income limit for waiting in the queue for allocation of public housing. However, on the other hand, since they do not have the money to pay for the down payment, they cannot buy their own homes in the private market. As a result, they cannot benefit from many policies such as the concession of rates, allowance on mortgage interest, and so on. This has left them the feeling that they are treated like orphans, with no one taking care of them. They in fact very much hope that the Government can take care of the situation of this group of "people with no shell", and provide them with suitable assistance.

In fact, recently, Honourable colleagues and I have received an email signed by a person by the name of "Sing Wai", in which the writer and his spouse said, being middle-class people at the lower end of the scale, they could not enjoy any social benefits. First, they do not own any properties, so they cannot enjoy the rates reduction, and on the contrary, the rent they have to pay keeps escalating. Secondly, their children are in the primary schools, so they cannot enjoy the benefit brought about by the introduction of kindergarten education vouchers. Thirdly, affected by inflation, they have to face escalating property prices and rents. They believed that many Hong Kong people were in fact in similar situations as theirs. They strongly urged the authorities concerned to seriously address such unfair situations.

If we can expeditiously relaunch the HALS, we can definitely help such middle-class people at the lower end of the scale. Let us take the case of a 440-sq ft flat in the Tuen Mun Town Plaza as an example. The rent of this flat was \$4,600 a month in October. However, calculating at the average price per sq ft provided by a property agent, we find that the average market price of this flat is only about \$880,000 (the agent's assessed price is \$872,000). If the owner applies to a bank for a 70% mortgage loan at an interest rate of 4.25% on a repayment term of 20 years, then the monthly instalment will only be \$3,780. Even if the monthly repayment of \$1,000 or so under the HALS is included, the total monthly amount the owner will have to pay is less than \$5,000, which will only account for 30% or less of the monthly income of middle-class people who earn \$15,000 to \$25,000.

In other words, they can afford it. They do not buy their own flats most probably because they cannot solve the down payment problem. If the Government is willing to offer assistance by providing interest-free loans to them to solve their down payment problem, then the Liberal Party believes that it will help many such middle-class people at the lower end of the scale. Therefore, at a time when the Treasury is overflowing with cash, we would like to urge the Government to relaunch the HALS to provide interest-free loans capped at \$600,000 with an annual quota of 3 000 successful applications, so as to enable such middle-class people to buy their own homes with some financial assistance. In this way, these people can own a home that really belongs to them.

President, earlier on, many Honourable colleagues mentioned that the property market has become prosperous recently, and the registered number of property transactions has made a historic high since July 1997. I am afraid property prices will surge even further next year. It is exactly for this reason that the Liberal Party thinks that, instead of housing construction, the Government should resolutely relaunch this scheme, which is the quickest and most effective method of helping the people. In my opinion, the middle class is really the sandwich class. They are usually required to pay the highest proportion of tax, but they cannot enjoy many social benefits. Why does the Government have to turn a deaf ear to their humble request?

May I once again urge the Government to actively consider our proposal of relaunching the HALS, so as to provide more housing choices to middle-class people with lower incomes, thus enabling them to buy their own homes and through this, strengthening their sense of belonging to Hong Kong?

Thank you, President.

MR ALAN LEONG (in Cantonese): President, someone once asked me what were the more desirable policies of the Hong Kong Government in recent years. I thought about it and replied, "Over the past 20 to 30 years, the public housing policy could be regarded as a more desirable policy". At the very least, under the existing housing policy, the Government is providing low-cost housing to approximately 2 million grass-roots people in Hong Kong, so that they could lead a stable life and work in contentment. However, home ownership remains the wish of the majority of Hong Kong people. In this regard, parents educate their children early in their childhood, even when they are still in schooling, that they

will have to save up in order to buy a flat for themselves. Some parents may even spend their lifelong savings to pay for the down payment of a property for their children.

(THE PRESIDENT'S DEPUTY, Ms Miriam LAU, took the Chair)

The housing policy before 2002 was in fact a relatively more comprehensive housing policy. A scientific method for calculating incomes and assets was in place to support the housing policy's rationale of satisfying "housing needs in three different tiers". The grass-roots people might live in public housing estates. Given this low-cost housing, residents of public housing estates could accumulate wealth until they could purchase their own properties to improve their living conditions. Those who were not eligible for public housing and could not afford to purchase a flat in the private sector might consider buying the Government's subsidized properties (that is, the HOS). Those who were neither eligible for public housing nor the Government's subsidized home ownership schemes were considered by the Government as being relatively more well-off, who could afford to purchase their properties in the private property market or from the HOS open market for HOS flats with no alienation restriction. In the past, the housing policy was supported by a set of scientific rationale linking up people of different strata, providing a "path" for people to move upward on the social ladder and improving the living conditions for themselves and their family members.

Deputy President, in addition to the above, in the past, there used be a Home Purchase Loan Scheme and a Tenants Purchase Scheme implemented by the Housing Authority, and a Home Starter Loan Scheme implemented by the Housing Society. Those were schemes that could effectively assist the grass-roots people to achieve home ownership and improve their living conditions. With those four policies, the Government provided an incentive for the people and public housing tenants with better financial means to achieve home ownership. From the perspective of public housing resources, those policies provided an incentive for public housing tenants with better financial means to vacate their public housing flats, so that the Government could reallocate the flats to applicants on the Waiting List. In this way, public housing could really function like a "revolving door", or, to quote a remark from the Government, to make available the public housing resources for people with genuine needs.

