

# OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 3 June 2009

The Council met at Eleven o'clock

## MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE JASPER TSANG YOK-SING, 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

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

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

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

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

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

THE HONOURABLE WONG YUNG-KAN, S.B.S., 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 ANDREW CHENG KAR-FOO

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

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

THE HONOURABLE VINCENT FANG KANG, S.B.S., J.P.

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE LEE WING-TAT

DR THE HONOURABLE JOSEPH LEE KOK-LONG, 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

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 KAM NAI-WAI, M.H.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE STARRY LEE WAI-KING

DR THE HONOURABLE LAM TAI-FAI, B.B.S., J.P.

THE HONOURABLE CHAN HAK-KAN

THE HONOURABLE PAUL CHAN MO-PO, M.H., J.P.

THE HONOURABLE CHAN KIN-POR, J.P.

THE HONOURABLE TANYA CHAN

DR THE HONOURABLE PRISCILLA LEUNG MEI-FUN

DR THE HONOURABLE LEUNG KA-LAU

THE HONOURABLE CHEUNG KWOK-CHE

THE HONOURABLE WONG SING-CHI

THE HONOURABLE WONG KWOK-KIN, B.B.S.

THE HONOURABLE WONG YUK-MAN

THE HONOURABLE IP WAI-MING, M.H.

THE HONOURABLE IP KWOK-HIM, G.B.S., J.P.

THE HONOURABLE MRS REGINA IP LAU SUK-YEE, G.B.S., J.P.

DR THE HONOURABLE PAN PEY-CHYOU

THE HONOURABLE PAUL TSE WAI-CHUN

DR THE HONOURABLE SAMSON TAM WAI-HO, J.P.

**MEMBERS ABSENT:**

DR THE HONOURABLE MARGARET NG

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

THE HONOURABLE ALBERT CHAN WAI-YIP

**PUBLIC OFFICERS ATTENDING:**

THE HONOURABLE HENRY TANG YING-YEN, G.B.S., J.P.  
THE CHIEF SECRETARY FOR ADMINISTRATION

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

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

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

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

THE HONOURABLE MATTHEW CHEUNG KIN-CHUNG, G.B.S., J.P.  
SECRETARY FOR LABOUR AND WELFARE

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

THE HONOURABLE EDWARD YAU TANG-WAH, J.P.  
SECRETARY FOR THE ENVIRONMENT

MR GREGORY SO KAM-LEUNG, J.P.  
SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT

**CLERKS IN ATTENDANCE:**

MS PAULINE NG MAN-WAH, SECRETARY GENERAL

MRS VIVIAN KAM NG LAI-MAN, ASSISTANT SECRETARY GENERAL

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT SECRETARY  
GENERAL

MRS PERCY MA, ASSISTANT SECRETARY GENERAL

**PRESIDENT** (in Cantonese): Clerk, please ring the bell to summon Members back to the Chamber.

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

## **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>
Ozone Layer Protection Ordinance (Amendment of Schedule) Order 2009 .....	114/2009
Tax Reserve Certificates (Rate of Interest) (No. 3) Notice 2009 .....	115/2009

## **ORAL ANSWERS TO QUESTIONS**

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

### **Implementation of Policies Relating to Children**

1. **MR CHEUNG KWOK-CHE** (in Cantonese): *Regarding the implementation of policies relating to children, will the Government inform this Council whether:*

- (a) *the authorities have no intention at present to set up a Commission on Children; if they have such an intention, of the timetable; and*
- (b) *the Government has set up any mechanism specially for co-ordinating and dealing with policies relating to children at present, so as to deal with the problems arising from the implementation of the Pre-primary Education Voucher Scheme, the*

*provision of subsidy to needy students for payment of Internet access charges, and the difficulties encountered by students with specific learning difficulties studying in mainstream schools?*

**SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS** (in Cantonese): President,

- (a) The Government attaches great importance to the protection of children's rights. Relevant bureaux would take into consideration the important factor of children's interests and perspective in formulating relevant policies.

Regarding co-ordination, matters concerning children cover a wide range of policies which are being taken care of by the respective bureaux. Mechanisms are in place within the Government for co-ordinating and handling policies that involve different bureaux and departments. The leading bureaux would consult other bureaux and departments in considering and dealing with relevant issues. Furthermore, the Policy Committee, led by the Chief Secretary for Administration, provides a high-level mechanism for co-ordination and co-operation.

As regards the collection of views, departments will duly consult relevant advisory bodies in formulating and implementing measures and policies related to children. The Family Council, established in late 2007, is tasked to examine, from the family perspective, departments' policies and programmes designed for different age and gender sectors (including children). It serves as one of the platforms for deliberation of child-related issues. Furthermore, children's views and suggestions are gauged through the Children's Rights Forum. The Government will continue to liaise with, and listen to the views of, non-government organizations that are concerned with children's rights.

We consider that the existing arrangements are operating satisfactorily, and enable us to flexibly respond to concerns and views expressed by different sectors of the community on child-related issues. We will continue to make full use of existing

mechanisms and avenues, in order to utilize resources effectively for the promotion of children's rights. We consider that there is no pressing need to set up an additional commission which specializes on issues concerning children's rights.

- (b) Issues such as those regarding the Pre-primary Education Voucher Scheme and the difficulties encountered by students with specific learning difficulties studying in mainstream schools are under the purview of the Education Bureau (EDB).

Since the implementation of the Pre-primary Education Voucher Scheme, the EDB has maintained close collaboration with the Student Financial Assistance Agency, the Social Welfare Department (SWD) and government departments concerned in co-ordinating matters relating to the voucher subsidy. The EDB has also been working closely with the SWD in streamlining the arrangement for fee subsidy for families under the Comprehensive Social Security Assistance (CSSA) Scheme.

Under the prevailing policy on integrated education, the EDB has put in place mechanisms and measures to support schools in catering for students with special educational needs, including those with specific learning difficulties. Apart from providing additional resources for schools, such as the Learning Support Grant with a ceiling of \$1 million per school, the EDB also offers structured teacher training, provides various forms of professional support and develops different types of teaching resources.

On Internet service fee for students, with the collaborative efforts of bureaux and departments, the Government has launched various measures to support students from low income families in using computers and the Internet.

**MR CHEUNG KWOK-CHE** (in Cantonese): *President, I wish to raise a supplementary question regarding the three points mentioned above, that is, education voucher, learning through Internet and special education. Firstly, as we can see from the education voucher scheme, the Government has failed to co-ordinate the work of the two departments, particularly as there are cases*



*where the SWD originally intended to provide full fee remission for those CSSA or low income families, but it has turned out that some CSSA recipients are required to pay certain additional fees. Secondly, insofar as Internet service is concerned, as a result of both the EDB and SWD passing the buck to each other, it is only this year that Internet service can be provided by the EDB to students from CSSA or low income families. Thirdly, in respect of special education, as a result of the EDB's recent announcement that students cannot continue their studies beyond the age of 18, follow-up community services are therefore shifted to the SWD. And yet, we saw that the SWD has great difficulties in taking up such a responsibility. From these three points, we can see problems with co-ordination. Without a Commission on Children, we basically do not know how to resolve these problems. While the bureau said that there is no pressing need, may I ask what factors there should be to constitute a pressing need? As for the three points mentioned just now, so far no solution has been identified. I would like to ask the two bureaux concerned to give a reply.*

**PRESIDENT** (in Cantonese): Which Secretary will answer it?

**SECRETARY FOR EDUCATION** (in Cantonese): I admit that during the implementation of the policy, we have encountered some unforeseeable problems and our handling approach does have room for improvement. However, when we noticed that problems arose, actions had been taken at once. Just now Members have cited three examples, and I am going to use the Pre-primary Education Voucher Scheme as an example to illustrate how we and the SWD dealt with these problems. The intention of the Scheme is good as we hope that the SWD would provide students from CSSA families with all-inclusive, one-stop service. The Scheme is originally designed to serve this purpose, but it has turned out that the outcome is not satisfactory.

As I have said earlier, some unforeseeable technical problems arose. Given that fee remission involves a long process, parents will not receive any assistance before the process completes in, say, October or November, which is different from the monthly payment of CSSA. As a result, parents not having the means still have to pay for the fee in advance when the school term begins. This has caused many inconveniences and difficulties to them, which is out of our expectation.

Under that circumstance and in view of other problems, we concluded our experience after one year's implementation. After discussion by the two departments, it is decided that from this school year (2009-2010 school year) onwards, CSSA families are only required to apply for the Certificate of Eligibility once and they can receive fee subsidy under the voucher scheme. As for other related pre-primary education subsidies, application can be made to the SWD's CSSA Scheme direct. This proposal has obtained the understanding and acknowledgement of all kindergartens and social service organizations, and will be ready for launching in the coming school year. We hope to take this opportunity to rationalize the matter.

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

**MR CHEUNG KWOK-CHE** (in Cantonese): *I believe the Secretary has not answered my question. My supplementary is indeed very simple, which asked about co-ordination and urgency, but both Directors of Bureau failed to answer it.*

**PRESIDENT** (in Cantonese): Which Secretary will answer it?

**SECRETARY FOR EDUCATION** (in Cantonese): Perhaps let me first talk about the issue of urgency, and we have taken care of this. As soon as we discovered that there were problems with this new measure last year, actions had been taken immediately. We also undertook to adopt new approaches in the coming school year. Therefore, the issue of urgency has been considered and immediately dealt with without any delay.

**PRESIDENT** (in Cantonese): I heard Mr CHEUNG Kwok-che ask under what circumstance the Government would consider there is a pressing need to set up the Commission on Children? Secretary for Constitutional and Mainland Affairs, please answer.

**SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS** (in Cantonese): President, let me answer this supplementary question again. Our existing approach is to deal with the work relating to children's rights and services through the relevant Policy Bureaux. At present, the Policy Bureaux concerned are willing to take the lead to co-ordinate the work of other departments. Also, a new platform called the Family Council has been provided, which does not only discuss and deal with children-related matters, but also matters pertaining to other family members or perspectives. We therefore regard the present framework adequate.

**MR WONG YUK-MAN** (in Cantonese): *President, these two Directors of Bureau are "bullet-proof" and like "soft-skin snakes". Among the three Secretaries of Department and 12 Directors of Bureau, the best performers in answering questions must be the two of them. The answer is long but devoid of any substance.*

**PRESIDENT** (in Cantonese): Mr WONG, please put your supplementary question.

**MR WONG YUK-MAN** (in Cantonese): *Mr CHEUNG Kwok-che asked the Secretary about the Commission on Children or Commission on Children's Rights. At a previous meeting of the Panel on Home Affairs, many non-governmental organizations nearly burst into tears here in begging for the setting up of a Commission on Children to deal with the current problems relating to safeguarding children's rights. The problems are very complicated, and he is well aware of this.*

*The United Nations also suggested that the Hong Kong Government should set up a Commission on Children, but the Government simply turned a deaf ear to this and no response has been made. May I ask when it will reply to the United Nations? Regarding the issue of urgency, is the existing Children's Rights Forum already adequate to resolve the problem? Shall we wait until many people died, a lot of family tragedies occurred and the exploitation of children's rights has become very serious before such a commission will be set up?*

**PRESIDENT** (in Cantonese): Mr WONG Yuk-man, please state your supplementary question clearly.

**MR WONG YUK-MAN** (in Cantonese): *My supplementary is clear enough, man. Why is the common aspiration of the non-governmental organizations not responded to? Why is the call of the United Nations not answered?*

**PRESIDENT** (in Cantonese): Which Secretary will answer? Secretary for Constitutional and Mainland Affairs, please answer the question.

**SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS** (in Cantonese): President, in the concluding observations on Hong Kong issued by the United Nations Committee on the Rights of the Child in 2005, one of the recommendations was that the Hong Kong Special Administrative Region (SAR) should formulate holistic and comprehensive measures with regard to children matters, so as to ensure proper co-ordination of policies and assess the policy impact on children. In this connection, we do not consider the setting up of a Commission on Children the only solution. On the one hand, the SAR Government has formulated various policies in respect of the rights and well-beings of children for implementation by different Policy Bureaux and departments through the existing mechanism. Support and co-ordination among different Policy Bureaux and departments help to ensure that the children are protected and their interests safeguarded. On the other hand, the implementation of policies and measures is monitored by the Legislative Council, Office of the Ombudsman and the media, whereas the relevant Policy Bureaux will also review the policy concerned from time to time. These arrangements have been operating effectively for many years.

Another related recommendation made by the United Nations Committee on the Rights of the Child is the setting up of an independent human rights institution to handle complaints on children's rights. However, the United Nations Committee on the Rights of the Child considered at that time that a specialized branch could be set up under the existing Ombudsman's Office to serve the purpose. Since there are currently statutory bodies to deal with matters relating to equal opportunities, privacy and monitoring of maladministration in the Government, and we think that the Family Council, which has been in

operation for more than one year, has worked on the core value of families and parenting education .....

**MR WONG YUK-MAN** (in Cantonese): *He has not answered my question. He only needs to focus on the United Nations and the non-governmental organizations, and please do not just read out the answer.*

**PRESIDENT** (in Cantonese): Mr WONG Yuk-man, please sit down.

**MR WONG YUK-MAN** (in Cantonese): *Waste no more time, for 20 minutes have gone. President, please make a ruling on that. Be wise.*

**SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS** (in Cantonese): I will try to be brief. Over the past year or so, the Family Council has dealt with different issues, such as home-school co-operation and family life education. Hence, we do not consider it necessary to establish a new Commission on Children, and the new platform, the Family Council, is already sufficient for discussing children's policies.

**MR WONG SING-CHI** (in Cantonese): *President, Secretary Stephen LAM is really "bullet-proof". Earlier, he mentioned the Family Council and the Chief Secretary for Administration happens to be here in this meeting. While he had spoken so highly of the Family Council, no achievements have been made by the Family Council since 2007. The Secretary said that it is tasked to deal with matters relating to children's rights, but nothing has been done over the past year or two. I really do not know what I can expect from it. May I ask the Chief Secretary whether children's rights will be a standing item for discussion by the Family Council — I hope that it can be a standing item on the agenda — and whether different organizations and even children will be invited to express their views on the protection of children's rights in the course of discussion?*

**PRESIDENT** (in Cantonese): This Council has been informed by the Government that the public officers being assigned to answer this question are the

Secretary for Constitutional and Mainland Affairs and the Secretary for Education. Mr WONG, please be seated.

Which Secretary will answer?

**SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS** (in Cantonese): President, insofar as the Commission on Children is concerned, we have discussed the scope of work of the Family Council. Members of the Family Council have accepted the suggestion that it will serve as a platform for discussing policies on children. Certainly, the Family Council will deal with the relevant issues when such a need arises. For the Government, given that there is the Family Council and there are different Policy Bureaux dealing with such issues as education, social welfare and health respectively, we therefore do not wish to see duplication of efforts.

**MR WONG SING-CHI** (in Cantonese): *He has not answered my question.*

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

**MR WONG SING-CHI** (in Cantonese): *Just now I asked him whether or not the Family Council will have a standing item on the agenda to discuss children's rights. I have asked nothing else but the possibility of including this as a standing item on the agenda. If the answer is in the negative, we do not have to particularly expect that the Family Council will specifically discuss the issue of children's rights.*

(Mrs Regina IP raised her hand)

**PRESIDENT** (in Cantonese): Mrs Regina IP, is it a point of order?

**MRS REGINA IP** (in Cantonese): *I have a point of order. As far as I can recall, while the Government may assign certain public officers to answer questions, other public officers present at the meeting may also be asked whether or not they can give a reply if they are willing to.*

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

**MRS REGINA IP** (in Cantonese): *What I mean is, can we ask if the Chief Secretary is willing to answer?*

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

**SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS** (in Cantonese): Regarding the rights of children, I would like to add one point. There is currently the Children's Rights Forum to help gauge the views on the policies and matters relating to children's rights. For instance, after the Security Bureau organized a forum on the problem of drug abuse by children and young people in April, we have obtained some views and will continue to monitor the work of the Children's Rights Forum to see if there is a need to have its agenda and scope of work expanded. The views obtained through this channel will be reflected to the relevant bureaux.

**MR LEUNG YIU-CHUNG** (in Cantonese): *President, the Secretary has not answered Mr CHEUNG Kwok-che's supplementary question. Regarding the present problem pertaining to children or students, it is attributable to the failure of the two departments to tackle the issue or poor co-ordination of policies between them. And yet, both Directors of Bureau failed to give a reply just now. So, may I ask if they are aware of the fact that some existing policies are badly co-ordinated, thus making it difficult for the children to adapt to these policies? This includes the education voucher scheme and residential services for special students mentioned by the Secretary, because some issues are within the remit of the SWD, while some are within that of the Education Department. As a result of a lack of co-ordination, departments tend to shirk responsibilities. So, how can we formulate a uniform policy so as to achieve consistency? Can any department act as a co-ordinator and assume a leading role in tackling these problems?*

**PRESIDENT** (in Cantonese): Which Secretary will answer?

**SECRETARY FOR EDUCATION** (in Cantonese): As the example cited by Mr LEUNG falls within my purview and is related to the three examples mentioned in the main question, I would give a reply.

Just as what I have said, we are aware of the problem and noticed the confusion caused by the implementation of policies, and we have therefore taken all mitigating measures and prescribed the right remedy. For the education voucher scheme, a new measure will be adopted in the coming school year. As for the other problems mentioned by him, for instance, integrated education as well as the registration of child care centres and kindergartens, which is processed separately by two different departments, these are all facts. We are simply making use of our previous experiences to tackle problems, and as children have been the common service target, it is hoped that the issue will be handled by one single department. However, it is impossible for a single department to tackle all the problems. Let me briefly explain the reasons. Take child care centres as an example. They are kindergartens if their objective is learning-based, and will therefore be included within the purview of education. Nonetheless, some child care centres do not operate for a learning-based objective, but simply to provide child-minding services for parents who are unable to take care of their children. They therefore display different education needs. We understand the difference between them, and are working hard to figure out the best way to deal with these two areas of work by a single department. We are trying our best to consider and look into the matter.

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

**MR LEUNG YIU-CHUNG** (in Cantonese): *President, just now I mainly asked what can be done to make the policies more consistent, and which department can assume a co-ordinating and leading role in dealing with these problems. But he failed to answer this at all.*

**PRESIDENT** (in Cantonese): We have spent more than 22 minutes on this question. Let me see which Secretary will further respond to this follow-up question put by Mr LEUNG.



**SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS** (in Cantonese): President, I am indeed very grateful to the Honourable Members for being so concerned about the rights and services of children in Hong Kong. I can also assure Members that all principal officials are very concerned about it and are eager to promote such services. This is why public officers responsible for education policy will take the initiative to liaise with the SWD. Should there be a need to protect young children from abuse, the Security Bureau, the police, the SWD and so on, will make co-ordinated efforts as far as possible. Should there be a need to deter young people from taking drugs, efforts will be made by them in co-ordination. In case the Policy Bureau concerned has to raise certain issues for higher-level discussion and co-ordination, they could be referred to the Policy Committee headed by the Chief Secretary for Administration. To conclude, all matters that need to be handled will be handled properly.

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

### **Appointment of Successor of Chief Executive of Hong Kong Monetary Authority**

2. **MR FRED LI** (in Cantonese): *President, at the special meeting of the Panel on Financial Affairs held on 21 May, the Financial Secretary revealed that he had appointed a three-member selection team to make recommendations to him on the candidates for the successor of the Chief Executive of the Hong Kong Monetary Authority (HKMA), and a retired personnel consultant had been appointed to assist the team, and that the selection exercise concerned had already reached the final stage. In this connection, will the Government inform this Council:*

- (a) *as it has been reported that the selection team had already commenced work at the end of last year, of the reasons for Financial Secretary not making immediate announcement; and of the relationship between the selection team and the Governance Sub-Committee of the Exchange Fund Advisory Committee;*
- (b) *of the work procedures of the selection team and its criteria for selecting candidates, as well as the reasons for the selection team not reporting its work to the public; whether any head-hunting*

*agency has been engaged to assist the selection team and whether the aforesaid personnel consultant was providing assistance free of charge; and*

- (c) *of the reasons for not conducting an open recruitment for the post of the Chief Executive of HKMA?*

**FINANCIAL SECRETARY** (in Cantonese): President, as the Financial Secretary is now on overseas duty visit, I am speaking on his behalf.

Section 5A(1) of the Exchange Fund Ordinance (the Ordinance) provides the Financial Secretary with clear powers and responsibilities to appoint the Monetary Authority and draw up the terms of appointment. The Financial Secretary considers the present arrangement appropriate. The Financial Secretary will act in a fair and impartial manner according to law to ensure that the appointee is fit and proper and that the appointment is in the best interests of Hong Kong. To my knowledge, open recruitment of governors of central banks is currently not a common international practice.

The Governance Sub-Committee is set up under the Exchange Fund Advisory Committee within the HKMA. Its main function is to make recommendations to the Financial Secretary on the remuneration and human resources policies of the HKMA and related matters. To avoid any unnecessary misunderstanding on the part of the public, the Financial Secretary has earlier decided to invite Mr Victor FUNG, Mr Marvin CHEUNG and Mr John BOND to recommend suitable candidates to him. He has also invited Mr Martin TANG, a retired personnel consultant, to assist in the recruitment work. All of them are providing assistance free of charge.

As explained by the Financial Secretary John TSANG, the selection exercise has already reached the final stage. Upon completion of the exercise, he will announce the name of the successor of the Chief Executive of the HKMA and provide the relevant details.

I will listen carefully to the views of Members and report them to the Financial Secretary in due course.

**MR FRED LI** (in Cantonese): *President, the Financial Secretary has evaded all the three parts that I have mentioned in my main question. For instance, why did he suddenly announce the selection criteria only lately instead of making an immediate announcement at that time? I am not going to follow up the various parts of the main question. It is precisely because the Financial Secretary has evaded the question that we are more certain that the Government has already decided behind closed doors that Mr Norman CHAN is the successor of the Chief Executive of the HKMA.*

*My supplementary question is: Is it that the Government has decided right from the beginning that the selection team is to put on a show for us but it has actually arranged for Mr Norman CHAN to be the successor?*

**FINANCIAL SECRETARY** (in Cantonese): President, I can only point out again that Section 5A(1) of the Ordinance has provided the Financial Secretary with sufficient flexibility to decide on the appointment of the Monetary Authority and the terms of appointment. As for the consideration of candidates, the Financial Secretary had invited the assistance of the four persons mentioned by me just now. Certainly, in the course of consideration, the Financial Secretary will carefully consider the candidates' ability, experience and expertise in order to choose a suitable candidate for Hong Kong.

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

**MR FRED LI** (in Cantonese): *President, my supplementary is very simple: Is the successor of the Chief Executive of the HKMA predetermined behind closed doors?*

**FINANCIAL SECRETARY** (in Cantonese): The Financial Secretary will definitely exercise his power to identify an appropriate successor.

**MR ALBERT HO** (in Cantonese): *The Ordinance has indeed empowered the Financial Secretary to appoint the Monetary Authority or the Chief Executive of the HKMA, and this is clear enough. However, it does not mean that when the*

*power is exercised, the Financial Secretary will adopt a transparent selection procedure and the decision made will be considered fair by the public at large. What is more, the terms and conditions of employment should be made public before recruitment such that the Financial Secretary will have more choices to identify the most suitable successor among candidates who may include even the incumbent Deputy Chief Executive of the HKMA. Yet, they have not done any of these, and this is sheer black-box operation.*

*In the main reply, the Financial Secretary said, "To avoid any unnecessary misunderstanding on the part of the public". I wonder what he means by "misunderstanding". What the public think is that, just as what Mr Fred LI said, the result is predetermined and needless to say, the only successor will definitely be Norman CHAN. Other candidates are merely for window dressing. That is why the Government did not bother to release the relevant details.*

*May I ask the Financial Secretary again: He said, "To avoid any unnecessary misunderstanding", so what misunderstanding do the public have about the Government? According to public understanding, the appointee is predetermined. Can the Financial Secretary tell them whether or not this is a misunderstanding? Can the Financial Secretary tell them what he meant is that the appointee who will be announced at a later date will be someone else?*

**FINANCIAL SECRETARY** (in Cantonese): President, the main question asked whether or not the Governance Sub-Committee has participated in the selection process. In this connection, I wish to clarify that the duties of the Governance Sub-Committee include advising on human resources policies and remuneration, and it is a committee set up under the HKMA. To avoid public misunderstanding, the Financial Secretary has invited some independent persons to provide assistance. That is it. Certainly, when considering a candidate, the Financial Secretary will definitely focus on his suitability for performing the duties and functions of the Monetary Authority so as to identify a suitable successor for the post.

**MR ALAN LEONG** (in Cantonese): *The third paragraph of the main reply stated that "the Financial Secretary has earlier decided to invite .....". May I ask the Financial Secretary when does "earlier" mean? Did he send any invitation letter?*

**FINANCIAL SECRETARY** (in Cantonese): President, I believe Financial Secretary John TSANG has already explained this point. He has exercised his power, and as he wished to be assisted in making this decision, he has therefore invited those four persons.

**MR ALAN LEONG** (in Cantonese): *The Financial Secretary has not answered my supplementary at all. My supplementary question is indeed very simple. I asked about when and whether invitation letters have been sent.*

**FINANCIAL SECRETARY** (in Cantonese): President, with regard to this supplementary question, I believe the crux lies in how the Financial Secretary has exercised his power and what methods are adopted for selecting the Monetary Authority. As I have explained clearly, those four persons are invited to provide assistance.