Deputy President, in 2002, in order to shore up the collapsing property market, the Government called a halt to the sale of HOS flats. At present, HOS flats available for sale are only remainder units from previous HOS projects. If the people would like to attain home ownership now, they can only buy a property in the private market or from the secondary HOS market. However, the marketing methods adopted by property developers recently are very "innovative". When I came across property advertisements in the newspapers, I thought that I was in Europe indeed, as there were all these names like Venice and Provence, and so on. Some people described the properties of Hong Kong as "toothpicks embedded with diamonds". As Mr Fred LI remarked just now, some residential flats are only 400 to 500 sq ft in area, but the property developer would build a luxurious clubhouse using quality materials and put it on the market as upscale and luxurious flats. A residential unit in Sham Shui Po would carry a price tag as high as \$6,000 to \$7,000 per sq ft. The reason for these marketing gimmicks is to push up the prices of the housing projects by packaging them as upscale and luxurious flats. At present, the property price of many residential flats all over the territory has reached \$3,000 to \$4,000 per sq ft, and an ordinary flat of 500 to 600 sq ft could easily cost something like \$2 million. For certain housing projects in the reclamation area of West Kowloon, the selling price could even exceed \$3 million. Deputy President, according to the property price index, the current property prices are the highest in nine years. In view of the prevailing negative interest rate and the anticipated downward trend of the interest rates, there are analysts who believe that the property prices of Hong Kong will continue to rise by 10% or even 20%. In my opinion, this has satisfied the first condition under which the authorities would consider relaunching the HOS; in other words, property prices are at an extremely unreasonable level. The prevailing property prices appear to have satisfied this condition.

The second condition put forward by the authorities for relaunching the HOS is "whether demand is greater than supply in respect of the supply of middle to low prices residential units; in other words, insufficient supply". I think it is inappropriate of the Government to have laid down this condition. With regard to the supply of residential flats, under the Application List mechanism, real estate developers may apply for land for property development projects after having assessed their individual land bank condition and the level of investment risk. However, I think the crux of the current problem is not insufficient supply. There is a sufficient supply, and it is the property developers who have pushed property prices to an unreasonable level by means

of marketing strategies, so much so that the ordinary people have found it beyond their affordability to purchase private property, even for university graduates who have graduated for a number of years, or even working couples.

Deputy President, the Civic Party very much supports that the Government should actively consider relaunching the Home Ownership Scheme, the Tenants Purchase Scheme and the Home Assistance Loan Scheme. Thank you, Deputy President.

MR ALBERT HO (in Cantonese): Deputy President, today we have two very interesting debates indeed, and regarding the second debate, if we take a closer look at the motion, surprisingly it is about a request made by a group of democratically elected Members of the Hong Kong Special Administrative Region (SAR) to the SAR Government for the resumption of some housing policies adopted in the colonial era, and such policies include those implementing the Home Ownership Scheme (HOS) or the Tenants Purchase Scheme, and so on.

This has highlighted a more complicated issue. Deputy President, we find that, to our amazement, there were indeed some good policies implemented in the colonial era. Yet, being democratically elected Members ourselves, we find ourselves exerting pressure on the SAR Government and questioning why it should have abolished the good policies of the colonial era! Why would something like this happen after all? This has something to do with the first motion debate held earlier on, when a new Director of Bureau became furious and lashed out at a new Member who assumed office and made her debut in this Chamber today — and this is a Member elected to the Legislative Council with the mandate of 170 000 voters. How did the Secretary lash out at her? He said she should not have made the irresponsible remark that there would be no democracy if the people's livelihood was not taken care of. He meant to say that no good policy whatsoever had ever been implemented in the colonial era. When this new Director of Bureau became furious today, I believe he had not gone through a calm and rational thinking process. I believe the new Member, Mrs Anson CHAN, was only stating a very simple truth: That there will be no democracy if the people's livelihood is not taken care of. It is actually a very simple statement delineating the relationship between democratic politics and people's livelihood. In other words, under a democratic system, there will be systematic protection for people's livelihood, because democracy enables the

people to be the masters of society, and if the people are the masters of society, their aspirations can be expressed through the parliamentary system which will provide ways of protecting people's livelihood. The logic is as simple as that.

I really do not understand why the Secretary had become so furious today and extended the issue to such an extreme extent as interpreting that remark as saying that without a democratic system, the people would never have a good living. History tells us this is not true. Frankly speaking, even in ancient totalitarian eras, if a good emperor was in power, he would probably implement some good policies, would he not? This was particularly the case during the colonial governance over the past few decades, especially since the beginning of the 1970s, when modernization began to take place in the colony with the adoption of a more open approach in colonial policies. Therefore, I definitely would not say that there were no good policies whatsoever during that period of time.

Therefore, the reaction of Secretary TSANG Tak-sing today may have something to do with some painful and agonizing experience he had had in his interaction with the colonial government in the past, which has caused him to react so emotionally. I hope Mrs CHAN would not be affected by such irrational accusations. However, I must point out today that although a great number of policies implemented by the colonial regime in the past should be subject to criticisms in their own right, as many of them were unfair and exploitative or even caused an infringement on our freedom of speech and basic human rights, I do agree with many Members on what they have said today. As Mr Alan LEONG said just now, the housing policy and the medical policy at that time were good policies implemented in the light of the prevailing social conditions of that particular period of time. If Murray MACLEHOSE did not construct large numbers of public housing estates that provided stable and comfortable dwellings for many people and spared them being cast off by the "landlady", how could our younger generation at least have quiet places to study and make their way to the universities, where grants and loans were available? Today, these people have become professionals or even CEOs of large corporations. These were the good policies of the colonial era.

However, even good policies have to keep abreast of the times. Building seven-storey high public housing estates was a good policy in the 1970s, when it was an option far better than not having a dwelling place at all or having to live in squatter huts on hillsides. However, in the 1980s and the 1990s, those public

housing flats were no longer acceptable to the public. As a result, many new types of public housing emerged, such as the harmony blocks, and so on. The people have new aspirations too. In addition to the requirement of inexpensive rents, they like to have more choices, which would allow them to purchase their properties through schemes similar to the HOS. This is what we call "keeping abreast of the times", and these are people's aspirations to which the Government must respond.

At the end of the day, a system of democracy would ensure that the Government cannot rule on the personal preferences of those in power or on a rule of man basis in determining whether or not good policies should be implemented. A system of democracy would ensure that the Government must respond to the aspirations of the people, and that the aspirations of the people can translate into government policies through a democratic voting process. Therefore, the logic is as simple as this, and this motion debate is in fact most meaningful.

Besides, the same logic also applies to the HOS. Deputy President, the HOS is a very innovative policy for the people to achieve home ownership. I remember in the 1990s, Members of Parliament from Britain visited Hong Kong and examined this system with their own eyes. They found the system very good, because it provided a stepping stone for the people to achieve home ownership. The people are not required to pay in full for a flat all in one go; instead, they only have to pay for the licence of residence. In a sense, it means that the people are buying a certain portion of the ownership of the premises, which would remain non-transferable until full payment of the land premium is made. In other words, it allowed the people to pay for a property in two phases. It was a very innovative practice that enabled many public housing tenants to move up, through the HOS system, and become home owners of private properties, because there was a stepping stone between the two phases. This is really very good, and it is also a measure for stabilizing the property market. In other words, when property prices soar, the people can have one more option.

Deputy President, as such, I definitely would not say that colonial policies are not even worth mentioning or were completely worthless. In fact, they did have their value. But the problem is, the need for a democratic system is even more important to us, so as to ensure that our present Government can have the capabilities to distinguish between the good and the bad — so that the Government can retain the good policies at that time which are in line with the

aspirations of the people, and that it will not bend to the pressure exerted by major property developers and abolish the HOS system which merits our commendation. Thank you.

DEPUTY PRESIDENT (in Cantonese): The speaking time is up.

MR FREDERICK FUNG (in Cantonese): Deputy President, today's debate covers three areas, namely, the HOS, the Home Assistance Loan Scheme (HALS) and the Tenants Purchase Scheme (TPS). With regard to these three schemes, I have three different stances, but since all of them are included in the same motion, I cannot vote on each of them differently. Therefore, I shall vote in support of both the original motion as well as the amendments, and I shall explain in my speech what I support and what I oppose. Among these three schemes, I oppose one of them, and I shall talk about them one by one later on.

First of all, let me talk about the HOS. No sooner had the Government announced the decision to stop building HOS flats than we voiced our objection, and we still maintain our objection even to this day. All along, I have always held the view that the Government should carry on with the production of HOS flats. One of the reasons is that the HOS allows the people to achieve home ownership by offering a considerable discount in land premium in question. This provides an additional stepping stone for the people in making their way to home ownership, that is, they could move up the ladder step by step, from living in public rental housing (PRH) flats to private rented premises, and from buying HOS flats to private properties or even luxurious properties. The HOS provides an avenue for low-income people to achieve home ownership. If we take a look at history, we will find that it normally took place when the economy was booming. The better the economy, the greater the demand. At times of poor economic conditions, the demand would simply vanish. I believe we should evaluate the current conditions and determine if the economy of Hong Kong is picking up again, so that more people now aspire to home ownership. I believe this is indeed the case, so I think the HOS should be relaunched.

The second reason is that the HOS enables the grass-roots people living in rented flats in older premises of poorer conditions to have earlier opportunities to buy premises of better quality and therefore become home owners themselves.

As regards the third reason, it was not put forward by me. Instead, it was put forward by government officials while I was a member of the Housing Authority, and it was the so-called "revolving door". By the "revolving door", it means that when a PRH tenant has purchased a HOS flat, the PRH flat in question can be vacated for renting by others. In other words, each HOS flat would benefit two households. Past statistics show that, and the Secretary must know this better than I do, from 1978 to 2003, a total of 300 000 HOS flats had been sold, of which 147 000 were sold to PRH tenants or families on the queue awaiting allocation of PRH flats.

On the other hand, there are at present 660 000 PRH flats, but the number of applicants on the Waiting List has kept increasing. In 2004, the number of applicants was 91 000, but in June this year, the number had risen to 108 000. At present, it takes an average of 1.8 years for a Waiting List applicant to be allocated a PRH flat, whereas the waiting time for an elderly person is 1.3 years. As we can see, the number of Waiting List applicants has not decreased. Over the years, the average number has always been close to 100 000. In my opinion, calling a halt to the sale of HOS flats will lead to a greater demand for PRH flats, because in the absence of HOS flats, people will have to rely on PRH flats. Therefore, this is one of the points related to the "revolving door".

The third point related to this "revolving door" is: It would shorten the time required for waiting for allocation of PRH flats. In 2007, there were 45 700 families living in public housing estates with a monthly household income of \$30,000 or above, and the number in 2006 was approximately 40 000. In other words, the number of high-income public housing families has increased by 13%. In the face of this rate of increase, the Government responded by introducing the housing subsidy policy, under which tenants with household incomes exceeding the corresponding Subsidy Income Limits are required to pay higher rents, which are twice or three times of the original amounts; or they could be required to pay the market rents or even be vacated. We do not agree that we should adopt punitive measures as a solution. In fact, at certain points, tenants could be encouraged to purchase HOS flats so as to vacate the PRH flats they are occupying. These ideas were actually first proposed by government officials of the Housing Department or even those of the rank of Directors of Bureaux, and I agree to such ideas. Why can we not take this into consideration, so as to vacate more PRH flats for those people in need? This can also reduce the Government's pressure for building more PRH flats. I will not go into such details as how this can increase the revenue for the Housing

Authority, and so on. I just hope that the Housing Department and the Secretary can contemplate the public housing issue from this angle.

In addition, there is one more reason, and that is the three conditions mentioned by the Secretary earlier on, including a serious imbalance in the property market and the lack of mobility of PRH flats — I believe there cannot be any mobility in this regard because, as the Secretary may know, the number of PRH flats that have been built during the past few years is too small. For example, only about 15 000 flats have been built this year. In fact, we need about 30 000 PRH flats every year for allocation to applicants on the Waiting List, and if the authorities fail to find enough flats each year, a greater pressure will build up in the future. The second condition is that there must be a consensus in society. Certainly a survey on this matter has to be conducted by the Government, but judging from the amendments and the speeches delivered by Members today, a consensus has already been reached in this Council.

The third condition is whether there is a serious imbalance in the property market. I have seen such an imbalance beginning to emerge. In the past, property developers would build different types of premises, including low-price flats, middle-price flats and high-price flats. However, nobody is building low-price flats now. Even in the Shum Shui Po district, the constituency to which I belong, which is the poorest community in the territory, no low-price flats are constructed there anymore. The flats of a new building in the district cost as much as over \$6,000 per sq ft. In other words, property developers tend to target at families with higher incomes, and as a result, they have to package their properties as luxurious flats. According to the statistics, during the period from 2003 to 2005, the prices of private properties have increased by 40%. Property developers no longer regard the grass-roots people as their target clients. From such a perspective, should the Government include grass-roots people's home ownership into the scope to which it should offer assistance? As such, in view of the various reasons, I support that the HOS should be relaunched expeditiously.