**MS EMILY LAU** (in Cantonese): *President, the crux of the problem lies in how messy the Financial Secretary was in exercising his power. There was entirely no transparency, no accountability, and assistance from three persons had to be sought. The main question asked if the appointment was already made at the end of last year, but the Financial Secretary so far has not responded to it. It was not until we were informed at a Legislative Council meeting in May that the appointment had been made that we learnt the selection exercise has been in progress for half a year. I think that he was not honest to the Legislative Council and members of the public. He even said that a retired personnel consultant was doing us a great favour by kindly providing assistance. Is the Government of the Hong Kong Special Administrative Region (SAR) really so poor that it cannot even afford to employ one person?*

*President, I believe this kind of work does have procedures to follow and must be accountable, and it is not about asking a friend to help putting up a show. President, the Financial Secretary is here but refused to make any response, so I consider this contempt of the Legislative Council. President, it does not matter if a public officer is out of town so long as someone else acts on his behalf. What matters is this representative must answer questions. The Secretary came here today to answer questions on behalf of the Financial Secretary. So, may I ask him to answer if the appointment was made at the end of last year? Why was it necessary to solicit assistance in such a way? Is the SAR Government*

*unable to afford to pay for a personnel consultant? Also, will those candidates come to this Council to answer questions?*

**FINANCIAL SECRETARY** (in Cantonese): I think that when the Financial Secretary exercised his power, he has thoroughly considered the suitable candidates' ability and qualifications, and the four persons mentioned by me had been invited to assist him in this regard. The Financial Secretary has exercised his power to make arrangements which he considered appropriate. I believe the existing law has empowered him to do so and he must give due consideration to the overall interest before doing so.

**MR LEUNG KWOK-HUNG** (in Cantonese): *The Chief Secretary is sitting here, while the Secretary failed to answer the question. But the Chief Secretary is the head of all public officers. I now request him to give an answer. Can he not answer? There is only one government and the "Chancellor" is here, the head of all public officers. Is he already removed from office? Does he know only the planting of trees?*

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, please sit down.

**MR LEUNG KWOK-HUNG** (in Cantonese): *I am asking him to give an answer. You do not have to answer it. I want an answer from him. With all our eyes on him, does he have the answer?*

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, please be seated.

**MR LEUNG KWOK-HUNG** (in Cantonese): *There is only one government*  
.....

**PRESIDENT** (in Cantonese): This is not a point of order. It is up to the Government to decide which public officer is responsible for giving a reply. The Chief Secretary may request to speak at any time, and he will indicate to me

a wish to speak if he needs to. Ms Emily LAU, has your supplementary question not been answered?

**MS EMILY LAU** (in Cantonese): *No, President, the Financial Secretary has not answered it. Was the appointment made at the end of last year? Is the SAR Government unable to afford to pay for the retired personnel consultant and so, it has to ask a favour from him to assist in this matter? Will those candidates come to this Council to answer questions?*

**FINANCIAL SECRETARY** (in Cantonese): I think I have already explained this, but I can say it again. The Financial Secretary does have the flexibility and power to decide on the appointee. On completion of the selection exercise, he will announce the appointee in due course.

(Mr James TO raised his hand)

**PRESIDENT** (in Cantonese): Mr James TO, is it a point of order?

**MR JAMES TO** (in Cantonese): *Yes, a point of order. President, today, is Secretary Prof K C CHAN .....*

**PRESIDENT** (in Cantonese): Secretary Prof K C CHAN is attending this meeting to answer questions in the capacity of the Financial Secretary.

**MR JAMES TO** (in Cantonese): *Fine. Just now he said that he thought that the Financial Secretary had done this and that ....., but in fact, he himself is the Financial Secretary today.*

**MRS REGINA IP** (in Cantonese): *President, according to the Ordinance, the Financial Secretary has the power to appoint anyone, which we all understand. Many colleagues have raised questions and the purpose is to ask the Government*

*what measures it has in place to make the appointment process and the criteria more objective and institutionalized, thereby enhancing transparency and credibility. I wish to ask the Financial Secretary this: This case aside, what measure does he intend to adopt to make the appointment system and arrangement, including remuneration and the terms of office, more institutionalized?*

**FINANCIAL SECRETARY** (in Cantonese): Thanks to the Member for her supplementary question. In fact, we have made reference to the general recruitment procedures for the appointment of governors of central banks in other countries. However, we failed to see any country adopting the so-called open recruitment process, such as placing advertisements in newspapers or hiring headhunters.

I therefore consider the arrangement made in this case in line with the international practice adopted in the appointment of a comparable post. Certainly, the appointment details highlighted by Mrs Regina IP will also be announced when the Financial Secretary announces the name of the appointee. And yet, under the existing framework of the Ordinance, the Financial Secretary will still take into account the suggestions made by Members and the community in this regard.

**PRESIDENT** (in Cantonese): Mrs Regina IP, which part of your supplementary question has not been answered?

**MRS REGINA IP** (in Cantonese): *I asked about institutionalization, which is not tantamount to open recruitment. It can mean other initiatives. Take the Central Bank of the United States as an example, appointment of the Chairman of the Federal Reserve must be endorsed by the Congress. Has the Government considered this kind of arrangement?*

**FINANCIAL SECRETARY** (in Cantonese): President, under the existing law, the Financial Secretary has sufficient flexibility and personal power to make arrangements with regard to the candidates.



**MISS TANYA CHAN** (in Cantonese): *Earlier, Members have put a lot of questions regarding the third paragraph of the main reply, which says, "To avoid any unnecessary misunderstanding on the part of the public, the Financial Secretary has earlier decided to invite .....". What Mr Alan LEONG and other colleagues asked about just now are hard facts, but not even a date was given by the Financial Secretary. So, I think that it is probably the Government itself that has really caused public misunderstanding.*

*I wish to follow up on the question about when those three persons were invited. The answer is indeed pretty simple. All he will need to tell us is which year, which month and which day, and whether or not they have been clearly informed of their terms of reference when they were invited. We know that the final decision of appointment rests with the Financial Secretary, but those three persons should also have their powers and duties. Even an ordinary committee has the so-called "terms of reference". What about those three persons? Will the public be informed of that?*

**FINANCIAL SECRETARY** (in Cantonese): *President, I consider the existing arrangement a full manifestation of the Financial Secretary exercising the power conferred on him by the Ordinance, and appropriate assistance has also been provided by those four persons.*

**MR LEE WING-TAT** (in Cantonese): *President, it is really hard for me to figure out why the Financial Secretary here this morning is like a "human tape-recorder". Our supplementary question is very simple, as we just asked about the date. He is here to represent the Financial Secretary, so he should know when that three-member selection team was appointed. Why did he answer our colleagues in this way? President, I think that this is outrageous.*

*I wish to ask one more question. He always talks about internationalization, but when Mrs Regina IP asked about the practices in the international community, he refused to answer. Furthermore, in respect of the remuneration, the annual income of that post is nearly \$10 million. What is the salary of GREENSPAN? He did not mention it. The salary of GREENSPAN is only \$2 million. Even the remuneration is not internationalized, so I wonder where his brain is. Despite that he calls for internationalization, the remuneration is not in the least internationalized. Financial Secretary, do you*

*get it? President, my supplementary question is: Why is internationalization not manifested in this regard?*

**PRESIDENT** (in Cantonese): We are going to have an adjournment debate on this topic later today. So, should Members have any views or comments on this topic, they may express it later on. Financial Secretary, please answer.

**FINANCIAL SECRETARY** (in Cantonese): Sorry, President, I fail to get the Member's supplementary question.

**PRESIDENT** (in Cantonese): Mr LEE Wing-tat, please put your supplementary question clearly.

**MR LEE WING-TAT** (in Cantonese): *My question asked about internationalization in two respects. First, in respect of the procedure, why is approval not required from the parliamentary assembly? Second, why is remuneration not internationalized? Instead of \$10 million, the salary should be \$2 million, the same as GREENSPAN's.*

**FINANCIAL SECRETARY** (in Cantonese): Thanks to the Member for his supplementary question. Firstly, insofar as the institution is concerned, just as I have explained earlier, we are actually acting in accordance with the legal framework. Secondly, with respect to the remuneration, the Financial Secretary will certainly consider the salary level and market situation of the post concerned. Nonetheless, we also have to take into account the local market situation and the salary level of comparable organizations before deciding on the suitable candidate.

**MR LEE WING-TAT** (in Cantonese): *President, my follow-up question is very simple. Given that the Financial Secretary mentioned internationalization time and again for the whole morning, why did he not internationalize the salary by lowering it from \$10 million to \$2 million? Why does he not internationalize the*

*procedure? Despite that he talked about internationalization for the whole morning, he failed to respond to the above two points.*

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

**FINANCIAL SECRETARY** (in Cantonese): With regard to this point, I think that the salary levels in each market are subject to different historical factors and objective market considerations. When the Financial Secretary considers the candidates and the remuneration package, due consideration will definitely be given to these factors.

**MR CHAN KAM-LAM** (in Cantonese): *President, the Financial Secretary is empowered to appoint the Monetary Authority pursuant to section 5A(1) of the Ordinance and this, I believe, is beyond doubt. The question is the Ordinance was enacted in 1992 and the then Governor was appointed directly by the United Kingdom, so according to their views on the line of authority, the matter should be dealt with by the Government direct.*

*I wish to know, even if the power is conferred on the Financial Secretary in accordance with the Ordinance, the whole appointment process can still be made public. As the newly appointed Monetary Authority will soon be announced, I would like the Financial Secretary to explain to us whether the number of candidates who have been interviewed throughout the selection process will be fully made public. What are the criteria adopted by the selection team? Furthermore, will it make the relevant appointment exercise more institutionalized?*

**FINANCIAL SECRETARY** (in Cantonese): I thank the Member for his supplementary question. In my opinion, whether or not the announcement of the appointment should be accompanied with such details as those relating to the selection process in particular, depends on whether this is in line with international practice. As to how the future remuneration and other terms and conditions of the suitable candidate are determined, I believe these will be duly explained then.

**PRESIDENT** (in Cantonese): We have spent nearly 20 minutes on this question. If other Members still have other opinions or questions, please consider raising them during the adjournment debate to be held later today. Third question.

### **Public Car Parks Operating on Government Land Under Short-term Tenancies**

3. **MR LEUNG KWOK-HUNG** (in Cantonese): *President, while the Government has reduced in this financial year the rent for short-term tenancies of Government land by 20% for three months, some operators of temporary car parks operating on Government land under short-term tenancies have recently increased the parking fees of their car parks. In this connection, will the Government inform this Council:*

- (a) *whether it has surveyed the situation of parking fee revision of these car parks after the rental reduction by the Government; if it has, of the number of car parks which have lowered the parking fees and the percentage of the number of these car parks in the total number of the car parks concerned; if not, whether it plans to do so;*
- (b) *given that it has been reported that about half of the temporary car parks are currently run by four major tenant-operators, how the Government ensures that the rental reduction of Government land will ultimately benefit the many hirers of parking spaces instead of a few tenants of the land; and*
- (c) *given that in reply to a question of this Council on 11 December 2002, the Government stated that instead of setting the parking fees for container vehicles itself, it would allow the market to determine the fees in order to minimize government interference in the private operators' commercial activities, but some container truck drivers have pointed out that the above measure of reducing rental of Government land had already interfered with market operation, whether the Government will consider introducing certain terms (for example, obliging operators of car parks to reduce the parking fees correspondingly) in its rental reduction next time, so as to ensure that the rental concession will benefit hirers of parking spaces?*

**SECRETARY FOR DEVELOPMENT** (in Cantonese): President, in the 2009-2010 Budget, the Financial Secretary announced the Government's measure to provide a rental reduction by about 20% for most government properties and short-term tenancies of Government land for three months. This measure, which supports enterprises in their operation, is applicable to tenants operating fee-paying public car parks on Government land. It has taken effect since April this year.

My reply to Mr LEUNG's three-part question is as follows:

- (a) The Lands Department (LandsD) lets Government land by open tender for operating temporary fee-paying public car parks under short-term tenancies. In general, it is awarded to the highest bidder. Being the landlord, the Government does not regulate the fees charged by the tenants for operating such car parks, which is a matter for the market to determine. In taking forward the above relief measure, the Government has not required the tenants to transfer to the consumers the benefits they have gained from the rental concession. Therefore, when implementing this rental concession measure for operating temporary car parks under short-term tenancies, the LandsD reduces the rents payable by eligible tenants in accordance with the laid-down rules and does not intervene in how fees are charged on the users of parking spaces. But upon my request, the LandsD has written to all the relevant tenants, and hope that they could, as far as possible, share the benefits they have gained from the rental concession with their customers, so as to assist the community to ride over the difficult time. The LandsD has not conducted any survey on whether the relevant car parks have revised parking fees after the introduction of the rental concession. In fact, it is not the practice of the LandsD to conduct any survey or regulate parking fees when land is let for car parking use. We therefore do not plan to conduct such a survey specific to this rental concession measure.
- (b) Rental concession for eligible short-term tenancies on Government land is one of relief measures introduced by the Financial Secretary to "support enterprises and preserve jobs". It aims to relieve enterprises' pressure of downsizing or help them resolve difficulties in operation through reducing their operation costs. We consider

that the current direct rental concession to the relevant tenants has generally achieved this policy objective.

- (c) As one of the relief measures introduced by the Government in response to the current economic environment, rental concessions will not have the effect of intervention in the operation of the market. On 26 May 2009, the Financial Secretary announced a new round of relief measures and extended the rental concession for short-term tenancies introduced earlier on for another three months. In the light of the above considerations, the Government has no intention of requiring the tenants to reduce the parking fees correspondingly in the terms and conditions of the tenancies. But the LandsD will write again to all the relevant tenants, reiterating that we hope they would, as far as possible, share the benefits they have gained from the rental concession with their customers.

**MR LEUNG KWOK-HUNG** (in Cantonese): *President, in the reply, the Secretary has stated clearly that the Government has no intention to change its policy. This is a typical policy matter, and what she stated in part (b) of the main reply is like saying "My mother is a woman", as she was making the matter as simple as the five words of "support enterprises and preserve jobs". Honourable Members, the implementation of such initiatives as the provision of loans to the small and medium enterprises may not bring benefits to the end-users even if the level of government guarantee is increased by 10%. The answer just given by the Government is tantamount to saying that since the car parks were put to open tender in the market, they are subject to the market mechanism and government intervention is therefore unwarranted. Why should these people be subsidized then? Container truck drivers are the hardest hit as a result of a trade imbalance between Hong Kong and the Mainland, and they have to bear the responsibility all by themselves and they have to pay tax. The benefits brought about by these government measures have instead gone to the four major tenant-operators. What kind of measures are they?*

*This is a matter of policy. I wish to ask the Government: Are the measures intended to help the container truck drivers — I would like to remind her that the container truck drivers had once blockaded the roads in Central with their container trucks; their aspirations were heard by the Government, and their trucks were even destroyed too — or the four tenant-operators? Is the Government out of its mind? Why did the Government lower the operators'*

*rental but not rescue those "dying" container truck drivers, since the former has obtained the right of operation through tender? I wish to ask her this. This is a matter of policy. I wish she can enlighten me on that.*

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, I think that your supplementary question is clear enough.

**MR LEUNG KWOK-HUNG** (in Cantonese): *"Support enterprises and preserve jobs". What about the jobs for container truck drivers?*

**SECRETARY FOR DEVELOPMENT** (in Cantonese): President, from the policy perspective, it has been an effective land administration policy to lease or grant land for short-term purposes. Regarding the tender exercises under the land administration policy, there is no restriction on the commercial activities being carried out by the tenants, including the parking fees of those fee-paying public car parks. Hence, the relief measures introduced this time will not interfere with the land administration policy. Certainly, I understand that Mr LEUNG and many other Members are concerned about the blow dealt to the community by the economic downturn, so under the series of relief measures there are different target-specific initiatives. This particular initiative is designed for tenants of government properties and Government land, including enterprises of different scales. But as the measure is on the whole designed for the tenants, we must therefore execute it in accordance with the objective of the Financial Secretary to provide relief.

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, which part of your supplementary question has not been answered?

**MR LEUNG KWOK-HUNG** (in Cantonese): *I asked her why container truck drivers are not catered for. The question is indeed very simple. The Government only needs to subsidize the container truck drivers directly with the savings from the rental reduction for the four major consortia (the four tenant-operators), right? Why did the Government not do so?*

**PRESIDENT** (in Cantonese): Mr LEUNG, please sit down.

**MR LEUNG KWOK-HUNG** (in Cantonese): *I do have my justifications. If she had not chanted the slogan "support enterprises and preserve jobs", I would not have pursued it.*

**PRESIDENT** (in Cantonese): You have put your follow-up question very clearly.

**MR LEUNG KWOK-HUNG** (in Cantonese): *Why did she not do so?*

**PRESIDENT** (in Cantonese): As I have said before, there should not be any debate during the Question Time. You have clearly put your follow-up question, and I will see if the Secretary has anything to add.

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

**SECRETARY FOR DEVELOPMENT** (in Cantonese): President, I have reiterated that this particular measure is designed for the tenants, which is a relief measure introduced under this spirit to provide relief for the tenants.

**PROF PATRICK LAU** (in Cantonese): *President, I heard the Secretary say very clearly that market operation would not be interfered with. However, in the last part, that is part (c) of her main reply, she stated clearly that the "LandsD will write again to all the relevant tenants, reiterating that they hope they would, as far as possible, share the benefits they have gained from the rental concession with their customers".*

*Therefore, I wish to clarify what actions the Government will take should they refuse to do so. Will the Government monitor the situation?*



**SECRETARY FOR DEVELOPMENT** (in Cantonese): The letters issued by the LandsD at my request are just an advice or appeal. As the Government has not imposed any regulation on the parking fee under the existing short-term lease, no regulatory actions can be taken.

**MS MIRIAM LAU** (in Cantonese): *I have also received many complaints on this issue, and had written to the Financial Secretary to highlight the relevant problem. It is correct that the Government should refrain from regulating the parking fees, but given that many types of vehicles such as heavy-duty vehicles, container trucks and public buses cannot park in ordinary car parks, the number of car parks that can accommodate them is therefore very limited. Since they cannot switch to other car parks easily when they do not wish to park in a certain car park, they may have no choice but to use the car park even if it charges expensive fees.*

*President, my question is: As stated in part (a) of the main reply, upon receipt of a complaint, the LandsD has written to the relevant tenants and asked them to share the benefits they have gained from the rental concession with their customers. May I ask if any active response has been received after the letters were sent? The market has not heard of any news about a reduction of parking fee. In part (c), the Secretary further reiterated that letters would again be sent. Can it achieve any purpose? If the letters fail to serve any purpose, how can the Government ensure that the concessions provided will not only go into the pockets of the car parks?*

**SECRETARY FOR DEVELOPMENT** (in Cantonese): Just as I have said, this particular relief measure is designed for tenants only, thus the provision of rental concession to tenants has already achieved the purpose of providing relief. Apart from the views that I have heard, I have certainly read the letter sent to us by Ms LAU. I remember that in the letter, Ms LAU proposed that we should do it by way of advice, which I consider a good suggestion. We therefore wrote to advise the operators that the relief measure was introduced to tide over the difficulties with members of the public. But since the letters were only sent out a few days ago, which mainly deal with the first stage of concessions introduced in April, May and June, we have yet to know if they can produce the desired effect in the market. But just as I have said in my response to Prof Patrick LAU,

even if there is no effect at all, no regulatory actions can be taken. Nonetheless, since the Financial Secretary has announced on 26 May that the concession would be extended for three months, we will write again to convey the message of tiding over the difficulties with the public.

**MR IP KWOK-HIM** (in Cantonese): *In fact, we can see that though this relief measure is intended to ameliorate the impact of the financial tsunami, the actual users failed to receive any support. It has only brought benefits to the tenants. As such, has the Government considered reviewing the conditions of lease to see if they really benefit the major operators or consortia only? Is there any mechanism to prevent the relief measure introduced for end-users from benefiting the tenants in the end due to monopoly? Will a review be conducted in regard to the conditions of lease? Because in this case, a reduction in the operators' rental has instead resulted in an increase in the hirers' rental, which means that the measure has failed to achieve the intended objective of the Government.*

**SECRETARY FOR DEVELOPMENT** (in Cantonese): I certainly understand this. Just like other Members, Mr IP considered it unreasonable that while enjoying government concessions, the tenants have charged their consumers higher fees. But just as I have explained, insofar as short-term tenancies are concerned, we only aim at utilizing a piece of land from the perspective of land administration policy, without further regulating the commercial activities being carried out on that piece of land. To give Members a more comprehensive picture, under the relief measure being introduced this time, more than 2 200 leases belong to the LandsD, among which sub-leased car parks only account for about 10%. In other words, there are 271 fee-paying public car parks. As a result, numerous commercial activities of different tenants are involved, including golf driving ranges, recycling workshops and even nurseries and wholesale markets. Therefore, the relief measure cannot provide direct benefits to customers patronizing the commercial activities of the tenants. That said, the SAR Government certainly have a basket of other relief measures that can help the needy in the community.

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

**Democracy Activists Refused Entry to Hong Kong**

4. **MR ANDREW CHENG** (in Cantonese): *President, tomorrow is the 20th anniversary of the June 4th massacre. I have learnt that Mr YANG Jianli and Mr WANG Dan, who are democracy activists, as well as Mr Jen GALSCHLOT, who is a sculptor from Denmark, wish to come to Hong Kong to participate in the memorial activities concerned, but they have all been refused entry. In this connection, will the Government inform this Council:*

- (a) *given that during the period approaching June 4th each year in the past, a number of democracy activists had been refused entry to participate in the memorial activities concerned, and each time the authorities indicated that they had processed the cases according to the established procedures, of the details of such procedures;*
- (b) *whether it has previously exchanged information on democracy activists with the mainland security authorities and other government departments for processing applications for entry to Hong Kong by these people; and*
- (c) *whether there is a blacklist of democracy activists who are barred from entry?*

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

- (a) Section 4 of the Immigration Ordinance (Cap. 115) provides that officers of the Immigration Department (ImmD) may examine any visitor on his arrival in Hong Kong. In most cases, the examinations are conducted at immigration counters. Depending on individual circumstances, ImmD officers may conduct secondary examinations in interview rooms. During the examination, the ImmD officer will consider whether the visitor meets normal immigration conditions, such as whether he possesses a valid travel document; whether he has the arrangements and facilities to return to his place of domicile; whether he has any adverse records; his purpose of visit, and so on. Under section 11 of the Immigration Ordinance, the officer of the ImmD may, on the examination of a visitor, allow or refuse his entry into Hong Kong.

- (b) Like other immigration authorities elsewhere, ImmD has the responsibility to uphold effective immigration control in accordance with the law. The ImmD also gathers information and intelligence from other immigration authorities and law-enforcement agencies to assist in the processing of entry applications and considering whether to allow entry in light of the relevant information and the individual circumstances of each case.
- (c) The ImmD does not have a so-called "blacklist" of persons not allowed to enter Hong Kong. In processing each entry application, an ImmD officer acts in accordance with the law and the prevailing policy, taking into account all relevant factors and the individual circumstances of each visitor in deciding whether to allow or refuse entry.

**MR ANDREW CHENG** (in Cantonese): *President, basically, the main reply is saying that there is no such blacklist, and each arrival is handled according to individual circumstances and the prevailing policy. Regarding the prevailing policy, part (a) of the main reply mentioned the conditions in general, for example, whether a tourist has any adverse records and his purpose of visit. Take Mr GALSCHIOT as an example. He gave a very beautiful sculpture to the Legislative Council of Hong Kong and he came here to participate in the candlelight vigil to be held tomorrow to commemorate the 4 June incident together with thousands and thousands of Hong Kong people, how could he have adverse records? Why is this purpose undesirable? Secretary, is the refusal of Mr GALSCHIOT's entry a testimony or blatant indication that the Government has a blacklist for political censorship? You said there is no blacklist, are you lying with your eyes open?*

**SECRETARY FOR SECURITY** (in Cantonese): *President, we do not have a blacklist. As mentioned in part (c) of the main reply, there is not a so-called blacklist of persons not allowed to enter Hong Kong. However, just like the other immigration authorities, we have a so-called watch list for effective enforcement of immigration control so that front-line officers can identify those entry applications requiring attention from the numerous tourists. This watch list will be updated now and then according to circumstances. For instance, some wanted criminals, ex-convict of illegal labour or persons who are the*

subject of court directions prohibiting departure all belong to those to be watched. As for the details, they cannot be disclosed because they are internal information.

I have to emphasize that the watch list definitely is not a so-called blacklist barring entry into Hong Kong. It is simply for keeping watch and identification. People on the watch list will be examined when entering Hong Kong. Staff from the ImmD will first understand and consider the cases before deciding whether to allow or refuse entry.

Even if an individual has been refused entry, that does not imply that his future application for entry will definitely be turned down. The ImmD will consider each entry application in accordance with the related factors and the circumstances at the time in making its decision.

**PRESIDENT** (in Cantonese): A total of 14 Members are queuing up for asking their supplementaries. Would Members please be concise so that more Members can have the opportunity to raise supplementaries.

**DR PHILIP WONG** (in Cantonese): *President, I will be very concise. I wonder if the Security Bureau or the ImmD has specific statistics on people who have been refused entry, such as the number of these people or their nationalities?*

**SECRETARY FOR SECURITY** (in Cantonese): President, for the past three years of 2006, 2007 and 2008, 42 000, 40 000 and 38 000 people were refused entry respectively.

These figures roughly account for 0.2% of the total number of tourists of those years. Among them, around 70% of the tourists who were refused entry came from the Mainland, and the rest were mainly from the Asia-Pacific Region and the African region.