On the other hand, I oppose the loan schemes. As I have said just now, the property market is getting more and more robust, and property prices have surged by 40% over the past two years. If the authorities provide loans to enable more people to enter the property market, the increased demand will push property prices up to an even higher level. I believe instead of jumping onto the

bandwagon, the Government must refrain from aggravating the current situation. Therefore, I oppose this proposal.

With regard to the TPS, since it has been implemented for many years now, many problems have in fact emerged, including maintenance and management problems. Some public housing estates cover a huge area. Let us take the TPS of the Lei Cheng Uk Estate as an example. The area it covers is even bigger than the constituency of a District Council. In addition to maintenance and management problems, it also involves a political issue. If a person can gain the support of the owners' corporation, he will be able to win a seat in the District Council. But is this desirable? This issue warrants discussion. If the TPS is to be implemented at all, studies must be conducted and certain basic conditions must be satisfied beforehand; for example, the Housing Department should continue to be responsible for the management and maintenance of the TPS estates. In my opinion, only if these conditions are satisfied will it be worthwhile to consider relaunching the TPS. I agree to the TPS with conditions.

Since I hope that the Government can consider the issues seriously, so I will vote in support of both the original motion and the amendments today. Thank you, Deputy President.

MR HOWARD YOUNG (in Cantonese): Deputy President, every Hong Kong citizen wishes to own a warm and cozy home that really belongs to him. In the past, the Government adopted many measures to help Hong Kong people to realize their dream. The various subsidized home ownership schemes implemented by the Government, such as the Home Purchase Loan Scheme in 1988, and the Home Assistance Loan Scheme (HALS) in 2003 and 2004, have proved to be popular with the public for achieving home ownership with government subsidies.

Let us take the HALS as an example. The original annual quota was only 10 000, but after the scheme had been launched for 11 months, more than 14 000 applications had been received, which exceeded the original quota by 40%. For this reason, the Housing Authority (HA) had to close the application earlier than originally scheduled. However, in mid-2004, the HA terminated this highly popular scheme which could assist the public to achieve home ownership, on the ground that it would be completely withdrawing from the property market to avoid interfering with the operation of the market.

The Liberal Party thinks that by terminating the HALS, the Government was ignoring the actual needs of prospective home buyers. In fact, as far as many first-time home buyers are concerned, although the prevailing interest rates are low and the mortgage payments are affordable, many of them continue to find the 30% down payment a formidable hurdle.

Although a number of banks offer mortgage loans of up to 90%, given that this involves a secondary mortgage with higher interest rate, the interest payment will be significantly higher than those for mortgage loans of 70%. If interest-free loans were available for prospective home buyers to cover the 30% down payment, it would greatly alleviate their pressure, and they will also find the mortgage payments a lot easier to cope.

Therefore, we suggest introducing a brand new subsidized home ownership scheme for first-time home buyers, under which eligible applicants will be offered an interest-free loan not less than \$600,000, which is equivalent to 30% of a residential flat with a value of \$2 million, and the quota should be fixed at 3 000.

Apart from helping first-time home buyers to reduce their burden, the greatest merit of the scheme is flexibility. Compared to the construction of HOS flats, if the people choose to buy a property with the assistance of the HALS, it will impose fewer restrictions on them in terms of their preferences of location, the property's design and other support facilities, and so on. This offers them greater flexibility and enables them to become home owners much faster without further waiting.

As the Chief Executive, Mr Donald TSANG, has said: With the same amount of public monies, is it better to use it for constructing HOS flats, or for enabling eligible persons to "pick" a more suitable flat of their own choice in the property market? We very much agree with him in this regard.

Furthermore, at present, children are generally encouraged to take care of their parents. If the children would like to live in the same district as that of their parents, but they are unable to purchase a property in the same district due to insufficient financial resources, does that mean they have to wait until the HA has completed the construction of HOS flats in that particular district? In our budget wish list, the Liberal Party suggests relaxing the current restrictions on dependent parent allowance, under which only those who are living with their

parents are eligible for the allowance. Instead, we suggest that the allowance should be offered to those who live within the same housing estate as that of their parents. If the Government can provide subsidies for home ownership to the children, this will give them an incentive to choose to live in the vicinity of their parents.

Deputy President, the HALS has another advantage. It can provide a real incentive for public housing tenants to achieve home ownership and surrender their public housing flats, which in turn can shorten the waiting time for people on the Waiting List. Let us take the last HALS as an example. Green Form Applicants accounted for 45% of the total number of applicants. However, in the latest sales exercise for surplus HOS flats, only 30% of the applicants were Green Form Applicants. From this, we can see that when a comparison is made between the HALS and the HOS, the former is more popular with public housing tenants, and it could function better in achieving the "revolving door" effect for public housing.

Furthermore, if we compare the HALS to the HOS which requires the provision of a subsidy of \$650,000 for each flat, the HA only needs to subsidize each HALS applicant an amount of \$170,000. On top of being less costly, the HALS also enables the HA to recover many expensive public housing flats for re-allocation. In addition, the HA no longer has to bear the risks involved in building HOS flats. After taking all the factors into consideration, this is really a bargain. Besides, the HALS will not deal any blows to the property market; on the contrary, it will have a stabilizing effect on the property market.

Deputy President, as such, it is evident that the HALS is beneficial to all parties concerned, including the people, the Government and the property market. It will be able to create a "win-win-win" scenario and would really achieve optimal utilization of the housing resources. In view of the fact that the HA has an enormous cash balance of \$52 billion, it is in a good position to relaunch this scheme. We urge the Government to consider this seriously and to relaunch this highly popular scheme.

Deputy President, I so submit.

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

MR LEUNG KWOK-HUNG (in Cantonese): Deputy President, officials should be broad-minded.