**MR ANDREW LEUNG** (in Cantonese): *President, I would like to ask the Secretary, before the Bureau decides to refuse entry of a tourist, what considerations does the Bureau have? Are there specific instructions for staff to*

*refer to, and which ranks of officers are to decide on the entry refusal of the tourist?*

**SECRETARY FOR SECURITY** (in Cantonese): President, the main reply has partly addressed this question. In processing each application for entry, the ImmD will act in accordance with the law and the prevailing policy and consider all related factors pertaining to the individual applications and the circumstances at the time, for example, whether the tourist possesses a valid travel document; whether he has the facilities to return to his place of domicile; whether he has any adverse records; his purpose of visit, and so on. The decision to allow entry is made by the staff at the immigration counter or the Immigration Officer. If there are factors warranting a refusal of entry for an application, the case will be referred to colleagues of higher ranks for consideration and decision.

**MR ABRAHAM SHEK** (in Cantonese): *President, Mr Andrew CHENG's supplementary was on Mr GALSCHIOT being refused entry. I would like to ask the Secretary, was Mr GALSCHIOT given an explanation as to why he was refused entry, and could he explain the reason to us?*

**SECRETARY FOR SECURITY** (in Cantonese): President, I do not want to comment on individual cases here. There may be different circumstances under which tourists are refused entry. For instance, as I mentioned earlier, he may not have possessed a valid travel document, or we have doubts about his purpose of visit, and so on.

For the past three years, about one third of the cases of entry refusal involved problems with travel documents. As for the rest, they were mainly cases in which we had doubts over the tourists' purpose of visit. The ImmD would not give specific reasons on individual cases of entry refusal to the people concerned. This is in line with international practice.

**MR CHEUNG MAN-KWONG** (in Cantonese): *President, the so-called blacklist and watch list is simply a trick for the Government to manoeuvre. Last night, when democracy activist XIANG Xiaoji entered Hong Kong, all those in front were able to enter through the e-channels by swiping their documents, but despite repeated scanning, XIANG Xiaoji still failed to get through immigration.*

*This is a proof that no matter what the Government says, this watch list has really been stored in the computer.*

*My supplementary is on parts (a) and (c) of the main reply. XIANG Xiaoji meets the four major requirements of the Immigration Ordinance mentioned in part (a) of the main reply: first, he possesses a valid travel document, which is an American passport; second, he holds a return ticket to the United States, the date of which is 6 June, and has been shown to the officer on duty at the time; third, he has no adverse records because in 1999 after the handover, he was granted entry by the Government of the Hong Kong Special Administrative Region (SAR); and fourth, he has explained clearly his purpose of visit, which is to take part in an academic forum of the City University and the candlelight vigil for the 4 June incident. These are all legal. Assemblies and fora are activities allowed in Hong Kong.*

*According to part (a) of the main reply, if a decision is really made on these four major conditions, what are the reasons for the Government to refuse entry to XIANG Xiaoji when he has met all the conditions? Is the SAR Government suffering from "4 June-phobia"? Will this watch list suddenly tighten the grip on all democracy activists before and after the 4 June incident, allowing entry to those the Government favours and refusing entry to those it does not? Is the second governing force of the Liaison Office playing its part on the eve of the 4 June incident?*

**SECRETARY FOR SECURITY** (in Cantonese): President, I have to reiterate that I do not want to comment on individual cases here.

However, I have to state here that the ImmD has the duty and power to ensure effective immigration control. The ImmD is obliged to examine each person entering Hong Kong. It does not mean that a tourist who has visited Hong Kong before will be able to do so every time in the future. We have to conduct examination every time. Upon examination, colleagues of the ImmD will make a professional judgment.

Let me reiterate here that any decision to refuse entry made by the ImmD at any control point is purely made by the ImmD in accordance with the laws of Hong Kong and the prevailing policy, and has nothing to do with the law-enforcement agencies or authorities of other regions or countries.

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

**MR CHEUNG MAN-KWONG** (in Cantonese): *He has not replied whether democracy activists will fall into this watch list on the eve of the 4 June incident, that is, will they be refused entry even if they meet the four major requirements in law?*

**SECRETARY FOR SECURITY** (in Cantonese): President, the answer is "No".

**MR LEE WING-TAT** (in Cantonese): *President, in his reply to Mr CHEUNG Man-kwong's supplementary, the Secretary said these pro-democracy activists were not refused entry because of the 4 June incident. I would like to ask the Secretary, among the democracy activists who have met all the conditions mentioned by the Secretary, apart from XIONG Yan who has slipped through immigration control authorities, who else among those who have stated in their applications that they are here to attend legal commemorations for the 4 June incident or who are on the list of 21 former student movement leaders wanted by the Communist Party have been allowed entry?*

**SECRETARY FOR SECURITY** (in Cantonese): President, I do not have the answer for this.

**MR LEE WING-TAT** (in Cantonese): *President, when the Secretary comes to answer this question, he should have prepared the relevant information. I cannot understand why he has not got such information. I asked just now that apart from XIONG Yan who managed to slip through immigration control, who else have been allowed entry? They have fully met the four conditions mentioned by the Secretary. My question was on the 21 democracy activists wanted by the Chinese Communist Party and people who have stated clearly that they are to take part in the vigil commemorating the 4 June incident. Why does the Secretary not have such information?*



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

**SECRETARY FOR SECURITY** (in Cantonese): President, I really do not have such information. I do not have any information on the democracy activists or whatever list Mr LEE Wing-tat has in mind. President, I do not know who have entered Hong Kong.

**MR LEE WING-TAT** (in Cantonese): *President, the Secretary has mistaken my supplementary. The list of the 21 leaders wanted by the Chinese Communist Party after 1989 is open information. I do not believe the Secretary has no knowledge of it. Secretary, you know there is such information, you know this list, and my question is apart from XIONG Yan, who else have gained entry? You should be able to give an answer.*

**PRESIDENT** (in Cantonese): Mr LEE said there is an open list with 21 names and he asked among those 21 persons, who have been allowed entry this time? Secretary, please answer.

**SECRETARY FOR SECURITY** (in Cantonese): President, my answer is I do not know.

**MR LEE WING-TAT** (in Cantonese): *President, may I ask the Secretary to reply to this supplementary in writing?*

**SECRETARY FOR SECURITY** (in Cantonese): President, I can furnish a written reply if necessary. (Appendix I)

**MR LEE WING-TAT** (in Cantonese): *President, of course it is necessary, otherwise, why would I have asked?*

**MR ALBERT HO** (in Cantonese): *President, actually, whenever some important events are to take place in Hong Kong, including the Olympic Games last year, or during the time close to the 4 June incident every year, when some prominent figures in the international arena or mainland leaders come to Hong Kong, we will discover that more names will appear on this so-called watch list, with many people being suddenly refused entry; and among those being refused entry are persons who hold foreign passports and can come to Hong Kong visa-free. This time, Mr GALSCHIOT is one of them. Last year, he was not allowed entry and so is this year. Before he came, he himself and through the consul of his country, that is, the Denmark consulate, made repeated enquiries to the ImmD expressing that while he could have visa-free access and did not need to apply for a visa to visit Hong Kong, he did not want to waste time because he was repatriated once last year. So, he stated his purpose of visit beforehand, which is to present two sculptures to Hong Kong and to participate in some open and legal commemoration activities. He asked the ImmD politely and friendly whether he would be refused entry again and be repatriated to where he came from. President, he himself and through the consul made several enquiries on this request but the ImmD kept on saying, "You have to come to Hong Kong first, we will not tell you in advance. You will know when you arrive." The ImmD even asked him to come and try it out, and the result is he was refused entry again. In this connection, I would like to ask the Secretary, why are such moves necessary? Since there is a watch list, and they know well in advance that some people are to be refused entry, why can these people not be informed earlier to save them from travelling a long way and then be detained for five hours? He was barred from making external communication until I visited him. Afterwards, he was denied freedom of movement and was confined to a very small place. Then, five hours later, he was suddenly informed that he must leave within a short time — to be put on a plane and sent back to where he came from in half an hour. Why did they have to do so? Why did they have to resort to such high-handed and savage means in treating foreign nationals who can have visa-free access to Hong Kong?*

**SECRETARY FOR SECURITY** (in Cantonese): *President, the way our ImmD colleagues handle the cases is the same as that of all immigration departments around the world. When tourists arrive in Hong Kong, our immigration colleagues will, according to individual cases, conduct examination on entry to understand and consider their cases before deciding whether or not they are allowed entry. Before conducting the examination, the ImmD cannot make any*

decision in advance or pledge that tourists intending to visit Hong Kong will be allowed entry.

**MR JEFFREY LAM** (in Cantonese): *President, I would like to ask the Secretary, if a tourist is refused entry, can he lodge an immediate appeal? If he can, what channel does he need to go through?*

**SECRETARY FOR SECURITY** (in Cantonese): *President, there is one appeal channel. According to section 53 of the Immigration Ordinance, any person who is aggrieved by or not satisfied with the decision by the ImmD to refuse his entry, he may within 14 days raise objection in writing to the Chief Secretary for Administration for the Chief Executive in Council to review the decision and make a ruling.*

**MS CYD HO** (in Cantonese): *President, democracy activists are not only being refused entry, and even if they are allowed to come, they are given the permission just because of some special circumstances. For instance, Wu'er Kaixi could only enter Hong Kong to attend the funeral of Anita MUI; CHAI Ling was in the territory but she had to adopt a low profile. I would like to ask the Secretary, apart from this watch list, are there any conditions of exchange, that is, if they want to enter Hong Kong, would they have to refrain from making political comments which will irritate Beijing before they are allowed entry?*

**SECRETARY FOR SECURITY** (in Cantonese): *President, we do not have such so-called conditions of exchange. On entry, if immigration colleagues are satisfied with a tourist's purpose of visit, they will allow him to enter. Sometimes, we will attach some conditions. For example, if we find the purpose of entry of a certain tourist dubious, but are of the opinion that he can be allowed entry, we will reduce his period of stay, say from the original visa-free stay of three months to one month or a fortnight.*

**PRESIDENT** (in Cantonese): *This Council has spent over 20 minutes on this question. Seven Members are still queuing up to ask their supplementaries but I can only allow one more Member to ask the last supplementary.*

**MR LEE CHEUK-YAN** (in Cantonese): *President, I will not make enquiries on the cases of XIANG Xiaoji and GALSCHIOT. We and the Hong Kong people in fact all know that they are refused entry by the ImmD because they intend to participate in the 4 June candlelight vigil. Therefore, all those so-called examination upon arrival in Hong Kong, examination when making entry, asking for the purpose of visit, and the like, are all nonsense to be frank. However, Secretary, I just want to ask, regarding the watch list which you mentioned earlier, has the Liaison Office or the Hong Kong and Macao Affairs Office, that is, has any organization related to the Central Government given you any namelists or names, asking for those names to be included in this watch list? I very much believe in the existence of a second governing team in Hong Kong as referred to by CAO Erbao, and this time, this second governing force is playing its part in barring XIANG Xiaoji and GALSCHIOT from entering. Is CAO Erbao demanding that you deny XIANG Xiaoji and GALSCHIOT of entry? Has he given you such namelists?*

**SECRETARY FOR SECURITY** (in Cantonese): *President, I have said in part (b) of the main reply that the immigration department has contact with other immigration authorities and law-enforcement agencies, and we do exchange intelligence. Nonetheless, let me reiterate here that our immigration decisions are made independently by the ImmD in accordance with the laws of Hong Kong and the prevailing policy, and has nothing to do with the other law-enforcement agencies or the law-enforcement agencies in other places.*

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

**MR LEE CHEUK-YAN** (in Cantonese): *President, he has failed to answer my supplementary. I clearly referred to the Mainland. Is he admitting that the Mainland has provided him with intelligence, including a namelist of democracy activists?*

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

**SECRETARY FOR SECURITY** (in Cantonese): President, I have nothing to add.

(Mr LEUNG Kwok-hung stood up)

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, what is your question?

**MR LEUNG KWOK-HUNG** (in Cantonese): *I wish to ask you, if Secretary LEE said something wrong, can I ask him to elucidate now? The information he provided was wrong.*

**PRESIDENT** (in Cantonese): You may ask the official or Member to elucidate what he has said.

**MR LEUNG KWOK-HUNG** (in Cantonese): *Fine. I am asking him to elucidate.*

**PRESIDENT** (in Cantonese): It is of course up to the official to decide whether or not to elucidate. What do you want him to elucidate?

**MR LEUNG KWOK-HUNG** (in Cantonese): *Right. According to Secretary LEE's earlier reply to our colleagues, in Hong Kong, the unit concerned, that is, the ImmD under the Security Bureau is acting in the same way as everywhere is in the world, and that is, they will not state in advance whether visitors will be allowed entry. Instead, examination will be conducted every time on entry. Therefore, the cases of Mr GALSCHIOT and Mr XIANG Xiaoji are handled in accordance with international practice .....*

**PRESIDENT** (in Cantonese): Please be concise. What do you want the Secretary to elucidate?

**MR LEUNG KWOK-HUNG** (in Cantonese): *Right. I myself already am an example. I had made an enquiry before with the Guangdong Provincial Public Security Department of the Government of the People's Republic of China and it had allowed me entry in advance without having to undergo examination. I could then secure my Home Visit Permit in advance. Why is it that our mainland Public Security Department, which is also responsible for immigration control, can tell me in advance that I can enter while the Secretary's colleagues cannot? This is an example .....*

**PRESIDENT** (in Cantonese): I believe you have made clear the part you want the Secretary to elucidate.

**MR LEUNG KWOK-HUNG** (in Cantonese): *I would like to ask him if he is saying that the Guangdong Provincial Public Security Department is not acting according to international practice?*

**PRESIDENT** (in Cantonese): Mr LEUNG, I have said that this is not a time for debate. I believe you have made clear the part you want the Secretary to elucidate. Secretary, do you need to elucidate?

**SECRETARY FOR SECURITY** (in Cantonese): President, I do not want to comment on the practice of the Guangdong Provincial Public Security Department. This in fact has no conflict with what I said earlier.

**MR LEUNG KWOK-HUNG** (in Cantonese): *He has not answered my question. This is international practice. Is our People's Republic of China a member of the international community? Being a member of the United Nations Security Council .....*

**PRESIDENT** (in Cantonese): Mr LEUNG, please sit down. I have said that during the Question Time, if Members are not satisfied with the replies given by the official appointed to reply, we can only discuss the matter on other occasions. Fifth question.

(Mr James TO stood up)

**PRESIDENT** (in Cantonese): Mr James TO, what is your question?

**MR JAMES TO** (in Cantonese): *President, I would like the Secretary to elucidate the reply he gave just now. He said there have been exchanges of intelligence with the public security authorities of other countries, but the final decision is made by colleagues of the ImmD. Is he implying that he volunteers to be a lackey? Does he mean this?*

**PRESIDENT** (in Cantonese): Mr James TO, I do not consider this as a request for elucidation by the Secretary. Fifth question.

### **Allocating Funds from Lotteries Fund to Provide More Subvented Nursing Home Places and Care-and-attention Home Places**

5. **MR WONG YUK-MAN** (in Cantonese): *President, people from the social welfare sector have often relayed to me that the Social Welfare Department (SWD), while urging subvented non-governmental organizations (NGOs) not to accumulate excessive Lump Sum Grant Reserves, has itself retained a huge balance in the Lotteries Fund (LF) and not used the funds to provide additional subsidized nursing home (NH) places and care-and-attention (C&A) home places for the elderly, ignoring the situation that a total of 19 006 elderly people passed away in the past five years while waiting for those places. In this connection, will the Government inform this Council:*

- (a) *of the current balance of the LF, the amount of funds allotted to investments between March 2007 and March 2009 and the investment returns, as well as the interest income in the past five years;*
- (b) *whether the authorities will take the initiative to allocate funds from the LF to fully subsidize the subsidized NH homes and C&A homes currently located in detached buildings to build additional storeys, and to fully subsidize NGOs to convert the premises of the several dozens of primary and secondary schools which have ceased operation into such homes, so as to optimize the use of land, increase the number of such residential places, shorten the waiting*

*time for places and create job opportunities; if they will, when they will implement the plan; if not, of the reasons for that; which vacated school premises had been converted into those homes in the past three years and when those conversion works commenced; and*

- (c) *whether the Secretary for Labour and Welfare sought additional funding for the current financial year from the Financial Secretary so as to provide additional residential places to shorten the waiting time and reduce the number of elderly people who pass away while waiting for the places; if he did, when he made the request and the response received; if not, of the reasons for that?*

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): President, I will reply to the three parts of Mr WONG Yuk-man's main question individually.

- (a) According to the revised estimate in the 2009-2010 Estimates, the closing balance of the LF for 2008-2009 was about \$6,700 million. As at end-March 2009, the uncommitted balance of the LF was \$5,075 million. Since 1 April 2003, the assets of the LF have been merged with those of the Exchange Fund for investment purpose.

In the past five years (that is, from 2004-2005 to 2008-2009), the investment income of the LF amounted to \$1,783 million.

- (b) The Government has all along used the LF to meet non-recurrent expenditures of NGOs providing welfare services. In respect of elderly services, the costs of construction of subvented or contract residential care homes for the elderly (RCHEs), and that of renovation, furniture and equipment as well as installation of new facilities in RCHEs, Day Care Centres for the Elderly, District Elderly Community Centres and Neighbourhood Elderly Centres, are all funded by the LF. The amount of the LF allocated for items related to elderly services has increased from \$136 million five years ago (that is, 2004-2005) to \$287 million last year, representing 36% of the total allocation of \$809 million from the LF in the whole year.

On Mr WONG's suggestion of using the LF to subsidize subvented RCHEs located in stand-alone premises to build additional storeys,



NGOs operating RCHEs in stand-alone premises can at any time apply to the SWD for redeveloping or extending the concerned premises if they wish to increase the number of residential care places by building additional storeys. In deciding whether to support such proposals, the SWD will consider whether the redevelopment or extension can enhance the quality of service as well as possible impact on elderly residents. If the proposal is supported by the SWD, the concerned NGO can apply to the Lands Department (LandsD) for changing the plot ratio and land uses. As regards the costs of extending or redeveloping the premises, the SWD will consider providing funding through the LF, having regard to the need of individual NGOs and whether the redevelopment or extension projects will enhance the support for frail elders, and so on. Based on the above criteria, the SWD has just supported a feasibility study on the redevelopment of the David Trench Home for the Aged of the Tung Wah Group of Hospitals located in the Southern District through funding approved by the Lotteries Fund Advisory Committee in March this year.

In fact, the SWD has been proactively identifying suitable sites for the construction of new RCHEs throughout the territory in response to elders' demand for subsidized residential care places. Besides, the SWD has been in close liaison with the concerned government departments (for example, LandsD, Planning Department, Housing Department and Government Property Agency) to explore the feasibility of constructing RCHEs in new development projects or re-development projects (for example, public housing estates) under their purview, or converting vacant buildings (for example, premises of primary and secondary schools which have ceased operation) into RCHEs.

In exploring whether a particular site is suitable for development as an RCHE, the SWD will look into various factors, including whether the size of the concerned site allows the construction or re-modelling of an RCHE of a certain scale so as to achieve cost-effectiveness; the site should also be located in a place accessible by public transport to facilitate visits by the family members of elders. Besides, places with bad air quality or those affected by noise pollution may not be suitable for elders to reside in. Therefore, the SWD also has to

consider the facilities and development projects in the vicinity during the site searching process. It must be pointed out that some government sites or buildings are temporarily vacant and are only available for short-term development, as they have been planned for other long-term uses. As RCHEs are not short-term development projects, we cannot use temporarily vacant sites to develop RCHEs. At the same time, owing to fire safety considerations, all RCHEs must conform with the provisions in relation to RCHE premises under the Residential Care Homes (Elderly Persons) Ordinance, including the provisions specifying that no part of an RCHE shall be situated at a height more than 24 m above the ground floor; and no RCHEs shall be situated in any part of an industrial building or any premises located immediately above the ceiling or below the floor slab of any godown, cinema and theatre.

In the past few years, the SWD has looked into several vacant primary and secondary school premises and explored the feasibility of converting them into RCHEs. Nevertheless, most of the school premises were not suitable for development of RCHEs owing to their relatively small sizes or other constraints (for example, lifts or ramps could not be installed or constructed to facilitate access by frail elders because of structural limitations). The SWD will continue to identify sites and vacant buildings for development of RCHEs through different means.

- (c) The Government has made every effort to respond to the demand of the elderly for subsidized residential care places. In fact, the Government has been increasing the allocation of resources for subsidized residential care places for the elderly. The overall supply of subsidized residential care places has increased from around 16 000 some 10 years ago to around 26 000 at present, representing a rise of about 60%. Taking 2009-2010 as an example, recurrent funding of \$55 million has been earmarked in the Budget to increase the supply of subsidized residential care places for the elderly, including:
  - (i) \$17 million to provide 150 additional subsidized residential care places in two newly built contract RCHEs; and

- (ii) \$38 million to purchase 500 subsidized residential care places from private RCHEs through the Enhanced Bought Place Scheme.

The Government will continue to allocate more resources to gradually increase the supply of subsidized residential care places for the elderly. From now till 2011-2012, the construction of five new RCHEs will be completed. Besides, the SWD has earmarked sites in 12 development projects for the construction of new RCHEs.

Nonetheless, in view of the ageing population, a continuous increase in the supply of subsidized residential care places alone will not be sufficient to meet the ever-growing demand. The Government has been working with the Elderly Commission (EC) on the long-term planning of elderly residential care services. The EC has embarked on a consultancy study to explore how to target subsidized residential care services at elders most in need. The study will also look into ways to promote further development of quality private residential care services and encourage shared responsibilities among individuals, their families and the community in meeting the long-term care needs of the elderly. The study is expected to be completed within this year.

**MR WONG YUK-MAN** (in Cantonese): *President, the Secretary has spent almost eight minutes to provide the main reply, but the entire question, including the supplementary questions raised by other Members, will only last for 20 minutes. This is the Secretary's usual practice, right? The content of his reply is actually available on the Internet. We can only raise a few simple questions ..... but I do not wish to give any response so as not to waste the time of other colleagues.*

*I only wish to raise one point: What difficulties will be encountered in converting premises of primary schools which have ceased operation into RCHEs? The Secretary just gave me bureaucratic and stock replies. Of course I know there is a height limit of 24 m. These schools are at most only five-storey high, with the average height of each storey being 3 m to 5 m. So they will definitely not exceed 24 m in height. He should stop making these empty threats to scare us off. Besides, as regards other facilities, including lifts*

*and fire services installations, they can also be converted because these premises are stand-alone school premises.*

*This has been a long-standing issue of concern for the League of Social Democrats, and relevant questions have been raised by Mr Albert CHAN, Mr LEUNG Kwok-hung and me. While some elderly people already passed away while waiting for RCHE places, he still gave me bureaucratic and stock replies, saying that the supply of such places has increased from 16 000 a decade ago to 26 000 at present. However, the supply of such places is still unable to meet the demand, and 20 000 people passed away while waiting for such places last year. I told him the story of the Ballad of Narayama, and this shows the Government's heartlessness, right? How could the society of Hong Kong allow elderly people to wait for these places till the day they died? Do the authorities hope that they can provide fewer places after these elderly people have died? Besides, the additional places are insufficient to meet the demand because there is far too big a difference between the number of such places and the number of people on the waiting list. Is this not a cause of great fury in us? Therefore, it can be said that we .....*

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

**MR WONG YUK-MAN** (in Cantonese): *It can be said that we are not bad, as we have offered him advice and solutions. As there is such a large surplus in the LF, can a certain amount be allocated for this purpose? This is very simple, and I have already offered him advice and solutions. For example, can consideration be given to converting premises of schools which have ceased operation into RCHEs? I have even made this consideration for him.*

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

(Mr WONG Yuk-man flung off the microphone)

**MR WONG YUK-MAN** (in Cantonese): *You had better ask him.*

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): President, I wish to express my gratitude to Mr WONG for his concern for this issue. Actually, the Government is also greatly concerned about accommodation for the elderly. On different occasions, including meetings of the Panel on Welfare Services, and in response to a few oral questions raised at a number of previous meetings, I kept explaining .....

**MR WONG YUK-MAN** (in Cantonese): *I was saying that primary schools — primary schools which have ceased operation have a maximum height not exceeding 20 m. According to his standard, why did he not provide RCHEs on these premises? Why did he not carry out the conversion work?*

**PRESIDENT** (in Cantonese): Mr WONG Yuk-man, Members who would like government officials to give precise replies to their questions have to raise their questions in a precise manner.

**MR WONG YUK-MAN** (in Cantonese): *President, I think my supplementary question is very precise.*

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

**MR WONG YUK-MAN** (in Cantonese): *I have put my question in context and it is crystal clear. I do not have to say: This is my question, please give a reply. If he is unable to provide a reply, I now explicate it further. I have made it very clear that the height of the school premises ..... is in total compliance with the authorities' requirement — the requirement relating to the conversion of school premises. Why did the authorities not carry out conversion work on these school premises?*

**PRESIDENT** (in Cantonese): Your supplementary question is now very clear, please be seated. Secretary, please reply.

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): Perhaps I have to clarify one point. The requirement of 24 m we mentioned is one of the considerations. It is clearly stated in the main reply that in identifying suitable sites for RCHEs, we have to consider numerous factors, one of which is that the height of the building must not exceed 24 m. However, Mr WONG is absolutely right in saying that there are plenty of small-scale schools, in particular, village schools in the New Territories. However, we have inspected the premises of 30 schools — premises of primary schools in the New Territories which have ceased operation, and many of them are considered not suitable for various reasons: first, the sites are very small. At present, contract RCHEs in general have to provide at least 100 places before they can achieve cost-effectiveness because a basic scale of operation is required. Secondly, Mr WONG, transportation has to be taken into consideration as well. As many village schools are located in villages which are not even accessible by minibuses, it would be very inconvenient to visit the elderly people or go to them when they have fallen ill.