There are two ever-lasting lines in the poetic works of our great poet DU Fu, "Where can I get a big broad shelter a thousand, ten thousand spans wide, huge roof that all the world's poor people can share with smiling faces?"(安得廣廈千萬間，大庇天下寒士俱歡顏) They are frequently quoted by us. However, the ensuing lines are seldom quoted. What are they? They read, "Wind and rain won't budge it, solid as a mountain. Ah, when I can see that roof soaring before my eyes, my one hut blown away, my freezing to death, none of that will matter!"(風雨不動安如山。嗚呼！何時眼前突兀見此屋，吾廬獨破受凍死亦足) Our great poet DU Fu was living in a thatched cottage in Chengdou then. His son could not sleep that night, and so could he not because water fell through the roof of his cottage all night, and the water on the ground was flowing like a small river. For this reason, he could not even put his feet on the ground.

We all know that he was a victim of the An Shi Rebellion. He was also an official. And our officials — Uncle SUEN, Donald TSANG and TUNG Chee-hwa launched "SUEN's nine strokes" in a bid to save the property market. Later, "SUEN's 10 strokes" were launched as well. Had DU Fu been able to see such housing projects, he would say if everyone could have a dwelling place like he did, then he would not regret even if his thatched cottage became beyond repair and he had to die as a result. How can our officials have such breadth of mind? All they can or could do is to defend the "poor tricks" devised by TUNG Chee-hwa then and Donald TSANG now.

I wish to tell TUNG Chee-hwa, Donald TSANG and Secretary Michael SUEN that our caged homes are a strange wonder in the whole wide world. It is a strange wonder of poverty. We still have many people living in very miserable conditions, which are not compatible with the living standards stipulated by the United Nations as the human rights standards. They should be living in public housing, but it takes three years of waiting before a person can be allocated a public housing flat. Our "Uncle TUNG" had once had the wishful thinking of catching up with Singapore — yet he had never implemented any reforms as Singapore had done — to enable 70% of the population to achieve

home ownership. That was why even some old public housing flats were still put up for sale, and now those who had bought such flats have much to suffer now.

The Government was afraid that property developers' flats could not sell well, so it had to devise some plans to help them. So it proposed to lend money to the people to enable them to buy such flats. The Government was afraid that the flats did not sell well, so it stopped constructing HOS flats. But in the meantime, no additional public housing projects were implemented. This Government has already gone crazy, and there is no remedies for it now. We all know that, in time of deflation, it is the best practice for the Government to proceed with infrastructure projects as well as housing projects for the poor people because firstly such project would involve lower construction costs at such times and secondly, such projects would provide more jobs for the people, and thus the bar benders would not have to endure such hard times.

But this Government has always acted contrary to all rational senses. Many top officials are nicknamed as "property kings" or "property queens" for owning large numbers of properties. It would bring them proportional advantages direct should the prices of their properties go up. So, there are strong reasons for them to push up the property market, which was the basis of the stock market in the past. Therefore, they do their best to "push, push, push" up the market. But in doing so, are they doing justice to those who are still living in miserable conditions, or those who have paid a lot of money to buy only very tiny flats? In the entire world, with the exception of the pathetic city of London, Hong Kong is the place where its people have to pay the highest ratio — the mortgage repayment-to-income ratio. There is no doubt about it as the figures have proved it. Today, we are still discussing the need to save the property market, what kind of government is it?

I had opposed the sale of The Link REIT in this Council. The Government then claimed that they did not have enough money. But now it has a surplus of \$52 billion. I had once proposed to initiate an investigation into The Link REIT, but no one was willing to go ahead — now it is proposed to conduct an investigation into a certain person. But I also support the idea. In my opinion, if a person has done nothing wrong, is open and aboveboard, then she needs not worry about any investigation. This Council suffers from split personalities — it can investigate into a certain group of persons, but not another group of persons. I had accused LEUNG Chin-man and Michael SUEN. I

felt that there were some problems with them. I was arrested while I was staging a protest. It happened all because the Secretary then enacted a law to establish the rent adjustment mechanism that allows for increase and reduction, and he was prepared to impose rent increases on public housing tenants. Public housing tenants are the poorest group of people in Hong Kong, but Secretary Michael SUEN insisted on setting up a rent increase mechanism. What kind of government is it?

Today, Secretary TSANG — of course I am referring to Secretary TSANG Tak-sing — said something like colonial this and colonial that. Come on, are you not ashamed of yourself? That Donald TSANG under whom you are working was exactly a top colonial official of the previous era and now he is the top official appointed by the Communist Party, selected by 800 persons to suppress us.

Members, I do not know Mrs CHAN, nor do I know Mrs FAN, or even Mrs IP. I absolutely do not know all these Mrs so-and-so. I have reiterated this many times. The crucial issue is, if we follow his logic, then all the Secretaries of Departments and Directors of Bureaux are incapable. After joining the cabinet of a person elected by a small circle of voters and even sharing the beliefs of that person, how can you still have the luxury of talking about morality? Investigation, investigation, investigation There is no problem for you to investigate into The Link REIT incident, or any other persons, but if a government openly provides services for property developers without offering apologies to all Hong Kong people, then even DU Fu would have to write another poem to lash out at this government if the poet's spirit is still with us. May I ask Members to recite the poem about the poet's thatched cottage if you have time (*The buzzer sounded*)

DEPUTY PRESIDENT (in Cantonese): Your speaking time is up. Does any other Member wish to speak?

(No Member indicated a wish to speak)

DEPUTY PRESIDENT (in Cantonese): Mr CHAN Kam-lam, you may now speak on the amendments. You have up to five minutes.

MR CHAN KAM-LAM (in Cantonese): Deputy President, I think I will not have to spend five minutes responding to the two amendments because the wordings of my motion are in fact very simple and explicit, that is, we hope that the Government can re-activate the review mechanism. It is because, for some time, we can really see that the housing supply and property prices have far exceeded the affordability of the middle and lower classes in buying their own homes.

Mr WONG Kwok-hing's amendment urges the Government to expeditiously relaunch the various subsidized home ownership schemes. Of course, as a grass-roots Member, he has a very good understanding of the aspirations of the grass-roots people and their strong desire to buy their own homes. So, I can fully understand this amendment. It is because some residents of our districts frequently ask us when they can buy their own properties. At the moment, property prices in the market are very high, and they are unwilling to move out of their own communities. They hope to buy some HOS flats in the vicinity, but such HOS flats are not available in the market. On the other hand, other flats on sale in the market are very expensive. On this issue, if we really keep tabs on the pulse of the people in the districts, we should be able to have a good understanding of it.