Therefore, we have taken all these factors into considerations. However, Mr WONG, you have to understand that we must be pragmatic. In fact, you can also find out from my main reply that in the coming few years, the authorities will gradually provide over 10 new RCHEs, the sites of which have been earmarked in development projects. Besides, five new RCHEs will commence service in the coming two to three years. Therefore, there will be an increase in the number of places. At the same time, we are now purchasing places — we have allocated an additional provision of \$38 million this year to purchase 500 places, hoping that the problem will be alleviated on all fronts with this multi-pronged approach. We are addressing this issue squarely, President.

**MR CHEUNG KWOK-CHE** (in Cantonese): *President, I believe that besides the elderly, persons with disabilities are also waiting for residential care home places. However, as the discussion today is on RCHEs, may I ask the Secretary the following: Regarding village schools mentioned by the Secretary just now, I believe difficulties may really be involved, but as there are plenty of primary schools and even secondary schools which have ceased operation in urban areas, has the Bureau given consideration to converting the premises of these schools into RCHEs, and whether it has tried to identify these schools? This is the first point. Besides, for organizations operating on stand-alone premises, which can*

*be rebuilt or expanded, has the Bureau identified them proactively instead of waiting for such organizations to make their requests? This is the second point.*

**PRESIDENT** (in Cantonese): Mr CHEUNG, when Members raise supplementary questions, only one question is allowed.

**MR CHEUNG KWOK-CHE** (in Cantonese): *Very well. Will the Bureau reply to the first question?*

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): We attach great importance to the selection of sites for RCHEs. Actually, we have made every effort to liaise with the relevant departments, such as the Government Property Agency. As for the Education Bureau, we can be regarded as their frequent patron. We have always been paying great attention to whether there are any vacant school premises which are not reserved for any use. However, priority will be given to using vacant school premises for educational purposes before such premises will be made available for our consideration. Therefore, we will not give up any single opportunity. Whenever any government buildings are available, we will submit funding proposals to the Legislative Council Finance Committee at its meetings held on Fridays. We even submitted funding proposals for the conversion of the Ma Tau Wai Girl's School and the former Jockey Club mental health clinic at Kwai Shing Circuit into Integrated Rehabilitation Services Centres. These are very typical examples of our flexible utilization of old and vacant premises.

**MR TAM YIU-CHUNG** (in Cantonese): *There is such a long waiting list because people on the list wish to be allocated places in subvented RCHEs, which are, first, more affordable; and secondly, better in environment, conditions and manpower. Under such circumstances, if the Government wishes to address this problem expeditiously, should it strengthen and improve the relevant schemes, such as enhancing the purchase of places? The authorities' current exercise of purchasing 500 subvented places can produce effect very soon. As existing private RCHEs have limited resources and are of varied standards and qualities, will the desired effect be achieved earlier if improvement is made in these*

*aspects? Besides, home care projects were implemented to alleviate the relevant pressure in the past. What other measures are adopted by the Bureau?*

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): I wish to express gratitude to Mr TAM for his suggestion. As a matter of fact, we have allocated an additional \$38 million to purchase an additional 500 RCHE places. This is our way forward. We will "walk on multiple legs". Besides increasing the number of subvented purpose-built home places, for which some time is needed, there is flexibility in the purchase of places. The EC is also exploring the issue that you mentioned just now, and that is, whether we can mobilize the private sector and improve their standard. Actually, there is room to do so. At present, the occupancy rate of private RCHEs is only 70%. In other words, the occupancy rate of over 40 000 private RCHE places is only 70%, and over 10 000 places are still available to accommodate more elderly people. The problem is how incentives can be provided. Should we adopt the approach of allowing "money to follow the elderly"? Should vouchers be issued to them? These are the details to be examined in the study in the future. Therefore, we are mindful of providing a long-term solution to problems relating to planning.

**DR PAN PEY-CHYOU** (in Cantonese): *President, I always go to RCHEs to visit patients. I find that the current problem is ..... private RCHEs are actually far from satisfactory because they are mostly situated at old buildings or converted from old restaurants. When there is a fire, the consequences will be unimaginable. Actually, as vacant factory buildings and school premises are available, our idea is not to convert these school premises into RCHEs, but to simply demolish them and rezone the entire site to build multi-storey buildings in compliance with the requirements for RCHEs and rent such buildings by floor level to people interested in operating RCHEs. Will the Government give consideration to this proposal?*

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): Your proposal is actually very helpful. We are considering different approaches in a comprehensive manner. Instead of making bureaucratic and stock remarks, we are telling the truth. We cannot make use of village schools because some of them are built on private land. Regarding the private land in villages, we will also approach land owners to see whether they will donate their land for use by



the Government. Besides, certain difficulties are involved in utilizing the factory buildings mentioned by you just now because there are stringent regulations on factory buildings under the Fire Services Ordinance. That is to say, the operation of RCHEs in factory buildings is basically not allowed. Besides, there are certain restrictions on RCHEs located on the floor level immediately above or below any godown or cinema. We will consider various approaches in a flexible manner. Government buildings are our first choice. When vacant buildings are available, we will find out more about them at the earliest time possible.

**PRESIDENT** (in Cantonese): Dr PAN, which part of your supplementary question has not been addressed?

**DR PAN PEY-CHYOU** (in Cantonese): *The point I wish to make is: why do we not simply demolish the old buildings and carry out rezoning and redevelopment instead of making use of old buildings.*

**PRESIDENT** (in Cantonese): Secretary, the question raised by the Member is an issue of redevelopment.

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): We can definitely give consideration to this approach. However, we still have to ascertain the suitability of that place from the perspectives of timing and planning. It is because, as I have said just now, we have to consider various factors. For example, there will certainly be constraints if there are plenty of noise nuisances in the proximity or if the site is inconvenient for transport. Therefore, a few criteria have to be met before a site can be used for constructing RCHEs. If Dr PAN has any suggestion or has identified any suitable sites, we are more than pleased to explore such possibilities.

**PRESIDENT** (in Cantonese): We have spent more than 20 minutes on this question. Last oral question now.

**Contraband and Counterfeit Cigarettes**

6. **MR VINCENT FANG** (in Cantonese): *Earlier, an article written by a doctor entitled "Contraband cigarettes and counterfeit cigarettes do more harm to health" pointed out that 50% to 70% of the contraband cigarettes seized by the Customs and Excise Department (C&ED) were counterfeit cigarettes, and it cited the laboratory results of a primary health services trust fund in London that the tar level in counterfeit cigarettes there was 75% higher than that in genuine cigarettes. In this connection, will the Government inform this Council:*

- (a) *of the quantity of cigarettes in respect of which duty was paid, the revenue collected on tobacco duty and the quantity of contraband cigarettes seized by the C&ED, since the increase of tobacco duty rate by 50% on 25 February this year; how such figures compare with those of the same period in each of the past three years;*
- (b) *of the ratio of counterfeit cigarettes to genuine ones in the contraband cigarettes seized by the C&ED in the past three years; how the Government currently distinguishes counterfeit ones from genuine ones among the contraband cigarettes; whether it has conducted laboratory tests on the counterfeit contraband cigarettes seized, so as to check whether they contain more harmful substances than genuine cigarettes; and*
- (c) *given that the former Financial Secretary pointed out in his 1999-2000 Budget speech that "increasing tobacco duty will only enhance the attractiveness of contraband cigarettes and provide further impetus to smuggling and illegal sale. It would be counter-productive in revenue terms and would contribute little to furthering our anti-smoking policy", whether the significant increase in tobacco duty in this financial year indicates a change of the Government's position on the effectiveness of increasing tobacco duty, and what specific measures are in place to prevent the Government's anti-smoking efforts from failing on the verge of success due to rampant contraband cigarette trading activities?*

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

- (a) For part (a) of the main question, with the new tobacco duty rates taking effect on 25 February 2009, the quantity of duty-paid cigarettes for March and April was 61 million sticks and 151 million sticks respectively, generating a corresponding duty revenue of \$73 million and \$183 million. The quantity of duty paid cigarettes was similar to the average quantity of the same period in the past three years. Detailed information is set out in the table below:

<i>Year</i>	<i>2006-2008 (average)</i>		<i>2009</i>	
	<i>Duty-paid Cigarettes (Million sticks)</i>	<i>Revenue (HK\$ Million)</i>	<i>Duty-paid Cigarettes (Million sticks)</i>	<i>Revenue (HK\$ Million)</i>
March	73.6	59.2	60.8	73.4
April	152.3	122.5	151.4	182.6

In the first four months of this year, the C&ED detected 955 cases of smuggling, storage, distribution or peddling of illicit cigarettes, involving 25 million sticks of cigarettes. Of these cases, 635 were detected after the increase of tobacco duty rates on 25 February 2009. While the number of cases has increased by 28% in the first four months as compared with the same period in the past three years, there has not been a significant change in the quantity of illicit cigarettes involved.

- (b) Regarding part (b) of the main question, as the main purpose of the C&ED's enforcement actions against illicit cigarette activities is to protect public revenue, the Department will not conduct laboratory tests on the illicit cigarettes seized to determine the substances they contain. In case the C&ED suspects that the seized illicit cigarettes are counterfeits, they will follow the current procedure for processing counterfeit goods by inviting the relevant trademark owners to examine such cigarettes so as to determine whether any offence under the Trade Descriptions Ordinance can be established. As illicit cigarettes comprise many brands and some of them may not be registered in Hong Kong, the C&ED cannot have all of them examined for verification of brand authenticity. According to the C&ED's experience, counterfeit cigarettes account for about one third of illicit cigarettes seized. I wish to take this opportunity to remind the public that it is against the law to purchase illicit cigarettes and there is great risk in consuming such cigarettes.

- (c) Regarding part (c) of the main question, in view of the then more rampant illicit cigarette activities, the Financial Secretary pointed out in the 1999-2000 Budget that it was then not a right time to increase the tobacco duty. With the C&ED's robust enforcement actions in recent years, illicit cigarette activities at different levels have obviously been under control. We consider that we are now in a better position to increase tobacco duty so as to strengthen our tobacco control efforts. The C&ED will step up intelligence collection, continue to closely monitor illicit cigarette activities at the entry points and on the street level, and has already increased its manpower for combating such activities.

**MR VINCENT FANG** (in Cantonese): *The Secretary indicated in part (b) of the main reply that as the most important task of the C&ED is to protect public revenue, no laboratory tests will be conducted on illicit cigarettes to determine the substances they contain. Once counterfeit cigarettes are seized, the C&ED will invite the relevant trademark owners to examine such cigarettes, but for verification of brand authenticity only. Have the counterfeit cigarettes been handed over to the relevant trademark owners for them to conduct laboratory tests to determine if the tar level has exceeded the standard and will cause great damage to public health?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): President, trademark owners may conduct laboratory tests on their own initiative should they wish to do so. However, I wish to emphasize that protecting public revenue is just one of the main purposes in taking enforcement actions. If counterfeit cigarettes are detected, the Trade Descriptions Ordinance will be invoked for prosecution purposes. Actually, it is unlawful to purchase either illicit or counterfeit cigarettes, regardless of whether the tar level of illicit cigarettes is higher than that of other cigarettes. As such, I hope the public will not break the law by purchasing counterfeit cigarettes.

**MR CHAN KIN-POR** (in Cantonese): *At a meeting held by a Bills Committee in the Legislative Council last Saturday on raising tobacco duty, organizations were invited to attend the meeting to express their views on raising the duty, and their response was quite enthusiastic. Representatives of cigarette vendors expressed*

*grave concern that, with the introduction of the new tobacco duty rates, profits would become very high, and this would lead to the problem of illicit cigarettes. However, they considered the problem of counterfeit cigarettes even more serious because the consequences of smoking counterfeit cigarettes will be even more serious than smoking genuine cigarettes. Not only will public health be seriously undermined, a heavy burden will also be imposed on the territory's health care system in the future. May I ask the Government, apart from striving to combat illicit cigarettes, what corresponding measures will be adopted against the purchase of counterfeit cigarettes by the public? In other words, what measures will be taken to prevent the public from purchasing counterfeit cigarettes?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Insofar as this question is concerned, I believe tobacco control is our fundamental policy. According to a wide range of data collected as well as surveys and studies conducted in the past, increasing the duty rate will lower the quantity of cigarettes consumed by the public. As regards whether an increase in tobacco duty will lead to a greater number of counterfeit cigarettes purchased by the public, and given the fact that counterfeit cigarettes contain harmful substances, I believe we will, just as the approach currently adopted by us, combat illicit cigarettes by all means and appeal to the public not to break the law.

Let us refer to the data provided by me just now. According to the figures currently available on the peddling of illicit cigarettes, there has not been an obvious rise in the figures of peddled illicit cigarettes since the increase of tobacco duty. Furthermore, compared with the past, the recent years have seen significant results of anti-illicit cigarettes operations by the C&ED.

**MR TOMMY CHEUNG** (in Cantonese): *In fact, the Secretary has not responded to the thrust of part (a) of the main question raised by Mr Vincent FANG. Secretary, I would like to say a few words on your main reply first because I have some comments on two of the points raised therein. Firstly, the Secretary was talking about the first four months, but the tobacco duty rate was actually raised in late February or early March, and a sharp increase of 28% has already been recorded. I would also be worried if the Secretary said the other way round that there has not been a substantial increase in the percentage of the quantity of illicit cigarettes seized.*

*Secondly, I would like to say a few words on health. I hope the Secretary can conduct surveys or studies jointly with other government departments as it is widely believed that smoking illicit cigarettes will have an even more serious impact on health than smoking genuine or duty-paid cigarettes. I think the Secretary should discuss the relevant problems with the Security Bureau and the Food and Health Bureau headed by Secretary Dr York CHOW. In fact, more laboratory tests should be conducted after illicit cigarettes are seized so that the public can find out from the test results the seriousness of the harm done by counterfeit cigarettes. Not only will the public refrain from smoking cigarettes, they will be more deterred from smoking illicit cigarettes. In my opinion, more tests should be conducted instead of merely instituting prosecutions. I do not think this is the crux of the main question raised by Mr Vincent FANG. Will the Secretary work together with the other two relevant departments to conduct more tests on illicit cigarettes and inform the public of the results afterwards?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): President, we will consider the views expressed by the Member and examine ways to step up publicity in this area to enhance public understanding. Certainly, from the legal point of view, the public should not purchase illicit cigarettes. Moreover, such cigarettes might contain harmful substances. I believe more can be done through publicity and education. We will also consider what measures can be taken to enhance efforts in this regard. Nevertheless, the public should simply not purchase counterfeit or illicit cigarettes. We will strengthen our enforcement efforts and step up data and intelligence collection with a view to intercepting illicit cigarettes.

**MS MIRIAM LAU** (in Cantonese): *I think the Government is absolutely irresponsible in not conducting laboratory tests on the substances contained in illicit cigarettes. The Government's purpose is to protect public health and urge the public not to smoke. But if members of the public smoke, smoking cigarettes itself is not an offence; nor is it an offence to smoke counterfeit cigarettes.*

*The last two sentences of part (b) of the main reply read: "I wish to take this opportunity to remind the public that it is against the law to purchase illicit cigarettes and there is great risk in consuming such cigarettes." As pointed out by me just now, smoking counterfeit cigarettes is not illegal, so how could a*

*person doing so be regarded as acting against the law? Second, regarding the Secretary's remark that "there is great risk in consuming such cigarettes", what risk will be involved now that no laboratory tests have been conducted on the substances contained in illicit cigarettes?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): President, I would like to thank the Honourable Member for her supplementary question. As pointed out by me just now, education in this regard can be stepped up to make the public understand the health hazards of smoking. As regards her question of smoking illicit cigarettes, I believe publicity can be launched through education. But where does the crux of the problem really lie? I think that the purpose of the Government's decision to raise tobacco duty is to exercise tobacco control. Members asked: Since illicit cigarettes are illegal, is the Government duty-bound to conduct laboratory tests on such cigarettes? According to the existing policy, we will put efforts in intercepting illicit cigarettes and advising the public not to purchase such cigarettes. This is the basic work that should be done.

**MS MIRIAM LAU** (in Cantonese): *The Secretary has not answered my supplementary question. My earlier supplementary question was pinpointing two of the sentences in the main reply, that is, the Secretary reminded the public not to act against the law. As I have already pointed out, there is simply no legislation prohibiting the public from smoking counterfeit cigarettes. While the Secretary has kept reminding the public not to take risks in smoking illicit cigarettes, I have also pointed out that the Government simply has no idea about the hazards of illicit cigarettes since no laboratory tests have been conducted by the Government on illicit cigarettes. My question was: With regard to those two sentences in his reply, what law was the Secretary referring to? What risk was he referring to? What was he trying to remind the public of?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): The rationale is very simple. It is true that those who purchase illicit cigarettes are breaking the law. If people purchase illicit cigarettes without knowing what substances such cigarettes contain, they are taking risks in smoking such cigarettes. This is why I believe these two remarks are correct.

**MR WONG YUK-MAN** (in Cantonese): *President, I would like to raise a follow-up question. Despite the Government's determination to combat illicit cigarettes, the problem of illicit cigarettes is very rampant indeed. The figures cited by the Government are inconsistent with the reality. This is the first point. Secondly, I believe the Secretary is well aware of the daily number of people travelling to and from the Mainland. If he is not clear about this, he may ask the Director of Immigration. With the implementation of 24-hour operation of border control points, Hong Kong residents returning from the Mainland would carry with them three packs of cigarettes, even if they are not smokers. How many additional sticks of illicit cigarettes have entered Hong Kong through this channel? Have any calculations been made? Secretary, are you aware of the relevant situation? In other words, have calculations been made in this regard given that several hundred thousands people travel between the Mainland and Hong Kong daily? Some non-smokers have merely brought cigarettes back to the territory for their friends or relatives. As in the case of "Long Hair", he will ask his friends who are going to visit the Mainland to bring him three packs of cigarettes when they return to the territory, for in doing so can save him a lot of money. In view of this, what good will the Government bring by raising the tobacco duty? How can the Government make the public smoke less?*

**PRESIDENT** (in Cantonese): Mr WONG Yuk-man, I wish to remind you that the theme of this main question is illicit cigarettes. Please ask your supplementary question clearly on illicit cigarettes.

**MR WONG YUK-MAN** (in Cantonese): *President, I think that my question is relevant to illicit cigarettes because according to the Secretary's main reply, the Government seeks to combat illicit cigarettes and make the public smoke less through the increase of the duty. But the increase of the duty has made many people bring cigarettes into the territory through this channel.*

**PRESIDENT** (in Cantonese): So, what is your supplementary question?

**MR WONG YUK-MAN** (in Cantonese): *My supplementary question is: The figures provided by the Secretary are not a genuine reflection of the reality because we can see people peddling illicit cigarettes everywhere. Some people*



*have even provided home delivery services and distributed leaflets, and people purchasing illicit cigarettes by phone is even more popular. What enforcement actions can be taken? The figures provided by the Government are merely "empty talk". May I ask the Secretary if he can submit a report to the Legislative Council six months after the increase of the duty?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Perhaps let me try to answer the supplementary question raised by Mr WONG. We have some data reflecting the purchase of duty-free cigarettes by the public after the increase of tobacco duty. During the first two months of 2009, the average sales of duty-free cigarettes in the territory and at various border control points, such as Lo Wu, Huanggang, Macao and Futian, were some 157 million sticks. After the raising of tobacco duty, the sales figures of duty-free cigarettes have remained more or less the same. We can see that the sales of duty-free cigarettes at duty-free shops have not been pushed up because of the increase of tobacco duty. As regards the question raised by Mr WONG concerning whether the Government can provide the Legislative Council with relevant figures six months after the increase of tobacco duty, yes, we will do so.

**MR ALAN LEONG** (in Cantonese): *As pointed out by Mr CHAN Kin-por earlier, during a meeting held in this Council last Saturday, many relevant organizations expressed concern over whether the problem of illicit cigarettes would become even more rampant after the increase of tobacco duty. In part (b) of the main reply, the Secretary revealed that one third of illicit cigarettes seized were counterfeit cigarettes. Nevertheless, I have also heard the Secretary say just now that counterfeit cigarettes will not be examined to check how harmful they are or what substances they contain. May I ask the Secretary whether the Government will consider conducting laboratory tests on some of the counterfeit cigarettes as a policy initiative to further combat illicit cigarettes, so that the public will be more apprehensive about smoking illicit cigarettes which may be counterfeit cigarettes?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): President, I would like to thank the Honourable Member for raising this supplementary question. Of course, it is best that the public would not purchase such cigarettes and this is also our policy. However, we will take

follow-up action should there be individual reports alleging that illicit cigarettes contain harmful substances.

**MR LEUNG KWOK-HUNG** (in Cantonese): *President, being a smoker, I have smoked illicit cigarettes before. I would like to ask the Secretary, who pointed out that it is illegal for members of the public to purchase illicit cigarettes, and they may be arrested for purchasing such cigarettes. But the point is Hong Kong is different from many other places. There used to be the tobacco monopoly bureau. For instance, there is a tobacco monopoly bureau in Taiwan. In other words, people purchasing cigarettes from places other than the bureau or purchasing cigarettes without the consent of the Taiwanese Government will commit an offence. At present, the peddling of illicit cigarettes can be seen everywhere, with some people even distributing business cards or providing delivery services. According to what the Secretary has just said, any person who is in possession of even one pack of illicit cigarettes will commit an offence and will be arrested. May I request the Secretary to clarify if the Government is prepared to take the initiative to arrest members of the public or smugglers of illicit cigarettes? I hope the Secretary can provide figures on the number of smokers arrested for possessing illicit cigarettes and the number of people arrested for smuggling such cigarettes? Does the Secretary have these figures?*

**PRESIDENT** (in Cantonese): Please sit down. Secretary, please reply.

**MR LEUNG KWOK-HUNG** (in Cantonese): *Can the Secretary also let us know the years of the figures provided, that is, the figures of this year, last year and the year before last? Secretary, do you have these figures?*

**PRESIDENT** (in Cantonese): Please sit down.

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): I do not have the figures requested by Mr LEUNG today. I am pleased to provide them later. I would like to emphasize that it is unlawful to purchase illicit cigarettes. Of course, if there is evidence that members of the

public have engaged in the trading of illicit cigarettes, enforcement actions will be taken. (Appendix II)

**MR LEUNG KWOK-HUNG** (in Cantonese): *It is very strange that he does not have the figures in this regard because he has to convince us with the figures .....*

**PRESIDENT** (in Cantonese): The Secretary has already undertaken to provide the figures after the meeting.

**MR LEUNG KWOK-HUNG** (in Cantonese): *He said he does not have the figures at the moment, so what was he talking about just now? Why does he not come tomorrow to explain to us again?*

**PRESIDENT** (in Cantonese): Mr LEUNG, I believe the Secretary has already answered the supplementary question raised by you.

**MR LEUNG KWOK-HUNG** (in Cantonese): *This means that the Secretary does not have any statistics to base on and that he was talking nonsense.*

**PRESIDENT** (in Cantonese): We have spent more than 20 minutes on this question. Oral questions end here.

## **WRITTEN ANSWERS TO QUESTIONS**

### **Mobile Phone Signal Reception at Tourist Attractions on Lantau Island**

7. **MR TAM YIU-CHUNG** (in Chinese): *President, some members of the public have relayed to me that the signals of the local mobile phone networks (local networks) are weak at a number of tourist attractions on Lantau Island such as Ngong Ping, Tai O and Cheung Sha, and their mobile phones at these*

*locations are often connected to the networks on the Mainland (mainland networks). In this connection, will the Government inform this Council:*

- (a) whether in the past three years it had tested the strength of local network signals at the tourist attractions on Lantau Island; if so, of the test results and the locations which were confirmed to be outside the coverage of the local networks;*
- (b) why mobile phones at the aforesaid tourist attractions are often connected to mainland networks; and*
- (c) what measures are in place to further improve the quality of local networks, in particular the reception of signals at the tourist attractions on Lantau Island, so as to safeguard the interests of consumers and preserve the reputation of the telecommunications industry in Hong Kong?*

**SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT** (in Chinese): President, at present, there are more than 22 000 base stations installed in Hong Kong, providing coverage of mobile services to customers, among which some 930 base stations are installed on Lantau Island alone.

Our reply to the specific questions is as follows:

- (a) The Office of the Telecommunications Authority (OFTA) conducts tests of radio signals where necessary to assess the latest situation of mobile coverage. Results of the latest test revealed that there is good coverage of the mobile services at Ngong Ping and Tai O.

However, the service is less satisfactory at Cheung Sha. As the mobile network operators have yet to obtain consent from the local residents, they could not acquire appropriate sites at Cheung Sha Sheung Tsuen and San Shek Wan for setting up base stations. Nonetheless, the mobile network operators are seeking to improve the service there and actively looking for other alternatives, such as the use of public facilities in the vicinity for setting up base stations. A number of applications for the use of these facilities are already in the pipeline.

- (b) With the inherent propagation characteristics of radio waves, as well as the close proximity of Hong Kong, Shenzhen and Zhuhai, it is inevitable that the coverage of the mobile networks of Hong Kong and the Mainland overlaps in certain locations, especially along the border. Moreover, the situation of overspill signals cannot be avoided completely.

We have taken measures to conduct joint measurements regularly with the mainland authorities and the mobile network operators along the border and in remote areas in order to monitor the overspill signals and will take appropriate follow-up actions. Users situated near the border or in remote areas are suggested to check the display of their mobile phone first before they make or answer a call. If their mobile phone indicates that they are connected to a mainland network, users could select their Hong Kong's network by "manual network selection". As an alternative, they may also deactivate roaming service temporarily.

- (c) The Government has been encouraging mobile network operators to improve their service coverage in country parks and remote areas. To this end, the Government has introduced a number of measures to facilitate the installation of base stations in country parks and remote areas, including allowing the use of existing government hilltop sites, subletting Government land at nominal rental and assigning additional radio spectrum at no charge. Following the recent completion of base stations in Shek Pik and Nga Ying Shan, the mobile service coverage in the south-western part of Lantau Island has improved considerably. The mobile network operators are willing to expand the scope of mobile coverage to improve their services to their clients if it is supported by the local residents.

### **Measures to Assist Tourism Industry**

8. **MS MIRIAM LAU** (in Chinese): *President, it has been reported that the financial tsunami and the outbreak of the human swine influenza have dealt a heavy blow to the tourism industry. The number of bookings for inbound and outbound package tours for the coming two months has dropped sharply by 60% to 70% compared with the corresponding period of last year, resulting in a large*

*number of tour guides and leaders becoming underemployed, and more workers in the tourism industry are expected to lose their jobs if the epidemic does not subside. In this connection, will the Government inform this Council:*

- (a) whether it has assessed the economic losses of the tourism industry which will be caused by the persistence of the human swine influenza epidemic;*
- (b) of the immediate measures to stimulate the depressed tourism industry, in order to safeguard the employment opportunities for those working in the industry and help the industry tide over the difficult times, for example, whether it will offer new special loan schemes to the industry; and*
- (c) whether it will make reference to the Skills Enhancement Project launched in 2003 for certain industries which had been hard hit by the outbreak of the Severe Acute Respiratory Syndrome and launch similar projects for those working in the tourism industry, provide special allowance to the participants of these projects and launch other government-funded training courses, so that those working in the tourism industry can continue to upgrade themselves during this period of underemployment, with a view to preparing for the future?*

**SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT** (in Chinese): President,

- (a) The Government is very concerned about the impact of the financial crisis and human swine influenza on the tourism industry. In this regard, the Secretary for Commerce and Economic Development, the Secretary for Food and Health and the Commissioner for Tourism have met with the industry to understand the difficulties they face and their requests, and consider how we can render assistance. As the development of the human swine influenza is hard to predict, at this stage it is difficult for the Government to assess accurately its impact on the tourism industry.
- (b) To assist enterprises to cope with the financial crisis, in end 2008 the Government introduced a package of relief measures, including the

Special Loan Guarantee Scheme (SpGS), which aims at helping enterprises in Hong Kong, including the travel trade, to secure loans to address the liquidity issue. So far 66 travel agents have obtained loans under the Scheme, involving a total loan amount of \$78.4 million. The Financial Secretary announced new relief measures on 26 May, including extending the application period for SpGS and enhancing the assistance to enterprises. To further encourage lending institutions to offer loans and assist enterprises in securing commercial loans, the Financial Secretary proposed to raise the Government's loan guarantee ratio from 70% to 80%. The loan ceiling for each enterprise will be doubled from \$6 million to \$12 million, and the amount that can be used for revolving credit facilities will be doubled from \$3 million to \$6 million. The maximum guarantee period will also be extended from three years to five years. We believe that these measures can further assist the travel trade in securing loans from lending institutions to help them tide over the difficult times. The Financial Secretary also proposed to waive travel agents' licence fee for one year to help reduce the trade's cost of operation. Furthermore, in response to the requests of local tourist guides, the Commissioner for Tourism has secured the agreement of the Hong Kong Disneyland and the Ocean Park to waive the fee for their tourist guides' passes for one year with effect from 1 June 2009. Both Ngong Ping 360 and the Wetland Park are offering free admission to tourist guides holding the Tourist Guide Pass issued by the Travel Industry Council (TIC).

The global outbreak of the human swine influenza has seriously dampened people's desire to travel. In view of this, the Hong Kong Tourism Board (HKTB) will step up promotion before the summer peak season, in particular in short-haul markets such as the Mainland. Separately, the HKTB has earlier allocated \$21 million from its reserve to offer the industry fee concessions for participating in the promotion activities of the HKTB in 2009. The aim is to help reduce their operating expenses and encourage them to explore new business opportunities through participation in such promotion activities.

- (c) We encourage members of the tourism industry to take part in training programmes to further enhance their skills and quality of

service. The Employees Retraining Board (ERB) is committed to providing training courses and related placement services for local employees affected by the economic downturn to assist them to change jobs or secure employment. At present, the ERB provides a total of 10 full-time placement-tied training courses for the tourism industry, including travel consultant, tourist guide, culture and eco tourist guide, project assistant for MICE (meetings, incentives, conventions and exhibitions), event and exhibition assistant and customer services assistant for cruises. Full-time placement-tied courses of the ERB are offered free-of-charge. Trainees who meet the attendance requirement will be given a training allowance. Those in need may also enrol in part-time or evening cross-sector generic skills courses, including workplace languages, computing, numeracy skills, and so on, to enhance their competitiveness. The ERB will closely monitor changes in the job market and flexibly handle the allocation and increase of training places where necessary.

Separately, the Skills Upgrading Scheme (SUS) provides focused skills training for members of the tourism industry to enhance their employability and competitiveness in the market and help them adapt to the changing economic environment. Training courses currently offered under the SUS include practical Putonghua for operational staff of travel agents, customer services and effective communication skills for travel agents, analysis of inbound tourist complaint cases, analysis of inbound tourist emergency cases, understanding and promoting tourist attractions in Hong Kong and neighbouring regions, and so on. The SUS also provides courses on enhancing emotional intelligence to help employees manage their emotions. Furthermore, a range of training courses including cruise and geo-tourism featuring rock formation will soon be launched for those working in the tourism industry to further upgrade their skills. The SUS courses do not provide any training allowance. The Government subsidizes 70% of the cost of the SUS courses with the remaining 30% being borne by the trainees and/or their employers. Trainees with financial difficulties can apply for full reimbursement of course fees.

The TIC also offers a number of courses tailored to the needs of employees of the tourism industry in discharging their work and for



career development. These include ticket pricing and ticketing certificate course, certificate course for outbound tour escorts as well as cruise selling training course. The TIC Bonding Fund subsidizes 70% of the course fee for trainees on the cruise-related course mentioned above. For trainees who have less than three years of experience in ticketing service and have completed the ticket pricing and ticketing certificate course are eligible to apply to the Vocational Training Council for reimbursement of up to 50% of the course fee. We will continue to encourage the industry to launch suitable courses to help their employees to continue to upgrade themselves.

### **Population Policy**

9. **MR ABRAHAM SHEK** (in Chinese): *President, in 2007, the Government established a Steering Committee on Population Policy, chaired by the Chief Secretary for Administration, to identify the main social and economic challenges to Hong Kong having regard to the changes to the local population profile in the next 30 years, follow up on the areas that require further study, as well as develop strategies and practical measures for pursuing the objectives of Hong Kong's population policy. In this connection, will the Government inform this Council:*

- (a) *of the latest progress made by the Steering Committee on Population Policy in developing population strategies, and when it will put forward relevant new measures and policies as well as consult the public;*
- (b) *as it has been reported that an academic pointed out that the number of people aged above 60 last year accounted for 17.2% of the population, and based on the current growth rate of the elderly population, the projected elderly population 20 years from now would double the current figure, whether the Government has conducted any study on the corresponding long-term retirement and welfare policies; if so, of the directions, strategies and details of such policies; if not, the reasons for that; and*
- (c) *whether, in view of the ageing trend of the population, the Government will further enhance the Quality Migrant Admission*

*Scheme so as to attract more young elites from the Mainland and overseas to settle in Hong Kong, as well as consider discussing with the relevant mainland authorities the relaxation of the quota for people from the Mainland to settle in Hong Kong; if it will, of the details; if not, the reasons for that?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Chinese): President,

- (a) The objective of Hong Kong's population policy is to optimize our demographic structure by securing and nurturing a quality population which supports and sustains Hong Kong's development as a knowledge-based economy. To optimize our demographic structure, the Government has been vigorously following up on measures relating to the four priority areas as announced by the Chief Executive in his 2007 Policy Address, which includes raising the quality of our education to upgrade our human capital; developing Hong Kong as a regional education hub to encourage more outstanding students to study in Hong Kong and work here after graduation; attracting more talents to work and live in Hong Kong; and reforming our health care system. For example, we relaxed the eligibility criteria of the Employees Retraining Scheme in 2007 to better prepare the local workforce to meet the challenges brought about by economic restructuring. In 2008, we also relaxed some restrictions for the Quality Migrant Admission Scheme as detailed in part (c) of the reply. We will continue to devote substantial resources in education to raise the quality of education. We will also spare no efforts in retraining the local workforce to ensure that our manpower resources can meet the changing demand of society. In addition, we have completed the first stage public consultation on health care reform in early 2008 and are now formulating further proposals with a view to commencing the second stage consultation by end 2009.

At the same time, respective bureaux will review from time to time population policy related measures under their policy purview on the basis of the latest population projections, and will listen to the views of different stakeholders through various channels. The Steering

Committee on Population Policy will continue to monitor and co-ordinate the implementation of population policy related measures by respective bureaux.

- (b) The Government has all along been making efforts to improve the quality of life of our elderly population so as to provide them with a sense of security, belonging as well as worthiness.

On promoting "active ageing", the Labour and Welfare Bureau and the Elderly Commission (EC) have in recent years jointly mobilized elders and volunteers to establish neighbourhood support networks through the Neighbourhood Active Ageing Project (NAAP). The NAAP enables elders to become a new driving force in the community and encourages them to lead an enriched life through cross-sectoral collaboration and inter-generational integration. We have also launched the Elder Academy Scheme to encourage lifelong learning among elders. To ensure the sustainable development of the scheme, the Government will work with various stakeholders to co-sponsor and establish the Elder Academy Development Foundation. The Government is also co-ordinating the setting up of a dedicated portal for the elderly to provide one-stop information service on elderly services. Together with computer courses offered by the Elder Academies, the portal will help elders expand their social circle through the Internet.

Regarding long-term care services, we will continue to support the elderly in different ways with a view to facilitating them to age in the community. As for frail elders who cannot age at home and thus require residential care services, we will continue to allocate more resources to increase the supply of subsidized residential care places.

That said, in view of the ageing population, further increasing the supply of subsidized residential care places alone will not be sufficient to meet the ever-growing demand. The Government has been working with the EC on the long-term planning of elderly residential care services. The EC has embarked on a consultancy study to explore how to target the resources for subsidized

residential care services at elders most in need. The study will also look into ways to promote the further development of quality private residential care services and encourage shared responsibilities among individuals, their families and the society in meeting the long-term care needs of the elderly. The study is expected to be completed within this year.

Separately, the Government is currently studying the sustainability of Hong Kong's three pillars of retirement protection, namely the Comprehensive Social Security Assistance Scheme and Social Security Allowance Scheme; the Mandatory Provident Fund Scheme and voluntary private savings. We will consider the findings of the study and other pertinent factors before deciding on the future course of action.

- (c) The Quality Migrant Admission Scheme, launched in June 2006, was enhanced in January 2008. Key enhancements include lifting the age limit (people above 50 are now eligible); adjusting the marking scheme (so that younger people with less working experience may enter the selection pool); and streamlining the application procedure for extension of stay of successful applicants. Since the enhancements, an average of some 100 applications are received each month, representing an increase of 67%. The Government will continue to review the scheme from time to time. Relevant departments including the Hong Kong Economic and Trade Offices in the Mainland and overseas will continue their publicity efforts with a view to attracting more mainland and overseas talents to Hong Kong under the scheme.

The implementation of the One Way Permit (OWP) Scheme, with its objective to facilitate family reunion, falls under the purview of the Central People's Government. The daily quota of OWP used to be 75 in 1982 and was increased to the current 150. Although we have no intention to propose to the mainland authorities to consider increasing the OWP quota for the time being, we will review the operation of the OWP Scheme with the mainland authorities from time to time in the light of the needs of society.

**Assistance for Family Carers**

10. **MR WONG SING-CHI** (in Chinese): *President, it has been reported that a university professor has pointed out that since family carers of patients with Alzheimer's disease are subject to tremendous pressure, they age even faster than the patients. In this connection, will the Executive Authorities inform this Council:*

- (a) *given that the Research Grants Council allocated a funding of nearly \$5 million early this year to support a research project on the pressure faced by family carers of patients with Alzheimer's disease, whether the authorities have any plan to fund research projects on carers of other types of family members (for example, persons with disabilities (PWDs) and young children of single-parent families); if so, of the details; if not, the reasons for that;*
- (b) *whether they have formulated any new measure to strengthen the community support to family carers so as to relieve their pressure; if so, of the details; if not, the reasons for that;*
- (c) *whether they will consider granting allowance and providing welfare services to family carers; if they will, of the details; if not, the reasons for that; and*
- (d) *whether they will make reference to overseas legislation and legislate to protect family carers; if they will, when they will implement the legislation; if not, of the reasons for that?*

**SECRETARY FOR LABOUR AND WELFARE** (in Chinese): President, my reply to Mr WONG Sing-chi's specific question is as follows:

- (a) The Government attaches great importance to the service needs of family carers and has been trying to understand their demand for different types of welfare services through various channels. The Social Welfare Department (SWD) often makes reference to a variety of social indicators in relation to welfare needs and collects the views of service users and their family members on support services. The SWD also reviews with non-governmental

organizations (NGOs) concerned the mode of operation and coverage of services, with a view to providing service users and their family members with the most appropriate services and support. The Government welcomes various sectors, including the academia, to conduct researches on topics relating to family carers. We will also keep in view relevant researches and make reference to their recommendations where appropriate.

- (b) The Government has been providing a range of support services to help alleviate the pressure on different types of family carers.

The 41 District Elderly Community Centres (DECCs), 115 Neighbourhood Elderly Centres, 85 Home Care Service teams and 58 Day Care Centres/Units throughout the territory are providing support services for elderly carers, including the provision of information, training and counselling, assistance in forming carers' mutual-assistance groups, setting up of resource centres, and giving demonstration and loan of rehabilitation equipment, and so on. Besides, all subvented Residential Care Homes for the Elderly and Day Care Centres/Units also provide relief to carers through their residential/day respite services.

In addition, the Elderly Commission, Labour and Welfare Bureau and SWD launched the "District-based Carer Training Trial Scheme" (the Trial Scheme) in October 2007. The purpose of the Trial Scheme was to subsidize DECCs to partner with community organizations of their districts to organize carer training programme and implement carer services. Depending on the situation of individual districts, the concerned DECCs would engage those who have completed the training programme as carer-helpers. The carer-helpers help relieve the pressure of elderly carers by providing temporary stand-in services. As of today, 765 individuals have completed the training and more than 6 100 headcounts of elders have been served. In view of the positive response to the Trial Scheme, we have extended the scheme to cover all districts in the territory in March this year. It is expected that another 1 500 individuals will be trained in this new round of training programme.

On support services for family carers of PWDs, the SWD has set up 16 District Support Centres (DSCs) for PWDs in January 2009

through the re-engineering of community support services. The DSCs adopt a district-based approach for the provision of one-stop community support services to PWDs and their families/carers, with a view to enhancing the domestic and community living skills of PWDs, thereby facilitating them to integrate into the community while strengthening the caring capacity and relieving the stress of their families/carers. The DSCs will liaise, communicate and collaborate with stakeholders in the district, including families/carers of PWDs, for the provision of suitable services commensurate with their needs.

In addition, there is currently a range of community support services providing training and assistance to PWDs and their families/carers in order to strengthen their caring capacity and relieve their stress. These services include parents/relatives resource centre for disabled persons, community rehabilitation day centres, transitional care and support centre for tetraplegic patients, day care service for persons with severe disabilities, specialized home-based training and support service, community-based support projects, community mental health link, community mental health intervention project and self-help organizations, and so on.

As regards child carers, while it is the responsibility of parents to take care of their young children, the Government and NGOs provide different forms of day child care services to assist parents (including single parents) who cannot take care of their young children temporarily due to work or other reasons. We also strive to promote more flexible services, including the three-year pilot Neighbourhood Support Child Care Project which has been implemented by the SWD since 2008-2009.

Besides the above support services for specific types of family carers, the 61 Integrated Family Service Centres and two Integrated Services Centres over the territory also provide needy family carers with a continuum of preventive, supportive and remedial welfare services, which include counselling service, supportive/mutual help group, developmental programmes, family aide service, family life education, parent-child activities. They also refer needy persons to apply for supportive community services (for example, financial

assistance) and child care services, and so on, in order to enhance the skills of carers in handling stress and problem solving.

- (c) Cherishing the family is one of the core values of our society. The Government has therefore been promoting mutual family support, and we value contributions made by family carers to their family members. As mentioned above, the various types of support services provided by the Government to family carers aim at helping them discharge their family responsibilities and alleviating their stress, rather than substituting family functions. We believe that our existing support services can reflect social values and, compared to the provision of subsidies, can better address the needs of family carers.
- (d) As mentioned above, the Government has been providing various types of services to different kinds of family carers. These range from the provision of training, counselling and information, to arrangement of temporary respite services and supportive/mutual help groups. In addition, the SWD and NGOs operating these services have all along been collecting feedback from different sectors in society through various channels. They will review the service content and operation mode from time to time to identify room for improvement, with a view to providing the most suitable support to family carers. The Government therefore does not have any plan to legislate to provide support or protection for family carers.

### **Fifth East Asian Games**

11. **MISS TANYA CHAN** (in Chinese): *President, the Fifth East Asian Games (EAG) will be held in Hong Kong in December this year. Most of the construction or improvement works for the competition complexes and venues have been completed, and the Second Hong Kong Games (HKG) held in May this year also used some of the venues. In this connection, will the Government inform this Council:*

- (a) *whether problems were found in the facilities of the relevant venues during the HKG held last month; if so, of the details and follow-up*



*work; whether the authorities will hold competitions at other relevant complexes and venues to test if the relevant facilities are operating normally; if they will not, of the reasons for that;*

- (b) *given that there are press reports that there are still the problems of water leaking from the ceiling and insufficient warm-up pool facilities after completion of the improvement works at the Kowloon Park Swimming Pool (KPSP), whether the Government will follow up and make improvements; if it will, of the details; if not, the reasons for that;*
- (c) *given that every day at present a large number of heavy vehicles (such as refuse collection vehicles) use Wan Po Road next to the Tseung Kwan O Sports Ground (TKOSG), of the Government's estimated daily traffic volume in that road section during the EAG, and whether it will adopt measures to alleviate the impact of air pollution and noise caused by the traffic on the competitions to be held at that venue; if it will, of the details; and*
- (d) *of the existing channels through which the authorities collect the views of various sports associations, athletes, staff, referees, the media and the public on the complexes and venues of the EAG; whether the authorities will carry out the relevant improvement works in response to such views; if so, of the details; if not, the reasons for that?*

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

- (a) The Opening Ceremony and the finals of some of the sports competitions of the 2nd HKG held in May this year were staged at the competition venues of the 5th EAG. The details are as follows:

<i>Venue</i>	<i>HKG sports events</i>	<i>EAG sports events</i>
Tseung Kwan O Sports Ground	Opening Ceremony and Athletics	Athletics
Kowloon Park Swimming Pool	Swimming	Swimming
Western Park Sports Centre	Basketball	Basketball
Queen Elizabeth Stadium	Badminton	Badminton
Victoria Park Tennis Court	Tennis	Tennis

During the HKG events, the overall operation of the venues generally ran smoothly, although a few items of equipment, such as the newly-installed LED scoreboards will require fine-tuning to achieve a better performance. We will quickly conduct the necessary fine-tuning to ensure that the equipment will achieve the optimum performance during the EAG events.

The 2009 East Asian Games (Hong Kong) Limited (EAG Company), in conjunction with relevant National Sports Associations (NSAs), will hold test events at EAG competition venues in the coming months to prepare for the smooth running of the EAG.

- (b) The KPSP was completed and commissioned in 1989. As a result of ageing and damage over the years, water seepage has occurred at part of the ceiling of the pool. The Leisure and Cultural Services Department (LCSD) has closely monitored this seepage problem. In order to solve the problem, the LCSD has requested the Architectural Services Department to replace the ceiling boards and improve the drain sumps at the swimming pool. The necessary works are scheduled to start in June and to be completed before November this year.

The upgrading works for the KPSP completed at the end of 2008 included the conversion of the old indoor leisure pool into a training and warm-up pool and the enlargement of the pool deck to provide stretching space to meet the needs of athletes. During the planning of the project, we have consulted the relevant NSA and reached a consensus on the layout of the facilities. The converted training and warm-up pool and the stretching area meet the needs of the NSA and other users.

- (c) At present, the vehicular traffic flow on Wan Po Road next to the TKOSG is estimated at over 20 000 vehicles per day. The athletics competitions of the 2nd HKG were held at the sports ground in May and there were no reports of the competitions being affected by the traffic on Wan Po Road. Nevertheless, the LCSD will, in

collaboration with the Hong Kong Amateur Athletic Association and the departments concerned, continue to monitor closely the utilization of that section of road. If there is any likelihood of an adverse impact on the events that will take place at the TKOSG, appropriate measures will be taken to ensure the smooth running of the EAG events.

- (d) The Government has consulted the relevant NSAs and District Councils when it began the design and construction of the new TKOSG and the upgrading of facilities in 13 existing government venues for the EAG. During the course of the construction works and before the opening or re-opening of the venues, we have arranged site visits and meetings jointly with the EAG Company and the relevant NSAs to ensure that all facilities comply with the requirements of the events.

Upon completion of the projects, we have invited media organizations to tour some of the venues. The EAG Company will work with the relevant NSAs to hold test events at individual venues in the coming few months, in order to collect further views from athletes, referees and operational staff on the facilities at the EAG venues. We will follow up on any views put forward in order to perfect arrangements at the venues.

### **Remuneration of Management and Fees for Board Members of MTR Corporation Limited**

12. **MR LEE WING-TAT** (in Chinese): *President, the 2008 Annual Report of the MTR Corporation Limited (MTRCL) reveals that while the company's profits dropped substantially last year, the remuneration of its management and fees for its Board members were raised. In this connection, will the Government inform this Council whether:*

- (a) *the government representatives on the Board of MTRCL supported the proposal of raising the remuneration of the company's*

*management and fees for its Board members at the relevant Board meeting(s); if they did, of the justifications;*

- (b) it has looked into why the MTRCL had raised the remuneration/fees of the aforesaid persons despite the substantial drop in profits;*
- (c) it knows the criteria adopted by the MTRCL for determining the fees for its Board members; if it does, of the details; and*
- (d) the Government, being the major shareholder of the MTRCL, has assessed if this increase in remuneration/fees has undermined public interest; if such an assessment has been made, of the details; if not, the reasons for that?*

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

(a), (b) and (c)

The MTRCL has an established mechanism to determine the remuneration of its Directors and management. In determining its remuneration policy (including remuneration of its non-executive Directors, and the remuneration packages of its Chief Executive Officer and other members of the Executive Directorate), the MTRCL will consider various factors including the corporation's performance, responsibilities, scope of work, individual performance and remuneration paid by comparable companies, and so on. In addition, the increase in the responsibilities and scope of work of its Directors and management as a result of the expansion in the business scope of the MTRCL following the rail merger is also taken into account.

The MTRCL's Board has established a Remuneration Committee, which is responsible to consider and recommend to the Board the corporation's remuneration policy, to recommend to the Board the remuneration of the members of the Board who are non-executive Directors and has delegated authority to determine and review the

remuneration packages of the Chief Executive Officer and other members of the Executive Directorate. The Chief Executive Officer and other members of the Executive Directorate of the MTRCL are not involved in decisions on any adjustments to their own remuneration. This mechanism has been established by making reference to the Code on Corporate Governance Practices at Appendix 14 of the Listing Rules in Hong Kong.

- (d) As a listed company, the MTRCL should operate according to commercial principles. The MTRCL will operate in accordance with commercial principles in various aspects including its business development, daily operation and human resources (including the remuneration of its Directors and management). We understand that in determining the remuneration of its Directors and management, the MTRCL has considered the relevant factors mentioned above, including relevant information relating to remuneration in the market.

### **Cases of Plagiarism and Frauds in UGC-funded Institutions**

13. **MR CHEUNG MAN-KWONG** (in Chinese): *President, I have learnt that quite a number of scholars have criticized the existing mechanism by which the University Grants Committee (UGC) allocates research funds to funded institutions, saying that the mechanism has caused funded institutions to place emphasis on research work and neglect teaching, and it is also conducive to plagiarism and frauds in research results. In this connection, will the Government inform this Council:*

- (a) *whether it will review the existing criteria for the UGC to allocate research funds, so as to ensure that funded institutions will not, in pursuit of more resources, place too much emphasis on research work; if it will, of the details; if not, the reasons for that;*
- (b) *whether it knows the respective numbers and the relevant trend of the complaints, received by each funded institution in the past three school years, regarding plagiarism, frauds in research results, listing another person's name(s) as co-author(s) of a work without the original author's prior consent, as well as stealing and*

*publishing another person's research data, together with a breakdown of these numbers by the academic relationship between the complainant and the person under complaint and their positions and, among them, of the number of substantiated cases, the number of published academic articles involving plagiarism and frauds in research results which were withdrawn by the academic journals, as well as the penalties imposed on the persons concerned;*

- (c) whether it knows if funded institutions have set up independent and impartial mechanisms for dealing with the relevant complaints, so that the persons concerned dare to lodge complaints without fear of being penalized by the institutions in the future; if they have, of the mechanisms of various institutions; if not, the reasons for that; and*
- (d) whether at present it has set up an independent and impartial mechanism to deal with complaints lodged by the persons concerned who consider that their respective institutions have not dealt with their complaints impartially?*

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

- (a) We consider that teaching and research are complementary to each other. Teaching staff in institutions have to participate in research activities in order to teach their students cutting edge knowledge of their fields, to cultivate students' interest in research and to encourage students to actively acquire new ideas on their own initiative.