With regard to Mr LEE Wing-tat's amendment, actually he has only added some qualifiers to the original motion. We all know what the present realistic situation is. Besides, he also mentions that the provision of an appropriate amount of flats should not affect property prices in the market as well as the property market in general. This we agree too.

In my earlier speech, I repeatedly said that the present market situation can be described as having deviated from its normal track and is gradually developing towards the crisis similar to that of 1997. Therefore, we hope that the Government can really have a sense of crisis. We also understand that there were really many good policies before the reunification. As Mr DENG Xiaoping had said before, "Be it a white cat or a black cat, the one that can catch mice is a good cat." In other words, insofar as policies are concerned, regardless of whether they were formulated in the colonial era or under the rule of the SAR, if they are good ones, then we should adopt them and listen to more viewpoints of others. Although the HOS policy had been suspended for a period of time since 2002, I think we should not make it a permanent cessation.

Since it is a good policy, why can we not reconsider its implementation? As the circumstances are changing all the time, so are our housing demand and the market values of properties; as such, why can we not reconsider implementing some policies that had been proven effective in the past?

Therefore, I think, regarding this issue, we should adopt an open attitude and hope that the Government can conduct more consultation, make assessments before implementing the policies, and even conduct an analysis of the data on hand; and then we should review the motion today to see if it really deserves Members' support. Regarding this issue, I hope all the parties concerned, such as the Government, the ordinary people and even Honourable colleagues in this Council, will not act as if nothing significant had taken place after today's debate. I hope that the discussion on this issue can go on in future.

(THE PRESIDENT resumed the Chair)

While we very much hope to see that the various schemes can be restored expeditiously — even discussions are not necessary, as Mr WONG Kwok-hing said, I think it is really necessary for the Government to conduct consultations. With our economy having gone through the rough times during the past few years, the construction industry and the property market have really proved to be significant elements in our economy, we shall not allow our economy to be injured easily. Therefore, in formulating this policy, the Government must exercise great prudence. However, we need not be afraid that a reconsideration of this policy may affect the overall property market or the overall economy. Therefore, I hope our government officials can also adopt an open attitude and be bold enough to make new attempts, to make analyses and to formulate new policies. Today, after such a debate among Members, we support such a view. Thank you, President.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Madam President, I am grateful to Members who have spoken on the motion and amendments, as well as giving their views on various subsidized home ownership schemes.

The schemes mentioned in the motion include the Home Ownership Scheme (HOS), Tenants Purchase Scheme (TPS) and Home Assistance Loan Scheme (HALS), which have all contributed to the prosperity, stability and harmony of Hong Kong. Close to one quarter of all the residential units in Hong Kong are sold with some form of subsidization and more than 1 million citizens have purchased their homes through these schemes. However, with the changes that have taken place in society and economy, the Government has to respond proactively to the times and revise its housing policy as appropriate in order to cope with the economic changes, especially developments in the property market and public opinion expressed.

Therefore, the Government undertook a full-scale review of the housing policy in 2002 in the light of the social and economic conditions at that time. It was made clear that the position of the Government, with respect to subsidized housing policy, was to provide public rental housing (PRH) to those low-income households which do not have the means to rent private residential flats. The Government should retract from its role as a developer and stop the construction and sale of subsidized public housing. Government intervention of the market should be minimized. Encouraging the people to purchase their homes should not be made an objective of government housing policy and purchase of flats should be a matter of personal choice and affordability. We have not set any goals in home ownership rate. In line with the repositioned housing policy, the Housing Authority (HA) ceased the production of HOS flats in 2003 and the HALS in 2004. The TPS ceased after the launching of Phase 6B in 2005.

Ever since the repositioned housing policy has been put into practice, there has been steady growth in the property market. There is a wide range of residential units of various types and prices available in the market for aspiring home buyers. Therefore, we consider that the existing housing policy is compatible with the socio-economic environment of Hong Kong now.

I would now like to state our position with respect to the three subsidized home ownership schemes mentioned in the motion.

First, the HOS. On the subject of relaunching the HOS, I stated clearly our position in the meeting of the Legislative Council Panel on Housing held on 22 October 2007. We consider that a relaunch of the HOS can only be considered when the following conditions are available.

First, market situation. The first condition is whether a serious imbalance exists in the market and that property prices are at an extremely unreasonable level, making it difficult for the lower and middle classes to purchase flats.

In this connection, we can review the developments in the property market during the past decade. During the period from 1997 to 2003, the cumulative drop in property prices, as many of us would still recall, was over 60%. With the recovery of the local economy since 2003, property prices have been steadily picking up from the trough. In 2007, there were increases in both the number of transactions and property prices due to factors like the decline in mortgage rates and good returns from land sales. However, the overall property price level is still lower than the peak in 1997 by about 40%.

Meanwhile, apart from increases in property prices, with an improved employment situation and income growth following the economic recovery, the affordability of home buyers has been enhanced.

In general, despite the rise in property prices in recent years, flats of various types and prices are still available in the residential property market. Insofar as middle-to-lower priced flats are concerned, the number of transactions of property valued at less than \$2 million accounted for almost 60% of the total number of transactions in the past few years. We will continue to keep a close watch on market developments, including trends in property price changes and the supply of flats.

Second, turnover of PRH flats. The second condition is whether the turnover of PRH flats is so low that the waiting time for PRH flats has been seriously affected. At present, PRH residents can purchase HOS flats in the secondary market without the need to pay premium. In fact, since the cessation of the production of the HOS, there has been a steady rise in the number of PRH flats surrendered voluntarily by sitting residents or recovered from those who have purchased flats in the HOS secondary market, and the number has risen from about 5 400 cases in 2004-2005 by 1 500 cases to 6 900 cases in 2006-2007. Currently, about half of the PRH flats available for allocation each year are flats recovered from PRH residents. It shows that there is a certain degree of turnover of PRH flats under the existing system. Furthermore, the current average waiting time for PRH for general family applicants is around 1.8 years, which is within our pledge of maintaining the average waiting time at about three years.

The third condition is whether there is a public consensus to revise the existing housing policy. Our view is that if we are to revise the repositioned housing policy of 2002, we must consider if there is any public consensus for such a revision. The existing policy is to concentrate resources on catering for the housing needs of families that cannot afford private rental housing and to maintain the average waiting time for PRH at a satisfactory level. Although there are views that the Government should enter the market and provide subsidized home ownership schemes again, we notice that there are divergent views in society. Such divergence is understandable, as any change in the existing housing policy will have far-reaching implications on not only the property market but also the economy as a whole. We must therefore exercise prudence in our consideration of the matter.

So with respect to the HOS, we will keep a close watch on the developments in the abovementioned aspects and listen to views expressed by different sectors across the community. At the present moment, we will continue with the disposal of surplus HOS flats in an orderly manner. Members from the DAB have indicated that a survey has been conducted and findings show support for the production of HOS flats. Perhaps let me cite some figures for Members' reference. The HA conducted the Public Housing Recurrent Survey in 2007. Questions were asked on the views of PRH residents in home ownership and purchasing HOS flats. Five thousand households were sampled in the survey, of which 3 000 were PRH tenants. The overall response rate was over 90%. Findings of the survey show that only 4.6% of the PRH households want to purchase the surplus HOS flats. So there may still be a gap in agreeing to the production of HOS flats or in buying such flats.

I would now like to turn to the HALS. With the repositioned housing policy in 2002, the HA launched the HALS in 2003 as an interim measure after the cessation of the production and disposal of HOS flats. When the HALS was launched, we pointed out that loans to home buyers can be regarded as an act of participation in the private market. Hence in 2004, the HA decided to cease the HALS and withdraw further from the market in order to concentrate its limited resources on providing PRH to the needy.

On the question of whether or not the HALS should be revived, apart from the need to examine the abovementioned three considerations as to whether HOS should be relaunched, the following aspects should also be noted.

First, there are in fact many competitive mortgage loan schemes and concessions available in the market for aspiring home buyers to choose from. On the down payment, home buyers may obtain mortgage loans as much as 95% of the consideration of the flats through the mortgage insurance plan of the Hong Kong Mortgage Corporation Limited. Buying a flat is a most important decision for many people in Hong Kong. It is a matter of personal choice and affordability. The Government and the HA should not play the role of a lender anymore and affect the people's decision to act according to their affordability in home purchase.

Second, in implementing a loan scheme, the HA has to bear the financial implications related to the subsidized loans or assistance. It also has to bear the administrative costs and risks of loan defaults. This additional commitment will create financial pressure on the HA. After the cessation of the scheme, the HA may concentrate its resources on catering for the housing needs of PRH tenants and applicants on the Waiting List.

So with respect to the relaunch of the HALS, we will continue to watch closely the three considerations as to whether HOS should be relaunched, the abovementioned factors and also their developments. We will continue to listen to views from all quarters.

With respect to the TPS, it was introduced in early 1998 by the HA with the aim of enabling PRH tenants to buy the flats they rent at an affordable price as well as assisting the Government to achieve its policy objective of reaching a home ownership rate of 70% in 10 years' time. The Government decided during a full-scale review of its housing policy in 2002 that it was unnecessary for the Government to continue to maintain the home ownership target. It was pointed out that a certain number of PRH flats should be maintained to satisfy the needs of eligible households on a long-term basis. In line with this policy, the HA ceased the TPS after the introduction of Phase 6B in 2005. We do not have any plans at this stage to relaunch the TPS. The major considerations are as follows.

First, supply of PRH flats. There are currently more than 110 000 applicants on the Waiting List waiting for PRH allocation, with an average of 2 000 to 3 000 new applications received every month. The HA must concentrate its limited housing resources on catering for the needs of low-income families that cannot afford private rental housing, so as to maintain the average

waiting time for PRH allocation at about three years. As I have said, recovered flats have all along been an important source of PRH supply, accounting for about half of the PRH flats allocated by the HA each year on average. According to the present forecast, only about 15 000 PRH flats will be produced annually in the next five years. The HA therefore has to make effective use of its existing PRH stock for allocation. PRH flats, once sold to the tenants, will never be returned to the HA for reallocation. This will inevitably undermine the ability of the HA to implement a sustainable public housing programme and maintain the average waiting time at around three years.

The management of TPS estates is also very important. The HA has encountered many problems in the management of PRH flats in TPS estates. As mentioned by Mr Frederick FUNG earlier, irrespective of the number of PRH flats sold, as in the case of private properties, a TPS estate has to be managed by its Owners' Corporation (OC) which decides on how the estate is to be managed. In some TPS estates, due to the lack of the OC's consent, the HA's estate management measures, such as the Marking Scheme for Estate Management Enforcement, cannot be implemented in the estate public areas. This has prevented the uniform enforcement of the HA's estate management policy. Consequently, tenants living in TPS estates and those living in PRH estates are subject to different management measures. This is not satisfactory.

The third is other subsidized home ownership options open to PRH tenants. If PRH tenants wish to purchase a flat, there are still other avenues of subsidy. They may purchase flats in the HOS or TPS secondary markets without paying premium.

Mr LEE Wing-tat mentioned earlier that some families would like to make use of the TPS so that when the tenants become advanced in age, the younger members of the family may be added to the household and so facilitates the care for the elderly members. This can also bypass lengthy application procedures. I would like to point out that the existing Special Scheme for Families with Elderly Persons under the Housing Department is a very effective Scheme and the application procedures are by no means lengthy and cumbersome. I paid a visit to a family recently and learnt that the family only spent less than one month's time before family members were added to the household.