Of the block grant allocated by the UGC to institutions, only about 23% is for research; about 75% is for teaching; and the remaining 2% is for professional activities. These figures show that the UGC has not neglected teaching by placing too much emphasis on research work. We note that only a small number of individual researchers are involved in plagiarism and frauds. Compared with over 20 000 research papers published by local researchers each year, there were only eight relevant complaints cases lodged in the past three years with three cases found substantiated.

The UGC has set up a Higher Education Review Group to conduct the Higher Education Review 2009, which is now underway. The target of the review is to come up with, in the first half of 2010, a forward looking document that can assist the Government and the public in reflecting on the purposes of higher education, world trends, and hence the strategies for Hong Kong's higher education system. The review will also cover the research support strategy and research funding mechanism for higher education.

- (b) According to the information provided by UGC-funded institutions, a total of eight complaints were received in the past three academic years about plagiarism, frauds in research results, listing another person's name(s) as co-author(s) of a work without prior consent, or stealing and publishing another person's research data. Among them, three were subsequently found substantiated, resulting in the withdrawal of the academic papers in question. Statistics and details of the complaint cases are set out at Annex I and II respectively.
- (c) All UGC-funded institutions have independent mechanisms and procedures for dealing with complaints about misconduct, such as plagiarism and frauds in research results. They have also formulated disciplinary regulations or codes of practice, setting out the acts to be avoided and the mechanisms and procedures for handling complaints, for reference by teaching and research staff. In general, an institution will refer a complaint to a standing disciplinary board or conduct committee, or set up an independent committee to investigate the complaint. The board or committee is comprised of external members or people who have no conflict of interest in the case to ensure that the investigation is conducted in a fair and impartial manner. The identity of the complainant and details of the complaint are kept confidential to fully protect the privacy of the complainant. If the complainant feels aggrieved by the result of the investigation, he may appeal through an appeal mechanism. When a complaint is found substantiated, the institution concerned will take appropriate disciplinary action.
- (d) All institutions, having regard to their unique circumstances, have set up their own mechanisms to deal with complaints about suspected plagiarism and frauds in research results. Pursuant to the principles

of academic freedom and institutional autonomy, such complaints should be handled by the institutions themselves in accordance with their respective procedures and mechanisms.

## Annex I

Number of complaint cases received by UGC-funded institutions about plagiarism, frauds in research results, listing another person's name(s) as co-author(s) of a work without the original author's prior consent, and stealing and publishing another person's research data

<i>Institution</i> \ <i>Academic year</i>	2006-2007	2007-2008	2008-2009	Total
City University of Hong Kong	0	0	0	0
Hong Kong Baptist University	0	0	0	0
Lingnan University	0	0	0	0
The Chinese University of Hong Kong	0	0	1	1
The Hong Kong Institute of Education	0	0	0	0
The Hong Kong Polytechnic University	0	1	0	1
The Hong Kong University of Science and Technology	0	0	0	0
The University of Hong Kong	1	3	2	6
			Total	8

## Number of complaint cases found substantiated

<i>Institution</i> \ <i>Academic year</i>	2006-2007	2007-2008	2008-2009	Total
City University of Hong Kong	0	0	0	0
Hong Kong Baptist University	0	0	0	0
Lingnan University	0	0	0	0
The Chinese University of Hong Kong	0	0	0	0
The Hong Kong Institute of Education	0	0	0	0
The Hong Kong Polytechnic University	0	1	0	1
The Hong Kong University of Science and Technology	0	0	0	0
The University of Hong Kong	1	1	0	2
			Total	3



## Annex II

## Details of complaint cases

<i>Institution</i>	<i>Academic Year</i>	<i>Complaint Cases</i>
The Chinese University of Hong Kong	2008-2009	The university is currently dealing with a complaint against a teacher.
Hong Kong Polytechnic University	2007-2008	A complaint by a research postgraduate student against another research postgraduate student and a teacher was lodged. The complaint against the research postgraduate student was found substantiated. The academic paper in question was withdrawn and the student under complaint was expelled from the university. The complaint against the teacher was not substantiated.
The University of Hong Kong	2006-2007	A teacher lodged a complaint against two teachers. As a prima facie case was established, the academic paper in question was withdrawn. However, since the university had lost contact with the first teacher under complaint, who had resigned, and the second one had passed away in the course of investigation, the university was unable to conduct an in-depth investigation.
	2007-2008	Case 1: A postgraduate student lodged a complaint against three incumbent teachers and a former teacher. No prima facie case was established. Case 2: A person outside the university lodged a complaint against a teacher. No prima facie case was established. Case 3: A teacher lodged a complaint against another teacher. A prima facie case was established. The paper in question was withdrawn from the relevant academic journal and the teacher under complaint resigned.
	2008-2009	Case 1: A person outside the university lodged a complaint against two teachers. No prima facie case was established. Case 2: A teacher lodged a complaint against another teacher. The case is still under investigation.

**Economic Downturn in Hong Kong**

14. **DR LAM TAI-FAI** (in Chinese): *President, when compared to the same period last year, the Gross Domestic Product and total exports of goods in the first quarter of this year decreased by 7.8% and 22.7% respectively, while the seasonally-adjusted unemployment rate of the latest quarter rose to 5.3%, indicating that Hong Kong's economy is still hard hit by the financial tsunami. In this connection, will the Government inform this Council:*

- (a) *whether it will expand the following relief measure which had been implemented before: expanding the territorial coverage and increasing the subsidy amount of the pilot Transport Support Scheme; whether it will implement new measures, including extending repayment period of various loan schemes for tertiary students and partially waiving the interest on such loans, as well as holding over the collection of provisional salaries taxes;*
- (b) *whether it has projected afresh the monthly unemployment rate and underemployment rate between June and December this year; if it has, of the details; if not, the reasons for that;*
- (c) *of the respective numbers of graduates from universities and other tertiary institutions this year and, among them, the predicted numbers of those who will still be unemployed at the end of this year; and*
- (d) *as the applications approved up to 18 May this year under Special Loan Guarantee Scheme involved only some \$10 billion of loan guarantee (accounting for only 10% of the total guarantee commitment of \$100 billion), why the Government does not extend the scope of the scheme to the commercial loans to Hong Kong factories located in the Pearl River Delta Region (the number of which exceeds 50 000 at present), so as to make proper use of the total guarantee commitment and assist such factories in financing?*

**FINANCIAL SECRETARY** (in Chinese): *President,*

- (a) *The Transport Support Scheme is intended to encourage residents of four remote districts to "go out" to seek employment. This*

time-limited scheme provides targeted assistance for the residents in those districts where employment opportunities are comparatively few and transport costs are high. Expanding the scheme to cover the whole territory will depart from its policy intent of providing short-term assistance to kick-start employment and turn the assistance into an income subsidy. This proposal must therefore be critically examined. The Labour and Welfare Bureau has undertaken to conduct a comprehensive and objective review in July this year, that is, one year after the implementation of the relaxation measures of the scheme.

The proposed extension of the repayment period of various loan schemes for tertiary students and partial waiver of the interest on such loans are included in the additional relief measures recently announced by the Government on 26 May to help relieve the financial pressure on graduates (including tertiary graduates and continuing education participants) in repaying student loans. The measures include the proposal to relax the arrangement for deferred repayment for two years. This arrangement is applicable to successful applicants for deferment of repayment on grounds of financial hardship, further studies or serious illness. They will be granted a maximum interest-free deferment period of two years.

Regarding the proposal to suspend the collection of provisional salaries taxes, taxpayers who are in need can apply for holding over under the existing provisional tax system. Moreover, in our latest round of relief measures, we have also proposed to increase the concession for the salaries tax and tax under personal assessment for 2008-2009 from 50%, subject to a ceiling of \$6,000, to 100%, subject to a ceiling of \$8,000.

- (b) It is not an established practice of the Government to publish forecasts on unemployment and underemployment rates. In fact, very few economies release official forecasts about unemployment rate.

Unemployment rate is a lagging indicator. Despite signs showing that the increase in unemployment rate has slowed recently, the

short-term outlook for the labour market remains challenging. The job market is expected to face new pressures in the middle of the year when fresh graduates enter the market.

We of course do not wish to see the unemployment rate rise further, but the reality is that we are facing the worst global recession in 60 years. Our economy will inevitably be affected. Since last year, the Government has introduced several rounds of relief and job-preserving measures to create favourable conditions for steadying our economy. This, together with the signs of downward trends in the external environment moderating, suggest that the rate of contraction of our economy is likely to slow in the second half of this year, which will help slow down the rise in unemployment.

- (c) According to the data provided by the universities and tertiary institutions, the estimated number of graduates of full-time degree programmes in the 2008-2009 academic year is about 20 100. The institutions usually conduct graduate employment surveys after their students' graduation. At present, we do not have the employment figures for graduates in the 2008-2009 academic year.
- (d) The Special Loan Guarantee Scheme aims to assist local enterprises in securing loans from participating lending institutions to tide over their liquidity problem during the global financial crisis. All enterprises registered and with substantive business in Hong Kong (except listed companies), and have at least one year of operation before implementation of the scheme are eligible to apply for loans under the scheme to meet their general business needs. Hong Kong-funded factories located in the Pearl River Delta Region can also apply if they meet the above conditions.

As at 1 June 2009, we had approved over 9 000 applications under the scheme, involving a total loan amount of over \$17 billion. Over 30% of the successful applications came from the manufacturing sector. We believe that many Hong Kong-funded factories have already benefited from the scheme.

### **Provision of Subsidized Residential Places for Elderly, Mentally Disabled and Severely Disabled in the New Territories**

15. **MR ALBERT CHAN** (in Chinese): *President, quite a number of members of the public have recently relayed to me that subsidized residential care services for the elderly, the mentally disabled and the severely disabled are seriously insufficient at present in the New Territories, rendering many of the aforesaid persons unable to receive proper care. In this connection, will the Government inform this Council:*

- (a) *of the numbers of residential places provided in the New Territories by various types of subsidized residential care homes for the elderly (RCHEs) and residential rehabilitation homes, the number of persons waiting for such residential places and the average waiting time required at the end of each of the past three years, broken down by District Council districts; and*
- (b) *whether it will consider increasing the number of residential places of various types of homes in the New Territories, so as to shorten the waiting time; if it will, of the details; if not, the reasons for that?*

**SECRETARY FOR LABOUR AND WELFARE** (in Chinese): President, my reply to Mr Albert CHAN's question is as follows:

- (a) Distribution of subsidized residential care places for the elderly and for persons with disabilities (PWDs) by the administrative districts of the Social Welfare Department (SWD) in the past three years is as follows:

	<i>Number of subsidized residential care places for the elderly<sup>(1)</sup></i>		
	<i>as at end March 2007</i>	<i>as at end March 2008</i>	<i>as at end March 2009</i>
Central, Western, Southern and Islands	2 563	2 715	2 747
Eastern and Wan Chai	1 251	1 407	1 407
Kwun Tong	1 516	1 646	1 667

	<i>Number of subsidized residential care places for the elderly <sup>(1)</sup></i>		
	<i>as at end March 2007</i>	<i>as at end March 2008</i>	<i>as at end March 2009</i>
Wong Tai Sin and Sai Kung	2 399	2 581	2 607
Kowloon City and Yau Tsim Mong	2 548	2 528	2 528
Sham Shui Po	910	1 070	1 070
Sha Tin	1 127	1 284	1 284
Tai Po and North	2 558	2 620	2 688
Yuen Long	1 572	1 725	1 723
Tsuen Wan and Kwai Tsing	3 588	3 818	3 927
Tuen Mun	1 308	1 441	1 441

Note:

- (1) The total number of residential care places does not include self-care hostel places and home for the aged places without long-term care element. The SWD has ceased to accept new applications for these places since 1 January 2003, and has started converting in phases the relevant places into long-term care places providing a continuum of care.

	<i>Number of subsidized residential care places for PWDs</i>		
	<i>as at end March 2007</i>	<i>as at end March 2008</i>	<i>as at end March 2009</i>
Central, Western, Southern and Islands	1 898	1 898	1 898
Eastern and Wan Chai	583	583	583
Kwun Tong	655	696	751
Wong Tai Sin and Sai Kung	1 073	1 073	1 073
Kowloon City and Yau Tsim Mong	337	337	337
Sham Shui Po	611	611	641
Sha Tin	802	853	1 053
Tai Po and North	482	502	502
Yuen Long	655	655	655
Tsuen Wan and Kwai Tsing	1 308	1 308	1 358
Tuen Mun	1 981	1 981	1 981

At present, all applications for subsidized residential care places for the elderly are managed under SWD's Central Waiting List for Subsidised Long Term Care Services on a territory-wide basis. Since applicants can choose to wait for RCHEs in different locations at the same time, the SWD is not able to categorize the applicants by district and has not established separate waiting lists for individual districts. Therefore, the SWD is unable to provide a breakdown of the number of persons on the waiting list and the waiting time by district.

The total number of elders waiting for admission to subsidized care-and-attention (C&A) places and nursing home (NH) places for the elderly, as well as the average waiting time in the past three years are as follows:

<i>Service type</i>	<i>Waiting list</i>			<i>Average waiting time (months)</i>		
	<i>as at end March 2007</i>	<i>as at end March 2008</i>	<i>as at end March 2009</i>	<i>as at end March 2007</i>	<i>as at end March 2008</i>	<i>as at end March 2009</i>
Subsidized C&A Places <sup>(2)</sup>	16 191	16 705	17 948	23 (10)	21 (9)	22 (9)
Subsidized NH Places	6 063	6 231	6 220	40	44	41

Note:

- (2) Figures in brackets are the average waiting time for subsidized residential care places for the elderly under the Enhanced Bought Place Scheme.

On residential care services for PWDs, the SWD also operates a computerized central referral system for handling applications for subsidized residential care homes for PWDs (RCHDs). Since the applicants can similarly indicate more than one preference in different locations at the same time, the SWD is unable to provide information on the number of persons on the waiting list and the waiting time by district.

The total number of persons waiting for subsidized residential care services for PWDs and the average waiting time in the past three years are as follows:

<i>Service Type<sup>(3)</sup></i>	<i>Waiting list</i>			<i>Average waiting time (months)</i>		
	<i>as at end March 2007</i>	<i>as at end March 2008</i>	<i>as at end March 2009</i>	<i>as at end March 2007</i>	<i>as at end March 2008</i>	<i>as at end March 2009</i>
RSCCC	22	61	64	3.4	7.9	13.8
LSCH	763	556	768	51.5	34	22.9
HW	511	570	638	5	4.6	5.6
HMMH	1 294	1 293	1 357	45.6	48	39.6
HSMH	1 819	1 811	1 934	82.8	78	51.6
C&A/SD	352	333	381	40	38.4	36
HSPH	333	386	410	78	89.6	112.4
C&A/AB	87	57	52	6.8	6.2	2.6
SHOS	659	816	801	31.2	20.4	27.2
SGH(MMHC)	59	74	87	14.3	14.3	14.9

Note:

(3) RSCCC = Residential Special Child Care Centre

LSCH = Long Stay Care Home

HW = Halfway House

HMMH = Hostel for Moderately Mentally Handicapped Persons

HSMH = Hostel for Severely Mentally Handicapped Persons

C&A/SD = Care and Attention Home for Severely Disabled Persons

HSPH = Hostel for Severely Physically Disabled Persons

C&A/AB = Care and Attention Home for the Aged Blind

SHOS = Supported Hostel

SGH(MMHC) = Small Group Home for Mildly Mentally Handicapped Children/Integrated Small Group Home

- (b) On subsidized residential care places for the elderly, the SWD tendered out two contract RCHEs in the New Territories (Kwai Chung and Lei Muk Shue) at the end of 2008, which will provide a total of 142 subsidized places and are expected to commence operation in early 2010. Furthermore, the SWD has earmarked sites in three development projects in the New Territories (Tai Wai, Tsuen Wan and Yuen Long) for the construction of new contract RCHEs and will proceed with the open tender process in phases to select operators for these RCHEs upon the completion of the RCHE premises. These three RCHEs will provide a total of 207 subsidized places. In early May 2009, the SWD also invited all private RCHEs (including RCHEs in the New Territories) to



participate in the new round of the Enhanced Bought Place Scheme. It is expected that an additional 500 subsidized residential care places for the elderly can be provided.

Tuning to subsidized RCHDs, the SWD has recently set up an integrated rehabilitation services centre (IRSC) in Sha Tin, providing 200 residential care places, and a C&A/SD in Tsuen Wan, providing 50 residential care places. In addition, another IRSC will be set up in Kwai Tsing in the coming year, providing 312 residential care places.

The SWD will continue to identify suitable sites in all districts in Hong Kong (including the New Territories) for the construction of new contract RCHEs and subsidized RCHDs. Indeed, as mentioned in the reply to part (a), applicants waiting for subsidized RCHEs or RCHDs may choose to wait for residential care homes in different locations at the same time and their choices are not limited to the districts of their domestic homes. Therefore, in increasing the provision of residential care places, the SWD will first consider the suitability of the premises for providing residential

### **Recruitment of Senior Staff of Tertiary Institutions**

16. **DR JOSEPH LEE** (in Chinese): *President, it has been reported that the Council of The Hong Kong Polytechnic University decided in April this year to restructure the management of the university, with the number of Vice President (VP) posts being increased from six to eight starting from September next year. By that time, the university will have the highest number of VP posts among the institutions funded by the University Grants Committee (UGC). Moreover, on grounds of urgent need, the President of the university has recently appointed a former employee as VP (Management) not through open recruitment procedure. In this connection, will the Government inform this Council if it knows:*

- (a) *whether the UGC has set a ceiling on the number of senior posts in funded institutions, and if funded institutions are required to report to the UGC the creation of such posts to ensure that there is actual need for such newly created posts and to avoid wasting public funds; if so, of the details; if not, the reasons for that; and*

- (b) *whether the UGC has demanded funded institutions to appoint senior staff through open recruitment procedures; if so, of the details; if not, the reasons for that?*

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

- (a) and (b)

The eight UGC-funded institutions are autonomous statutory bodies, each with its own Ordinance and Governing Council. The statutes provide the institutions with a high degree of academic freedom and institutional autonomy, while maintaining an appropriate level of accountability. Institutions enjoy, within the restraints of the laws of Hong Kong, freedom of action in managing their affairs, including the recruitment of staff.

Unless expressly provided for in the relevant Ordinance, the Council of an institution has the authority to decide the appropriate number of senior staff members, as well as the recruitment procedures, having regard to the operational need of the institution concerned. These matters fall within institutional autonomy and it would not be appropriate for the UGC to seek to interfere with them.

### **Harassments by Debt Collection Agencies**

17. **MR LAU KONG-WAH** (in Chinese): *President, I have received complaints from many members of the public about being harassed by debt collection agencies (DCAs) hired by banks and finance companies, but they were neither debtors nor loan guarantors, and some of them were only new owners of "repossessed residential properties". Since they did not know the details of the loans concerned, and very often DCAs only left behind telephone numbers of stored-value mobile phone cards, which were difficult to trace the identity of the cardholders, they could not contact the creditors concerned to make clarifications, thus resulting in their being harassed by DCAs continually. In this connection, will the Government inform this Council whether:*

- (a) *it knows the number of cases of banks and finance companies commissioning DCAs to recover debts in each of the past three years and, among them, the number of cases of debts recovered successfully;*
- (b) *it will request that when vetting and approving loan applications, banks and finance companies should consider the particulars of loan guarantors on the loan application forms as confirmed only if the guarantors have signed thereon in person; if it will not, of the reasons for that; and*
- (c) *it will stipulate that banks and finance companies have to request DCAs, when recovering debts on their behalf, to provide the persons from whom they are recovering debts with the contact details of the parties who commissioned the DCAs, so as to facilitate such persons to make clarifications or complaints?*

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

- (a) Since March 2002, the Hong Kong Monetary Authority (HKMA) has required all authorized institutions (AIs) (which comprise licensed banks, restricted licence banks and deposit taking companies) to submit quarterly returns on the number of complaints received against the DCAs that they employ. According to the quarterly returns submitted by AIs, the number of cases assigned to DCAs for debt collection were 362 075 in 2006, 308 989 in 2007 and 339 569 in 2008. There were a total of 94 811 cases in the first quarter of 2009. The HKMA does not collect data on the number of successful recovery cases.

As regards money lenders, both the Registrar of Money Lenders (acted by the Registrar of Companies) and the police do not have relevant statistics on the above cases.

- (b) Where a loan guarantee is required to be given by a third party, AIs and money lenders will normally require the individual concerned to enter into a formal contractual agreement to ensure that the

guarantee is legally enforceable. According to the Code of Banking Practice issued jointly by the Hong Kong Association of Banks and the Hong Kong Association of Restricted Licence Banks and Deposit-taking Companies, AIs and their DCAs should not attempt to recover debts from third parties (including referees, family members or friends of the debtors) if the latter have not entered into a formal contractual agreement with the institutions to guarantee the liabilities of the debtors.

In addition, section 20 of the Money Lenders Ordinance stipulates that a money lender who enters into any agreement for a loan in relation to which security is provided shall, within seven days after the making of the agreement, give to the surety a copy of the agreement. Failure to comply with such requirement is an offence. The Hong Kong SAR Licensed Money Lenders Association Limited has also issued a Code of Money Lending Practice which stipulates that a money lender and its collection agency should not attempt to recover debts from third parties (including referees, family members or friends of the debtors) if the latter have not entered into a formal agreement with the money lender to guarantee the liabilities of the debtors.

- (c) The HKMA has required AIs to put in place proper systems and procedures for monitoring the performance of their DCAs. The Code of Banking Practice has set out the relevant requirements to be observed by AIs in employing DCAs to recover debts.

According to the Code of Banking Practice, the AIs should give customers advance written notice of their intention to commission a DCA to collect an overdue amount owed to an AI. The written notice should contain the contact telephone number of the AI's debt recovery unit which is responsible for overseeing the collection of the customer's debt. The notice should also remind the customers to report in the first instance to the AIs any improper debt recovery actions taken by the DCA. On the other hand, AIs should require their DCAs, when collecting debts, to identify themselves and the institutions for whom they are acting, and present to the debtor upon request authorization documents issued by the institutions for identification purposes. The above measures should be able to help

individuals who are pursued for recovery of debts to contact the AIs concerned and file complaints where necessary.

The HKMA observed that upon receipt of complaints from individuals who are wrongly pursued for recovery of debts, AIs will terminate the actions and update their internal records.

As regards money lenders, the Code of Money Lending Practice also stipulates that money lenders should require their DCAs, when collecting debts, to identify themselves and the money lenders for whom they are acting. Moreover, money lenders should issue authorization documents to their DCAs which should be presented to the debtor for identification purposes upon request.

### **Prices of School Textbooks**

18. **MS STARRY LEE** (in Chinese): *President, a survey conducted by a political party in April this year revealed that about 60% of the responding parents of students considered that the high prices of textbooks posed a heavy financial burden on them, about 80% indicated that schools did not consult them when selecting textbooks and most parents considered that the Government failed to monitor the prices of textbooks properly. In this connection, will the Government inform this Council:*

- (a) *whether the Education Bureau will consider using the prices of textbooks as one of the criteria for drawing up the Recommended Textbook List (RTL); if it will, of the details; if not, the reasons for that;*
- (b) *whether it will call on schools to proactively collect parents' views on the selection of textbooks by schools through holding consultation meetings with parent-teacher associations, conducting questionnaire surveys and distributing opinion forms for completion and return by parents; if it will, of the details; if not, the reasons for that;*
- (c) *whether it will call on schools to adopt parents' affordability as the prime consideration in selecting textbooks, and buy reference books,*

*storybooks and music textbooks for borrowing by students; if it will, of the details; if not, the reasons for that;*

- (d) whether it will call on schools to state clearly on textbook lists if textbooks of old editions may be used; if it will, of the details; if not, the reasons for that; and*
- (e) given that the Student Financial Assistance Agency provided each eligible student with a grant of \$1,000 in the 2008-2009 school year, whether the Government will consider giving the relevant grants to all primary and secondary school students in Hong Kong in the 2009-2010 school year, so as to alleviate parents' financial burdens of school-related expenses in the new school year?*

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

- (a) The Education Bureau is very concerned about the issue of textbook prices, and has been communicating with textbook publishers' associations, school councils, the Consumer Council, Committee for Home-School Co-operation and Independent Commission Against Corruption to explore feasible ways to lower the prices of textbooks. Following the principle of not interfering with the free market, the Education Bureau has been implementing the following measures to monitor and regulate textbook prices:
  - (i) imposing the "three-year rule of no revision" on all textbooks on the RTL, and strictly enforcing this rule;
  - (ii) issuing the "Guidelines for Printing of Textbooks" to publishers for reference, and requesting them to make use of appropriate printing methods, paper and design with low cost features to reduce the production costs of textbooks;
  - (iii) requesting publishers to separate the production costs of a textbook from those of other learning resources, for example, CD-Rom, and put them for sale separately;

- (iv) urging publishers to uphold their integrity and adhere to their proper code of business practice, and not to provide schools with any form of advantages or donations to influence their choice of textbooks while adding the related costs to the textbook prices;
- (v) reminding schools not to accept advantages in any form or donations offered by publishers, and appealing to schools to include textbook prices, in addition to good quality, as one of the textbook selection criteria;
- (vi) encouraging teachers to develop suitable learning resources by means of their professional knowledge and creativity, and to use the free teaching and learning resources available on the Education Bureau's website as supplementary teaching materials to enhance teaching effectiveness and reduce their reliance on textbooks; and
- (vii) encouraging schools to organize used textbooks donation activities to promote students' environmental awareness and ease parents' financial burden.

The Working Group on Textbooks and E-learning Resources Development (WG) was set up by the Education Bureau in October last year to make recommendations on the future development of textbooks and e-learning resources. The WG will examine the provision and prices of textbooks and study the feasibility of wider use of e-learning resources. It is anticipated that the WG will submit its report and recommendations to the Secretary for Education in September 2009.

Regarding the publication of textbooks, the role of the Education Bureau is mainly to monitor the quality of textbooks and provide guidelines and the RTL for schools' reference in the selection of textbooks. For this reason, the Education Bureau's textbook review criteria mainly focus on the content, learning and teaching, language and technical design of a textbook. We consider it impractical to include textbook prices as one of the textbook review criteria for the compilation of the RTL because different textbook publishers have different modes of commercial operation and it is not possible for the

Education Bureau to draw up a standard set of rules for determining the reasonable prices of textbooks published by different publishers. A more feasible approach is to request publishers to list the prices of their textbooks for teachers' reference to facilitate the textbook selection process. After prolonged negotiation, textbook publishers have agreed to follow this practice.

- (b) The Education Bureau issued a Circular Memorandum on "Notes on Selection of Textbooks and Learning Materials for Use in Schools" in April 2009 to remind schools that parents' views on textbook lists may be collected through parent-teacher associations and other channels. In addition, the WG is currently conducting a parent questionnaire survey on the development of textbooks and e-learning resources through the Hong Kong Education City website at <http://www.hkedcity.net/edb/parentsurvey>. The WG has issued a letter to parents through the school principal of each primary and secondary school, inviting them to express their views on textbook quality, prices and supply and the development and application of e-learning resources by completing an online questionnaire.
- (c) In the Circular Memorandum mentioned above, the Education Bureau also requests schools to consider the price and weight of a textbook when selecting textbooks and learning materials, and encourages schools to exercise their bargaining power in the process of textbook selection and compare the prices of textbooks on the RTL in addition to their quality. When equally suitable textbooks or learning materials are available, careful consideration should be given to their prices to maximize value for money and lessen the financial burden of parents. In addition, schools are advised, where appropriate, to mark reference materials such as dictionaries and atlases with "for reference only" on the school textbook lists so that parents and students having similar materials can choose whether to buy them or not. To enable better use of resources, the Education Bureau further suggests that schools can purchase a few copies of the reference materials and put them in the classrooms or the school library for students' use. Story books and other supplementary reading can be used by students on a rotational basis and the costs can be shared among them.
- (d) In the same Circular Memorandum, the Education Bureau specifies that the textbooks lists compiled by schools should contain sufficient



details of items such as the exact title, edition, name(s) of author(s), publisher, price and weight of each textbook. It should also be clearly stated on the lists that textbooks marked with the word "reprint" in the RTL are not new editions. Schools should indicate clearly that "Second-hand textbooks can still be used" against the title(s). Teachers should distribute free of charge the addenda or corrigenda provided by publishers to students using second-hand textbooks, or inform students of the minor changes.

- (e) The Government is deeply concerned about the impact of the recent economic downturn on the livelihood of citizens. Following the relief measures announced in the 2009-2010 Budget, the Financial Secretary announced a new package of economic relief measures on 26 May 2009.

To alleviate the financial burden of needy parents, one of the relief measures is to disburse, outside existing financial assistance schemes, a one-off grant of \$1,000 each for students from kindergarten to post-secondary education who are eligible to receive means-tested financial subsidies<sup>(1)</sup> in the 2009-2010 school year under the various student finance schemes administered by the Student Financial Assistance Agency, or students from kindergarten to secondary education who are eligible in the same school year for the flat-rate grant for school-related expenses under the Comprehensive Social Security Assistance Scheme. The proposal involves additional expenditure of around \$570 million. We expect that around 570 000 students will benefit from the measure.

We plan to seek the approval of the Finance Committee of the Legislative Council before the close of the current legislative year in order to ensure that the one-off grant of \$1,000 could be disbursed the soonest possible in the 2009-2010 school year. Parents/students in receipt of the grant can make use of it flexibly to meet their education-related expenses in ways best suited to their needs.

<sup>(1)</sup> These students include those eligible to receive means-tested subsidies under the Tertiary Student Finance Scheme — Publicly-funded Programmes, Financial Assistance Scheme for Post-secondary Students, Tuition Fee Reimbursement for Project Yi Jin, Tuition Fee Reimbursement for the Financial Assistance Scheme for Designated Evening Adult Education Courses, School Textbook Assistance Scheme, Student Travel Subsidy Scheme, Examination Fee Remission Scheme and eligible kindergarten students under the Kindergarten and Child Care Centre Fee Remission Scheme, as well as kindergarten students who have opted to continue receiving means-tested assistance based on the formula of the former Child Care Centre Fee Assistance Scheme after the harmonization of pre-primary services.

### **Mechanism for Cross-boundary Public Transport Operators to Report Cases of Infectious Diseases**

19. **MR CHAN HAK-KAN** (in Chinese): *President, regarding the arrangements for operators of cross-boundary public transport by sea, land and air to report to the authorities concerned suspected cases of infectious diseases (for example, the human swine influenza which has broken out recently) found on their vehicles, will the Government inform this Council:*

- (a) *under what circumstances the various operators are required to report such cases on their own initiative;*
- (b) *which types of infectious diseases are required to be reported, what criteria the authorities use in compiling the relevant list of infectious diseases, the existing mechanism for reviewing and revising the list; and whether the authorities have comprehensively reviewed the mechanism in response to the recent human swine influenza epidemic;*
- (c) *which units under the Department of Health (DH) are responsible for following up the cases reported by the operators, and how these units co-ordinate other government departments and relevant organizations (for example, the Airport Authority and the Hospital Authority) to adopt measures to prevent the spread of an epidemic;*
- (d) *whether the operators' failure to report such cases on their own initiative constitutes a breach of the relevant international conventions; if it does not, how the authorities ensure that the operators will do so or encourage them to do so; and*
- (e) *whether it has made suggestions to the operators on the ways to keep the personal particulars of their passengers and the period for keeping such information, in order to trace the transmission routes of infectious diseases?*

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

- (a) According to section 6 of the Prevention and Control of Disease Regulation (Cap. 599A), if the operator of a cross-boundary conveyance has reason to suspect that there exists on the cross-boundary conveyance a case or source of a specified infectious disease, he or she shall notify a health officer immediately.
- (b) Infectious diseases notifiable under section 6 of the Prevention and Control of Disease Regulation (Cap. 599A) include infectious diseases specified in Schedule 1 and those caused by the infectious agents specified in Schedule 2 to the Prevention and Control of Disease Ordinance (Cap. 599). Please refer to Annex for details.

The Administration needs to consider a number of factors in determining whether a particular infectious disease should become statutorily notifiable. These factors include the prevalence and severity of the disease or condition, outbreak potential of the disease, existence of reliable diagnostic method, availability of effective personal or public health intervention and other better surveillance methods, World Health Organization or international surveillance and reporting requirements, and the possibility that the disease would be used as a biological weapon, and so on.

In order to provide maximal protection to the local community against infectious diseases, the Director of Health regularly reviews the list of notifiable infectious diseases to ensure that it reflects the latest epidemiology and the changing circumstances of epidemic. This will strengthen disease surveillance and enable the implementation of effective public health preventive and control measures to prevent the spread of infectious diseases in Hong Kong.

- (c) Upon receipt of notification of suspected cases of an infectious disease by operators of cross-boundary conveyances, the DH will co-ordinate the efforts of other government departments and relevant organizations, including airline companies, the Airport Authority and the Hospital Authority to take immediate follow-up actions on the cases, with a view to controlling and preventing the spread of diseases. The Port Health Office (PHO) under the DH has

established "Health Posts" at all air, sea and land control points to provide preliminary health screening and assessment for inbound travellers suspected to have been infected with an infectious disease. The PHO will send travellers found to have obvious symptoms of an infectious disease for further diagnosis in public hospitals, and arrange those who have been infected to receive treatment in isolation ward where necessary. On the other hand, upon confirmation of an infected case on aircraft, airline companies will provide information on other passengers who have been in close contact with the infected passenger to the DH for follow-up.

- (d) As mentioned in part (a) of this reply, section 6 of the Prevention and Control of Disease Regulation (Cap. 599A) provides that operators of cross-boundary conveyances are required to notify a health officer of any suspected case of a specified infectious disease. Contravention of this provision is an offence and is liable to a fine at level 3 (currently HK\$10,000) and to imprisonment for six months on conviction.

If flight attendants suspect that a passenger on board has been infected with an infectious disease, they can seek assistance from the PHO and refer the suspected case to the PHO for further assessment and action. The DH will continue to maintain communication with operators of cross-boundary conveyances, and to facilitate their compliance with the relevant statutory requirements through organizing working conferences, briefings and drills for the operators and issuing to them various guidelines.

- (e) At present, some of the operators of cross-boundary conveyances such as airline companies have already put in place a mechanism to keep the personal particulars of individual passengers. Besides, the newly revised health declaration form already in distribution also requires cross-boundary travellers to provide the number of the vehicle, ship or flight they took, together with other information such as the seat number. This is to ensure that in the event that a confirmed case of an infectious disease is found on any conveyance, swift tracing of passengers who have been in close contact with the infected person could be carried out.

## Annex

Infectious diseases notifiable under section 6 of the  
Prevention and Control of Disease Regulation (Cap. 599A)

1. Acute poliomyelitis
2. Amoebic dysentery
3. Anthrax
4. Bacillary dysentery
5. Botulism
6. Chickenpox
7. Chikungunya fever
8. Cholera
9. Community-associated methicillin-resistant *Staphylococcus aureus* infection
10. Creutzfeldt-Jakob disease
11. Dengue fever
12. Diphtheria
13. Enterovirus 71 infection
14. *Escherichia coli* O157:H7 Infection
15. Food poisoning
16. *Haemophilus influenzae* type b infection (invasive)
17. Hantavirus infection
18. Influenza A (H2), Influenza A (H5), Influenza A (H7), Influenza A (H9), Swine Influenza
19. Japanese encephalitis
20. Legionnaires' disease
21. Leprosy
22. Leptospirosis
23. Listeriosis
24. Malaria
25. Measles
26. Meningococcal infection (invasive)
27. Mumps
28. Paratyphoid fever
29. Plague
30. Psittacosis
31. Q fever
32. Rabies

33. Relapsing fever
34. Rubella and congenital rubella syndrome
35. Scarlet fever
36. Severe Acute Respiratory Syndrome
37. Smallpox
38. Streptococcus suis infection
39. Tetanus
40. Tuberculosis
41. Typhoid fever
42. Typhus and other rickettsial diseases
43. Viral haemorrhagic fever
44. Viral hepatitis
45. West Nile Virus Infection
46. Whooping cough
47. Yellow fever

Infectious diseases caused by the following infectious agents are notifiable under section 6 of the Prevention and Control of Disease Regulation (Cap. 599A)

1. Bacillus anthracis
2. Clostridium botulinum
3. Crimean-Congo haemorrhagic fever virus
4. Dengue virus
5. Ebola virus
6. Francisella tularensis
7. Guanarito virus
8. Hantavirus
9. Hendra virus
10. Herpes simiae virus (B virus)
11. Influenza virus type A (subtype H2, H5 and H7), human swine influenza virus type A (subtype H1)
12. Japanese encephalitis virus
13. Junin virus
14. Kyasanur Forest disease virus
15. Lassa virus
16. Machupo virus
17. Marburg virus
18. Monkeypox virus

19. Mycobacterium tuberculosis (multidrug-resistant)
20. Nipah virus
21. Omsk haemorrhagic fever virus
22. Polio virus (wild)
23. Rabies or rabies-related virus
24. Rift Valley fever virus
25. Sabia virus
26. Severe Acute Respiratory Syndrome — coronavirus
27. Tick-borne encephalitis virus
28. Variola virus
29. West Nile virus
30. Yellow fever virus
31. Yersinia pestis

### **Impact of Quantitative Easing Policy Implemented by Federal Reserve on Hong Kong's Economy**

20. **MR FREDERICK FUNG** (in Chinese): *President, it has been reported that since the onset of the financial tsunami, the Federal Reserve of the United States has implemented the monetary policy of quantitative easing to help revive the credit market through capital injection measures such as purchasing corporate bonds, real estate mortgage-backed securities and long-term Treasury bonds. Yet, there are comments that although such measures may temporarily alleviate the economic crisis, they may lead to problems such as devaluation of the US dollar and hyperinflation in the medium and long term. Moreover, as Hong Kong maintains a Linked Exchange Rate System (LER System) with the Hong Kong dollar pegged to the US dollar, substantial devaluation of the US dollar will have far reaching impact on Hong Kong's economy and financial system. In this connection, will the Government inform this Council whether:*

- (a) *it has assessed what short-, medium- and long-term impacts on Hong Kong's economy will be caused by the aforesaid monetary policy of United States; if it has, of the outcome; if not, the reasons for that; and*
- (b) *it will formulate measures to address the negative impact of substantial devaluation of the US dollar and hyperinflation on Hong Kong's economy, if it will, of the details of the various measures;*

*whether it will make reference to the refinements to the operation of the LER System introduced by the Hong Kong Monetary Authority in 2005 to augment the convertibility zone as defined by the exchange rates of the strong-side and weak-side Convertibility Undertakings under the LER System, as well as consider switching to a LER System with the Hong Kong dollar pegged to a basket of currencies; if it will not, of the reasons for that?*

**FINANCIAL SECRETARY** (in Chinese): President,

- (a) Under the Linked Exchange Rate System (LERS), Hong Kong dollar interbank interest rates have tracked their US dollar counterparts in declining to low levels recently. In the short run, the resulting accommodative monetary conditions are appropriate to the prevailing macroeconomic conditions in Hong Kong. Domestic economic activity has been weak and external trade performance poor. Low interest rates, combined with the Government's fiscal stimulus measures, should thus provide support to domestic demand in the economy and offset the negative shocks from the external environment.

On the price front, Composite Consumer Price Index (CCPI) inflation has been moderating recently. The current economic downturn and the uncertain recovery prospects imply that deflation, not inflation, can be a major risk in the short run. Indeed, the underlying CCPI inflation rate has already dropped to a three-year low of 1.9% year on year in April 2009, compared with an annual rate of 5.6% in 2008. The more accommodative monetary environment should be helpful for cushioning or arresting a possible downward spiral of declining prices and contracting economic activity.

The potential effect of very easy monetary conditions on local asset prices may deserve attention. The stock market has rallied since March 2009, while the residential property market has also rebounded. Although there have not been visible signs of major asset price bubbles, the Government would remain watchful of asset price volatilities.



In the medium and long term, the impact hinges on a number of factors, including the exit strategy of the Fed and the strength and pace of economic recovery around the world. While quantitative easing by the Fed could lay the groundwork for inflation in the future, such an outcome is not unavoidable. The Fed has the necessary tools to execute an exit and drain liquidity from the market at a pace that is consistent with certain inflation target, although the main challenge facing the Fed is to get the timing right.

When the United States economy recovers, its monetary conditions will gradually tighten. This, in turn, should allow Hong Kong's monetary conditions to gradually tighten along with the United States, thereby counteracting potential inflationary pressures in the local economy. It is also useful to note that, apart from monetary tightening along with the United States Fed, there are other instruments available to deal with goods and services price inflation and asset price inflation in Hong Kong, including stricter regulatory and prudential measures and fiscal policy measures.

There has been talk that the US dollar may soon be on a depreciating trend in the medium and longer term as a result of the Fed's quantitative easing. Despite the quantitative easing, the future movements in the US dollar remain highly uncertain, as other economies have also pursued quantitative easing, so in relative terms the US dollar will not necessarily depreciate sharply. In fact, when the Bank of Japan pursued quantitative easing in 2001-2006, the Japanese yen did not show a clear depreciation trend during the period. Even if the US dollar undergoes large depreciation, the experience after the Plaza Accord in the 1980s suggests that the adjustments of the Hong Kong economy will not necessarily be disruptive. The Hong Kong economy remained stable in 1984-1987, on average registering 8.4% real GDP growth and 4.3% CCPI inflation.

- (b) Under the LERS, the monetary policy objective of Hong Kong is exchange rate stability, rather than to target asset prices or inflation. The Government may consider other policy measures, such as regulatory or prudential measures and fiscal policy measures, to address any inflationary concerns.

Widening the exchange rate band or re-pegging to the US dollar at a new level will likely fail to relieve pressures on rising inflation and buoyant asset prices, as it may invite market speculations on the likelihood of further band-widening or re-pegging in the future, thereby undermining the credibility of the LERS. Pegging to a basket of currencies is also not a good choice because it lacks the transparency in the currency board arrangement and such a change would only erode the credibility of the monetary regime. For a small and open economy like Hong Kong, the room for monetary and exchange rate changes to control inflation is substantially restricted by volatile capital flows and the global phenomenon of rising inflation.

## **BILLS**

### **First Reading of Bills**

**PRESIDENT** (in Cantonese): Bills: First Reading.

### **OCCUPATIONAL DEAFNESS (COMPENSATION) (AMENDMENT) BILL 2009**

### **GENETICALLY MODIFIED ORGANISMS (CONTROL OF RELEASE) BILL**

**CLERK** (in Cantonese): Occupational Deafness (Compensation) (Amendment) Bill 2009  
Genetically Modified Organisms (Control of Release) Bill.

*Bills 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): Bills: Second Reading.

**OCCUPATIONAL DEAFNESS (COMPENSATION) (AMENDMENT) BILL 2009**

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): President, I move the Second Reading of the Occupational Deafness (Compensation) (Amendment) Bill 2009 (the Bill).

The main objective of the Bill is to adjust the overall rate and proportions of distribution of the Employees' Compensation Insurance Levy (the Levy) and improve the Occupational Deafness Compensation Scheme (the Scheme).

At present, for every Employees' Compensation Insurance (ECI) policy, employers are required to pay a levy at the rate of 6.3% on the premium of that policy to the Employees' Compensation Insurance Levies Management Board. The Levy so collected will then be distributed to three statutory bodies, namely, the Occupational Deafness Compensation Board (ODCB), the Employees Compensation Assistance Fund Board (ECAFB) and the Occupational Safety and Health Council, in accordance with the proportions stipulated under the law. The Levy is the main source of income of these statutory bodies.

Among these three statutory bodies, the financial situation of the ECAFB has been tight in the past few years. Therefore, it is necessary to increase the rate of distribution of the Levy to the ECAFB to ensure its long-term financial viability and its ability to perform various statutory functions. On the other hand, the ODCB has accumulated a healthy reserve over the years. The number of applications for compensation and the amount of compensation paid each year have more or less remained stable. It has continuously been operating with a surplus. In view of the financial positions of these two statutory bodies, we suggest that the rate of the Levy for distribution to the ECAFB be increased from 2.5% to 3.1% and that of the ODCB be reduced from 1.8% to 0.7%. By effecting these adjustments, the overall Levy rate can be reduced from 6.3% to 5.8%.

The Scheme was set up under the Occupational Deafness Compensation Ordinance to provide compensation to employees who suffer from noise-induced deafness by reason of employment. At present, the Scheme provides compensation to employees with sensorineural hearing loss of at least 40 dB in

both ears. Moreover, these employees are entitled to reimbursement of expenses incurred on hearing assistance devices (HADs) up to a specific amount. Upon reviewing the financial position of the ODCB and taking into account the views of relevant groups, it is proposed that the following improvement measures be introduced to the Scheme, including, first, extending the coverage of compensation to employees who have developed noise-induced deafness in only one ear because of their employment; second, increasing the maximum reimbursable amount for the expenses incurred on HADs from \$18,000 to \$36,000; and third, providing further compensation to employees who have already received compensation and whose hearing loss deteriorates as a result of continuous employment in noisy occupations.

The proposed amendments, if implemented, will enable the relevant statutory bodies to maintain their financial viability and perform their statutory functions. Employers will benefit from the reduction of the overall Levy rate when taking out ECI policies. With improvements made to the Scheme, benefits for employees with occupational deafness will also be improved. Although the three improvement proposals to the Scheme will increase the annual expenditure of the ODCB, given its accumulated fund balance, the ODCB should be able to absorb the additional expenditure comfortably at the proposed Levy rate of 0.7%.

President, both employers and employees will stand to benefit from the proposed amendments. The ODCB and the ECAFB supported the proposals. The Labour Advisory Board and the Panel on Manpower of the Legislative Council also agreed to the proposals. I hope Honourable Members would support the Bill, so that it can be passed as soon as possible for the benefit of employees.

Thank you, President.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the Occupational Deafness (Compensation) (Amendment) Bill 2009 be read the Second time.

In accordance with the Rules of Procedure, the debate is now adjourned and the Bill is referred to the House Committee.

**GENETICALLY MODIFIED ORGANISMS (CONTROL OF RELEASE) BILL**

**SECRETARY FOR THE ENVIRONMENT** (in Cantonese): President, Honourable Members, I move the Second Reading of the Genetically Modified Organisms (Control of Release) Bill (the Bill).

The Government has all along been committed to promoting the conservation of nature and biological diversity of Hong Kong. Efforts in this regard seek to regulate, protect and manage natural resources that are important for the conservation of biological diversity of Hong Kong in a sustainable manner, taking into account environmental, economic and social considerations, for the benefit and enjoyment of the present and future generations of the community.

Both the Convention on Biological Diversity (the Convention) and its Cartagena Protocol on Biosafety (the Protocol) are important international agreements on the protection of biological diversity and global sustainable development. In fact, the existing nature conservation policy and measures in Hong Kong are generally in line with the objectives and requirements of the Convention.

The Convention was adopted at the 1992 Earth Summit on Sustainable Development held in Rio de Janeiro and came into operation on 29 December 1993. It provides a comprehensive approach to the conservation of biological diversity and sets overall goals and general obligations. There are currently over 190 Parties to the Convention, including China. In 2000, the Protocol developed under the Convention was adopted in Montreal and came into force on 11 September 2003. There are currently over 150 Parties to the Protocol, including China. The main objective of the Protocol is to protect biological diversity and safeguard the natural environment against the adverse impacts of genetically modified organisms (GMOs) intended for release into the environment. The most common examples of the release of GMOs into the natural environment include the use of GMOs in commercial farming or field trials of scientific researches.

As we have not formulated any measure to regulate the use and release of GMOs into the natural environment and control the associated risks as stipulated in the Convention and the Protocol, the application of the Convention and the Protocol does not extend to Hong Kong. As such, we need to enact a new piece

of legislation to provide the legal basis for the requirements set out in the Convention and the Protocol in relation to the regulation of GMOs.

GMOs means living organisms with genetic materials altered through the use of modern biotechnology. Examples include genetically modified crops such as papayas, tomatoes and rice but do not include living organisms with genetic materials altered through traditional breeding and selection techniques, such as Hybrid Rice and Golden Sweet Corn.

The Bill proposes to regulate the import and export of GMOs intended for release into the environment and their release into the environment in accordance with the requirements set out in the Protocol to conserve the biological diversity of Hong Kong, thereby safeguarding the environment against the possible adverse impacts of GMOs.

Anyone who wishes to release GMOs into the environment or import and maintain GMOs in Hong Kong for release into the environment for the first time has to seek the prior written approval of the Director of Agriculture, Fisheries and Conservation (DAFC). In making the application, the applicant has to prepare a risk assessment report on the release of GMOs into the environment and submit the report to the DAFC. As the main objective of the Protocol is to regulate the impact of GMOs on biological diversity, the above regulation does not apply to GMOs which are intended for direct consumption as food or feed, or for processing, or pharmaceutical products for use by human beings.

The Bill also empowers me, as the Secretary for the Environment, to make regulations to specify the relevant requirements relating to the import and export documentation of GMOs, including GMOs intended for direct consumption as food or feed, or for processing, or for contained use. We will try our best not to request additional documentation or supporting documents but will only use existing commercial documents or cargo manifests or even phytosanitary certificates to obtain the necessary information, including whether or not there are GMOs in the cargo, to meet our regulatory requirements.

Besides, in order to facilitate the industry's adaptation to measures and requirements under the new legislation, we propose providing a six-month transitional period following the enactment of the legislation to allow local importers and exporters to adapt to the new legislation and make relevant preparation.

The Central Government has granted the agreement-in-principle for extending the Convention and the Protocol to Hong Kong. Subject to the passage of the new legislation relating to the adoption of the Convention and the Protocol and upon completion of other preparatory work, we will make a formal request to the Central Government for the completion of the formalities to enable Hong Kong to become a Party to the Convention and the Protocol.

The Legislative Council Panel on Environmental Affairs was consulted on the implementation of the Convention and the Protocol on 30 March this year and was generally in support of the Government's proposal of extending the Convention and the Protocol to Hong Kong by way of legislation to further conserve our biological diversity. Besides, relevant stakeholders, including green groups, academics, biotechnology companies, trade associations and organic farms, were also consulted on this proposal. Most of the organizations consulted expressed support for extending the Convention and the Protocol to Hong Kong and did not raise any objection to introducing such legislation.

President, the extension of the Convention and the Protocol to Hong Kong will demonstrate Hong Kong's commitment in co-operating with the international community to protect the natural environment. Hong Kong, as an international city, is expected to share similar international obligations relating to the protection and sustainable use of biological diversity. Upon the passage of the Bill, we will be able to meet the requirements of the Convention and the Protocol and make a formal request to the Central Government for the extension of these two important international agreements on the protection of biological diversity to Hong Kong.

With these remarks, President, I urge Members to support this Bill. Thank you.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the Genetically Modified Organisms (Control of Release) Bill be read the Second time.

In accordance with the Rules of Procedure, the debate is now adjourned and the Bill is referred to the House Committee.