What I would like to say is that both Members and I are concerned about the target of "more effectively utilizing housing resources and alleviating the burden of housing on the public" as stated in the motion. As a matter of fact, limited housing resources are important social resources. Land resources for public housing are especially valuable given the scarcity of land and the enormous population in Hong Kong. Hence prudence must all the more be exercised in the use of land resources. The repositioned housing policy in 2002 allows the HA to concentrate its limited land and financial resources on providing PRH to families that cannot afford private rental housing. These families no doubt badly need housing assistance. We consider that this policy direction allows most effective use of limited housing resources. Previously some Members said that the Government did not have enough commitment to those in need when it ceased to produce PRH flats. I would like Members to note that our pledge is to maintain the average waiting time for allocation of PRH at about three years and we have managed to achieve a waiting time of about 1.8 years to date. Over the past five years, the HA assisted more than 120 000 households to be allocated PRH flats. This served to alleviate their burden of housing to a great extent. To provide subsidized home ownership again, be it in kind or loans and irrespective of the amount offered, will inevitably divert resources from and affect the HA's ability in implementing the public housing programme.

Some Members hold that the Government's cessation of various subsidized home ownership schemes is only aimed at propping up the property market. Other Members think that the Government's decision of not to introduce these subsidized home ownership schemes is only for the benefit of the developers. As evident in our considerations in these issues, these allegations are indeed far from being the truth. Madam President, the questions of how a government positions itself in economic activities and how public resources can be more effectively used have always been important issues for every government to consider. In formulating its housing policy, the Government has always been guided by the objective of assuring the interests of the community as a whole. In particular, the livelihood and housing needs of the low-income families are the primary considerations of our housing policy. The repositioned housing policy of 2002 minimizes intervention in the operation of the property market and facilitates its steady development. It also enables the HA to concentrate its limited resources on providing housing assistance to PRH tenants and over 110 000 needy applicants on the Waiting List. We consider that the existing policy facilitates the most effective use of the limited housing resources and can best serve the interests of the community overall.

Having said all these, I believe that my view on this issue is no different from that of many Members as a matter of principle. There is only a question of timing. We will continue to keep a close watch on the developments in the private property market and the turnover of PRH flats. The view expressed in this Council today is clear enough. We will definitely consider it carefully. We will not arrive at a subjective conclusion as to whether a consensus or otherwise has been reached in the community. We will consult the public extensively in due course to listen to views from all parties.

Madam President, I so submit.

PRESIDENT (in Cantonese): I now call upon Mr LEE Wing-tat to move his amendment to the motion.

MR LEE WING-TAT (in Cantonese): President, I move that Mr CHAN Kam-lam's motion be amended.

Mr LEE Wing-tat moved the following amendment: (Translation)

"To add ", as the private property market has become prosperous again and property prices continue to rise, which puts pressure on the burden of housing on the public," after "That"; to add "(HOS)" after "Home Ownership Scheme"; to add "and proactively consider resuming the construction of an appropriate number of HOS flats and the sale of an appropriate number of public rental housing flats, and the number may be adjusted according to the needs of the community, land available to the Housing Authority and its financial situation," after "Home Assistance Loan Scheme,"; and to add "as well as allowing the public to meet their housing needs through various channels" immediately before the full stop."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr LEE Wing-tat to Mr CHAN Kam-lam'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 Abraham SHEK rose to claim a division.

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

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

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

Functional Constituencies:

Dr Raymond HO, Dr LUI Ming-wah, Ms Margaret NG, Mr CHEUNG Man-kwong, Mrs Sophie LEUNG, Mr SIN Chung-kai, Mr WONG Yung-kan, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Ms LI Fung-ying, Mr Vincent FANG, Mr WONG Kwok-hing, Dr Joseph LEE, Mr Jeffrey LAM, Mr Andrew LEUNG, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr WONG Ting-kwong, Prof Patrick LAU, Mr KWONG Chi-kin and Miss TAM Heung-man voted for the amendment.

Dr Philip WONG and Mr Abraham SHEK voted against the amendment.

Geographical Constituencies:

Mr James TIEN, Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mrs Selina CHOW, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr TAM Yiu-chung, Mr Frederick FUNG, Ms Audrey EU, Mr LEE Wing-tat, Mr LI Kwok-ying, Mr Alan LEONG, Mr LEUNG Kwok-hung, Mr CHEUNG Hok-ming and Mrs Anson CHAN voted for the amendment.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 24 were present, 22 were in favour of the amendment and two against it; while among the Members returned by geographical constituencies through direct elections, 24 were present and 23 were in favour of the amendment. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was carried.

PRESIDENT (in Cantonese): Members have been informed that Mr WONG Kwok-hing will withdraw his amendment if Mr LEE Wing-tat's amendment is passed. Therefore, Mr WONG Kwok-hing will not move his amendment.

PRESIDENT (in Cantonese): Mr CHAN Kam-lam, you may now reply. You have up to one minute 28 seconds to speak.

MR CHAN KAM-LAM (in Cantonese): Today's voting results are crystal clear. Basically, there is an overwhelming consensus in the Legislative Council which indicates the aspiration to the Government's expeditious review of this policy, and where appropriate, it should proceed to build a suitable amount of HOS flats.

The Secretary has spoken very well in saying that, among all the Hong Kong people, nearly half of them are living in subsidized housing. This serves

to illustrate that this policy has always been a good policy in Hong Kong throughout the years. We cannot describe the role Government had played in the past as that of a developer just because of the adversities that emerged in our economy in 2002. We propose to resume the construction of HOS flats to give the people an opportunity of buying their own properties. This is not just a home ownership issue, but it is also an issue related to the overall housing policy. Therefore, I very much hope that the Government can listen to public opinions in the context of this motion, and that the officials can further contemplate the issue back in their offices, so as to formulate a good policy. Thank you, President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr CHAN Kam-lam, as amended by Mr LEE Wing-tat, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

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, 12 December 2007.

Adjourned accordingly at sixteen minutes past Seven o'clock.

Appendix I**WRITTEN ANSWER****Written answer by the Secretary for Commerce and Economic Development to Dr KWOK Ka-ki's supplementary question to Question 2**

As regards figures on the number of cases regarding the use of 3G phones by the Television and Entertainment Licensing Authority (TELA) to monitor the work of its inspection staff since 2005, the inspection work performed by TELA inspection staff are under the supervision of their supervisors through various measures, including monitoring with the use of 3G phones. As such supervision is the routine work of the supervisors, the TELA has not collected the specific data on the number of cases regarding the monitoring of inspection staff, including the cases involving the use of 3G phones.