**MEMBERS' MOTIONS**

**PRESIDENT** (in Cantonese): Members' motions. Two proposed resolutions under the Interpretation and General Clauses Ordinance.

**PRESIDENT** (in Cantonese): First motion: Extending the period for amending the nine items of subsidiary legislation relating to consular matters, which were laid on the table of this Council on 6 May 2009.

I now call upon Mr James TO to speak and move his motion.

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

**MR JAMES TO** (in Cantonese): President, I move that the motion, as printed on the Agenda, be passed.

President, I am the Chairman of the Subcommittee on Subsidiary Legislation Relating to Consular Matters. After the formation of the Subcommittee, we have held one meeting. The Government has now tabled some papers for us to compare further in detail the Vienna Convention on Consular Relations and the additional protection granted to consuls of other countries under the subsidiary legislation relating to consular matters, and to conduct an in-depth scrutiny. We therefore need to spend some time on that. I am thus proposing to extend the period for amendment to give the Subcommittee ample time to scrutinize the subsidiary legislation in detail.

**Mr James TO moved the following motion:**

"RESOLVED that in relation to the —

- (a) Consular Relations (Additional Privileges and Immunities) (India) Order, published in the Gazette as Legal Notice No. 73 of 2009;
- (b) Administration of Estates by Consular Officers Ordinance (Variation of Schedule: India) Order, published in the Gazette as Legal Notice No. 74 of 2009;



- (c) Consular Conventions (Application of Section 3) (India) Order, published in the Gazette as Legal Notice No. 75 of 2009;
- (d) Consular Relations (Additional Privileges and Immunities) (Italy) Order, published in the Gazette as Legal Notice No. 76 of 2009;
- (e) Administration of Estates by Consular Officers Ordinance (Variation of Schedule: New Zealand) Order, published in the Gazette as Legal Notice No. 77 of 2009;
- (f) Consular Conventions (Application of Section 3) (New Zealand) Order, published in the Gazette as Legal Notice No. 78 of 2009;
- (g) Consular Relations (Additional Privileges and Immunities) (Russia) Order, published in the Gazette as Legal Notice No. 79 of 2009;
- (h) Administration of Estates by Consular Officers Ordinance (Variation of Schedule: Russia) Order, published in the Gazette as Legal Notice No. 80 of 2009; and
- (i) Consular Conventions (Application of Section 3) (Russia) Order, published in the Gazette as Legal Notice No. 81 of 2009,

and laid on the table of the Legislative Council on 6 May 2009, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 24 June 2009."

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

**PRESIDENT** (in Cantonese): Second motion: Extending the period for amending the Race Discrimination (Formal Investigations) Rules and the Race Discrimination (Investigation and Conciliation) Rules.

I now call upon Mr Paul TSE to speak and move his motion.

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

**MR PAUL TSE** (in Cantonese): President, I move that the motion proposed under my name and set out in the Agenda be passed.

At the House Committee meeting on 15 May 2009, Members agreed to form a Subcommittee to study the Race Discrimination (Formal Investigations) Rules and the Race Discrimination (Investigation and Conciliation) Rules made

under section 82 of the Race Discrimination Ordinance by the Equal Opportunities Commission. The Subcommittee will also study the non-legislative instrument of the Code of Practice on Employment under the Race Discrimination.

In order to allow the Subcommittee adequate time for scrutiny and to report to the House Committee the result of its deliberation, I, as Chairman of the Subcommittee, move that the period for scrutiny of these two sets of rules be extended to 8 July 2009.

President, I so submit and urge Members to support the motion.

**Mr Paul TSE moved the following motion:**

"RESOLVED that in relation to the —

- (a) Race Discrimination (Formal Investigations) Rules, published in the Gazette as Legal Notice No. 94 of 2009; and
- (b) Race Discrimination (Investigation and Conciliation) Rules, published in the Gazette as Legal Notice No. 95 of 2009,

and laid on the table of the Legislative Council on 13 May 2009, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 8 July 2009."

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

**PRESIDENT** (in Cantonese): Proposed resolution under the Race Discrimination Ordinance to extend the period for amending the Code of Practice on Employment under the Race Discrimination Ordinance.

I now again call upon Mr Paul TSE to speak and move his motion.

## **PROPOSED RESOLUTION UNDER THE RACE DISCRIMINATION ORDINANCE**

**MR PAUL TSE** (in Cantonese): President, I move that the motion proposed under my name and set out in the Agenda be passed.

At the House Committee meeting on 15 May 2009, Members agreed to form a Subcommittee to study non-instrument ..... excuse me, the non-legislative instrument of the Code of Practice on Employment under the Race Discrimination Ordinance. The Subcommittee will also study the Race Discrimination (Formal Investigations) Rules and the Race Discrimination (Investigation and Conciliation) Rules made under section 82 of the Race Discrimination Ordinance by the Equal Opportunities Commission.

In order for the Subcommittee to have adequate time for scrutiny and to report to the House Committee the result of its deliberation, I, as Chairman of the Subcommittee, move that the period for scrutiny of this Code of Practice be extended to 8 July 2009.

President, I urge Members to support the motion.

**Mr Paul TSE moved the following motion:**

"RESOLVED that in relation to the Code of Practice on Employment under the Race Discrimination Ordinance, published in the Gazette as Government Notice No. 2733 on 8 May 2009 and laid on the table of the Legislative Council on 13 May 2009, the period for amending the Code of Practice referred to in section 63(5) of the Race Discrimination Ordinance (Cap. 602) be extended under section 63(7) of that Ordinance to the meeting of 8 July 2009."

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

**PRESIDENT** (in Cantonese): Two motions with no legislative effect. I have accepted the recommendations of the House Committee: that is, the movers of these motions each may speak, including reply, up to 15 minutes, and have another five minutes to speak on the amendments; the movers of amendments each may speak up to 10 minutes; and other Members each may speak up to seven minutes. I am obliged to direct any Member speaking in excess of the specified time to discontinue.

**PRESIDENT** (in Cantonese): First motion: Comprehensive review of the accountability system.

Members who wish to speak in the debate on the motion will please press the "Request to speak" button.

I now call upon Mr WONG Yuk-man to speak and move his motion.

### **COMPREHENSIVE REVIEW OF THE ACCOUNTABILITY SYSTEM**

**MR WONG YUK-MAN** (in Cantonese): President, I move that the motion as printed on the Agenda be passed.

In the absence of genuine universal suffrage, there can only be fake accountability. It is therefore necessary to conduct a comprehensive review of the accountability system for principal officials (the accountability system). President, in 2000, TUNG Chee-hwa put forward the accountability system in a bid to pave the way for his second term of office. At that time, I wrote an article entitled "Accountable to Whom?", in which I stated, "In the absence of election by universal and equal suffrage, the implementation of the accountability system will surely be hindered." In this article, I analysed the nature of democratic politics, pointing out that there are three aspects to them, namely, opinions-led

politics, rule-of-law politics and accountability politics. Such are the three inter-related aspects to democratic politics.

By opinion-led politics, it is meant that all acts of the government must be based on the people's aspirations. The people must be left to define their own happiness and the ways to promote their very well-being. It follows that the people shall have the right to partake in the decision-making process, rather than passively counting on the government to give them happiness. The realization of this must in return require the support of representative politics, an electoral system, party politics and a system for the expression of public opinions.

The second aspect is rule-of-law politics. This means that all acts and activities of government authorities must be in total accordance with the law, with not even the slightest contravention. The Constitution and all the laws emanating from it must be formulated with the direct or indirect involvement of the people. No administrative orders issued by the government shall contravene any laws, and no laws shall be unconstitutional. The law shall serve the purpose of safeguarding the people's rights and interests, rather than being used as a tool of governing. The greatest distinction between "governing according to the law" and "rule-of-law politics" is that the former may be used as a tool of autocratic rule. Draconian laws may first be drawn up, and those in power may then govern according to such laws, thus reducing the law to a tool of governing. In the case of the latter, the law is meant more as a means of restraining the government than as a means of restraining the people. The law is for upholding the people's rights and interests in this case.

By accountability politics, it is meant that the executive shall be responsible for all the consequences of their exercise of powers, regardless of whether such consequences are good or bad. All acts of government authorities shall be monitored by one or several organizations. As the government is returned by elections and all power originates from the people, the government is naturally accountable to the people, administratively, politically and even legally. Sometimes, the government must even bear moral responsibility.

The accountability system implemented in the Hong Kong Special Administrative Region (SAR) is by nature nothing but a further step towards centralizing all power under the autocratic rule of the Chief Executive. It is a far cry from the type of political accountability characterizing democratic politics. The accountability system is not built on any basis of universal and equal suffrage. Selected by a coterie of 800 people, the Chief Executive will only hold

himself accountable to the inner circle of 800 people and the Central Government. There is no room for opinions-led politics and no role for the 7 million people under the accountability system. The door of accountability is tightly closed.

The beginning of poor governance can be traced back to the establishment of the accountability system by TUNG Chee-hwa. It is a well-known fact that TUNG was at loggerheads with Mrs Anson CHAN years back. TUNG Chee-hwa therefore ascribed his numerous policy blunders to the impediments caused by Mrs Anson CHAN and the Civil Service under her leadership. By putting in place the accountability system, TUNG Chee-hwa aimed to grasp all the powers and curtail the authority of the Chief Secretary for Administration. The accountability system is therefore very much a measure "suited" to an individual — and, he was the only one to determine what was "suited" to the individual. His motive was fundamentally vicious, so how could he establish a political system really capable of bringing forth lasting political stability?

What is more, the distinction between policy formulation and execution is altogether ambiguous, and so is the role of principal officials. Under the accountability system, men of capability are deployed as flunkeys, and flunkeys as men of capability at the subjective dictate of the autocratic Chief Executive. The idle positions for Donald TSANG as the Team Clean leader years ago and Henry TANG as "King of Trees" recently and even the deployment of WONG Yan-lung to deal with youth drug abuse are all instances of haphazard deployment of personnel. President, as the No. 1 and No. 3 men of the SAR Government, the Chief Secretary for Administration and the Secretary for Justice are supposed to formulate broad policy directions, instead of performing such tasks as community cleaning, tree management and combating youth drug abuse, which should all be the tasks of executive departments.

What is even more pitiable is that the Chief Secretary for Administration, who is supposed to be the highest government official and the leader of all civil servants, is now demeaned and required to perform the tasks of a petty official, which are not commensurate with his post, ranking and status. A petty official was a government clerk in the ancient times responsible for filing and general clerical duties. He is really pitiable. They were the last to charter a flight. During the leave of Secretary for Security Ambrose LEE, Henry TANG, as his superior, did practically nothing apart from expressing concern. As a result, Hong Kong residents were caught in the very tense situation of Thailand at that



time. Subsequently, he even tried to evade responsibility by talking about a "group decision" and "team responsibility".

All this can show that since the curtailment of the Chief Secretary for Administration's powers, the roles of the Chief Executive, the Chief Secretary for Administration and other Bureau Directors have become blurred. It is small wonder that this Chief Secretary for Administration of ours, Henry TANG, has so much time to write to the President, complaining about the violation of the Rules of Procedure by the League of Social Democrats. But what has this got to do with him anyway? Is he the right person to complain against me? But he has repeatedly done so. Is he really so idle? Oh, he is now "King of Trees."

Hong Kong upholds the rule of law most vigorously among all Chinese societies. The rule of law is a core value of Hong Kong. But the executive's adherence to the law is not the only requirement of rule-of-law politics. More importantly, the legislature must be able to truly represent the people in the formulation of laws, so as to ensure that the law can serve the purpose of safeguarding the people's rights, rather than being reduced to a tool of those in power. But our Legislative Council is dominated by "royalists". They misrepresent the people's opinions and trample on their dignity. Democratically elected Members, on the other hand, are unable to enact legislation in accordance with the people's opinions. They are rendered unable to manifest the power of the people and monitor the Government. This is really a disgrace to a civilized society like ours.

Apart from the main functions of enacting legislation and questioning the executive, members of the legislature should also have the power of giving consent, right? Ours is indeed a crippled legislature. And, even in the case of legislative power, we are still constrained by the system of separate voting or other relevant provisions of the Basic Law. We are thus unable to fully exercise our legislative power.

"Attaching a dog's tail to sable" is the expression I want to use to describe the further development of the political appointment system. Some may wonder why I should use this idiom. They may ask, "Do you think that TUNG Chee-hwa's accountability system is desirable?" They may wonder whether I want to say that TUNG Chee-hwa's accountability system is fine but something wretched has been added to it. Their questions actually involve how people interpret this idiom nowadays. Indeed, the modern interpretation is one of

adding something wretched to something good. Am I correct, President? But this is not what I mean. I think I must explain the original meaning of this idiom in order to illustrate my point. To do so, I must first tell a story in history.

"Attaching a dog's tail to sable" originates from the *Life of Prince Lun in the Book of Jin*. There was a well-known emperor in the Western Jin Dynasty, and he was called Emperor Hui. I suppose Members must have heard the story about his very famous question: why don't they eat meat congee instead? This guy was a moron. We once criticized our former Chief Executive, TUNG Chee-hwa, for asking a question similar to Emperor Hui's idiotic question. The throne of SIMA Zhong, that is, Emperor Hui, was usurped by his uncle SIMA Lun. SIMA Lun liked to appoint officials very much, to the extent that he appointed his household servants, friends and relatives all as government officials. The hats of government officials at that time were decorated by sable. But since he appointed so many officials, how could there be enough sable? As a result, dog tails were used in place of sable. The masses were indignant at such indiscriminate appointment of officials, so they came up with this idiom to satirize and mock at SIMA Lun. This is the origin of "attaching a dog's tail to sable".

We are of the view that the so-called further development of the political appointment system is just like "attaching a dog's tail to sable" — indiscriminate appointment of government officials.

The practical experience in the past one year can tell us that the further development of the political appointment system, that is, the indiscriminate appointment of government officials, is just like "attaching a dog's tail to sable" and even worse than TUNG Chee-hwa's accountability system. The result of the indiscriminate appointment of government officials is that rather than being able to work for the people's well-being, all the Under Secretaries and Political Assistants have created trouble for society due to the inherent problems with the system and their own inadequacies.

The so-called 10-point agreement between the Liaison Office of the Central People's Government in the Hong Kong and the SAR Government as well as CAO Erbao's comments about "a second governing team" have both aroused Hong Kong people's concern about the implementation of "one country, two systems". Since the reunification, the Chinese Communist Party has been planting many people in the organizations in Hong Kong, including different

enterprises, community bodies, clansmen associations and even political parties. Our political party's position can be summed by this simple slogan: free entry and exit and infiltration is all welcomed. They do take us very seriously, for they have really infiltrated our political party. The creation of the posts of Under Secretaries and Political Assistants has opened the door for handpicking agents of autocratic rule. If any farcical universal suffrage is introduced in the future, it is very possible for some people who have been planted in Hong Kong to be appointed to the posts of Under Secretaries as Hong Kong residents (I am only saying that it is very possible, so the Secretary needs not panic). These people can then keep watch on the Chief Executive returned by farcical universal suffrage and Directors of Bureau, thus importing the Communist Party's system of Political Commissar to Hong Kong.

When she was about to retire from the post of The Ombudsman, Ms Alice TAI pointed out that as a result of the accountability system for principal officials, government departments all tended to mind their business only. The root cause of this problem is that the Government has deliberately hindered the development of party politics, so the Chief Executive is unable to appoint a cabinet composed of people who share his convictions. The governing team is just like a ragtag army, marked by open and covert strife to further selfish personal interests. The row over the retention or otherwise of Hong Kong Monetary Authority (HKMA) Chief Executive, Joseph YAM, is a good example of the internal strife of the governing team. In a bid to put an apologist at the helm of the HKMA, Donald TSANG has sought to force the opinionated Joseph YAM to give way. And, Financial Secretary John TSANG has directed the drama of the three-person selection committee, in strict accordance with the script.

Political parties play an indispensable role in a democratic society. They can help forge consensus in society and reflect such consensus to those in power through channels inside or outside the establishment. Or, a political party may also become the ruling party through the process of election. Besides, party politics can also nurture the talents required for the development of democratic political systems. Within the parameters and under the protection of the law, political parties can nurture talents who share their political convictions.

The promotion of party politics must depend on the formulation a political party law. At present, political parties can only register under the Companies Ordinance and the Societies Ordinance. This is not conducive to the

development of party politics. For example, the former ordinance requires the disclosure of the names of shareholders, and this will hinder the freedom of political party formation. The latter ordinance is basically meant for dealing with triad societies, which is why the police are vested with very great powers to interfere with the operation of societies. Therefore, the SAR Government should enact a political party law and other laws on political donations, with a view to facilitating the long-term development of political parties.

In 2003, 500 000 people took to the streets, thus forcing TUNG Chee-hwa and three accountability officials to step down. Had Hong Kong people not manifested their people power in such an unprecedented outburst, they would not have been able to do anything about those accountability officials who failed to live up to their expectations. To establish a system that can effectively call the Government to account, it is necessary to institutionalize the exercise of people power, to put in place a mechanism for impeaching accountability officials and to replace accountability officials who fail in their duties. This is the only way to safeguard the well-being of Hong Kong people.

President, under the political appointment system of the United States, even the democratically elected President must obtain the consent of the Senate for his appointment of top government officials. The Senate may even conduct public hearings on the candidates nominated by the President, and there is no time limit for the related debate. It can thus be seen that the consent given by the Senate on behalf of the Congress for the President's appointment of top officials is not a matter of mere ritual.

In the context of Hong Kong, the Chief Executive is not returned by universal suffrage. Article 73 of the Basic Law provides for the procedures of impeaching the Chief Executive — the Legislative Council may pass a motion of impeachment by a two-thirds majority of all its Members and report it to the Central Government for decision. Owing to the domination of the Legislative Council by "royalist" parties, the mechanism for impeaching the Chief Executive exists in name only. Hong Kong people do not have any say in the selection and impeachment of the Chief Executive. Besides, there is no mechanism for the impeachment of accountability officials. Therefore, in order to establish an effective accountability system, the Legislative Council must be empowered to consent to the appointment of accountability officials and to impeach such officials. The appointment of accountability officials must have the consent of the Legislative Council. If the Legislative Council passes a vote of no

confidence, the principal official concerned must resign. If the Chief Executive refuses to let the Legislative Council exercise its powers of consent and impeachment, the Legislative Council should refuse to handle government bills and appropriation requests, so as to compel the Chief Executive to implement a truly functional accountability system.

President, I so submit.

**Mr WONG Yuk-man moved the following motion: (Translation)**

"That the Government of the Special Administrative Region has made countless blunders in the implementation of policies, since TUNG Chee-hwa introduced the so-called accountability system in 2002, accountability of Directors of Bureau is only empty talk; subsequently, Donald TSANG Yam-kuen adds a wretched sequel to the accountability system by appointing the so-called Under Secretaries and Political Assistants at his own discretion; this provides convenience for authoritarians to hand-pick their deputies, which results in a total collapse of the accountability system and is detrimental to the well-being of the people; this Council urges the Government to conduct a comprehensive review of the accountability system so as to implement fundamental reforms to restore its ability to govern; such reforms include:

- (a) establishing a political system which is truly accountable to the people, and expeditiously implementing dual universal suffrage for the Legislative Council and the Chief Executive elections;
- (b) formulating a political parties law to promote the development of party politics, so as to induce political parties to be truly accountable to their constituents;
- (c) establishing an impeachment mechanism for replacing those officials under the accountability system who are derelict of their duties; and
- (d) clearly defining the roles, functions and powers among the Chief Executive, officials under the accountability system and civil servants."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr WONG Yuk-man be passed.

**PRESIDENT** (in Cantonese): Ms Miriam LAU will move an amendment to this motion. This Council will now proceed to a joint debate on the motion and the amendment.

I now call upon Ms Miriam LAU to speak and move her amendment to the motion.

**MS MIRIAM LAU** (in Cantonese): President, since 2002, the SAR Government has implemented the political accountability system to meet the aspirations of society. Principal officials will no longer be appointed from the Civil Service. Rather, they have to face the public and be accountable for their political decisions at any time. In my opinion, during the implementation of the accountability system over the past seven years, the public support it in general. However, this does not mean that its design or the entire implementation process is very desirable and no review is required.

As a matter of fact, the operation of the Further Development of the Political Appointment System introduced by the incumbent Chief Executive in 2007 has all along been criticized by the public. For example, during its early implementation, controversies were aroused over the issues on nationality and remuneration; last year, there were disputes over the handling of the blockade at the airport by "urban and New Territories taxis" by the Under Secretary for Transport and Housing; early this year, the Under Secretary for Commerce and Economic Development was involved in the "business card" incident; and the delineation of duties between officials under the Political Appointment System and civil servants is still not clear. All these have significantly undermined the public's impression of the accountability team.

However, the Liberal Party does not agree to the comments on the accountability system in the original motion, which describes the expansion of the accountability team as "adding a wretched sequel" or even "providing convenience for authoritarians". Such descriptions might be too exaggerated. Moreover, the creation of such posts has, after all, obtained the approval of the Legislative Council. Mr WONG might not agree to describe it as "creation of

posts". However, the description that the appointments were made "at his own discretion" does not conform to the facts at all. Whilst recognizing the need to review the accountability system, the Liberal Party, in fact, has some other opinions on the concrete measures for improving the accountability system in the original motion. This is why we have moved this amendment today.

Undoubtedly, since the implementation of the accountability system, the accountability officials have made some mistakes in politics and decision-making. However, this can in no way change the fact that the accountability system is definitely not "empty talk" but has really been implemented. We witnessed that former Financial Secretary Antony LEUNG, former Secretary for Health and Welfare Dr YEOH Eng-kiong and our colleague today, the then Secretary for Security, Mrs IP, resigned of their own accord. The Liberal Party considers this a reflection of the fact that since the implementation of the accountability system, officials can no longer maintain the mentality of "doing things in my own way despite all criticisms" and stay in their original posts, thinking that as they are under the civil service establishment, there is no need to resign even if they have made mistakes or aroused great dissatisfaction among the public.

However, I want to point out that among those accountability officials who had resigned, only YEOH Eng-kiong stated unequivocally that he stepped down "to realize the spirit of the accountability system". Former Financial Secretary Antony LEUNG, being involved in the incident of purchasing a vehicle, simply left without giving any reason for his resignation. As for the former Secretary for Security, Mrs IP — that is our colleague, Mrs Regina IP — who had aroused a huge uproar and dissatisfaction among many people in Hong Kong because of the implementation of Article 23 of the Basic Law, she resigned for "personal reasons". If she could state clearly that she stepped down to realize the spirit of accountability, I would have even greater respect for her. Of course, should there be another version of the story, I think Mrs IP will tell us if she speaks later. As some accountability officials did not state clearly their reasons for resignation — whether it was to realize the spirit of accountability or not — the public might think that the accountability system was still not fully implemented. Did those officials resign because of the accountability system, or was it that they really resigned for personal reasons as what they had mentioned? The public are very confused. I think if mistakes are made, they should admit their mistakes openly, rather than distracting us and finding excuses to cover up their faults.

As for expanding the accountability team, it is obviously meant to make up for its inadequacies. At the outset, only one single accountability official was responsible to oversee the whole situation, with no division of policy areas. There were inadequacies in this regard. When other "helpers" are appointed to assist these accountability officials, it is nevertheless criticized as "adding a wretched sequel to the system", or as mentioned by Mr WONG just now, "appointing officials and creating posts indiscriminately". The Liberal Party considers that such allegations can hardly be substantiated.

As I have criticized during the Budget debate, there is still room for enhancing transparency of the accountability system. It is not so desirable if the public still do not know much about or have almost no impression of the Under Secretaries and Political Assistants even now. I do not quite agree with Secretary Stephen LAM that there is no need for Under Secretaries and Political Assistants to enhance their profiles intentionally. It is because accountability officials have to face the public, explain the Government's policies to them and listen to their voices. If the public do not even know who they are and have no idea about their responsibilities and what they have done, how can they be accountable to the public? This is basically unconvincing.

However, it is an undeniable fact that the Government's recent performance in its anti-epidemic work is recognized by the public in general. Under Secretary Gabriel Matthew LEUNG, who is responsible for meeting the mass media, has become increasingly popular. However, I think what we hope to see is not only Gabriel Matthew LEUNG. Other Under Secretaries and Political Assistants should also enhance public understanding of who they are as well as the policy portfolios under their charge.

President, the Liberal Party has all along supported implementing universal suffrage for the Chief Executive and the Legislative Council elections as soon as possible under the principles enshrined in the Basic Law. The relevant Decision promulgated by the Standing Committee of the National People's Congress at the end of 2007 had broadly set the earliest date on which dual universal suffrage could be implemented.

As such, the accountability system should be improved and fine-tuned continuously, so that the future Chief Executive to be returned by universal suffrage can, upon assumption of office, establish his/her own ruling team and put



his/her election platform into practice through a mechanism which has achieved maturity in its operation. Therefore, the Liberal Party has included an amendment to point (a) of the original motion.

President, the Liberal Party has shown its clear support to the development of party politics, and in order to promote the development of political parties, a political parties law should be formulated. As the saying goes, "Without a proper name and status, no argument will be tenable." At present, political parties can only register under the Companies Ordinance, which is, after all, not desirable and many embarrassing situations may even be resulted. For example, in mid 2006, in view of legal advice that membership of political parties should be disclosed, many parties, including the Liberal Party, had made such disclosures. However, as far as we know, the Democratic Party is still reluctant to make public its membership.

Moreover, political parties in Hong Kong have very limited financial resources and no subsidies are provided by the Government. Worse still, donations made by the public or commercial institutions to political parties are not eligible for tax deduction, which will, inevitably, hinder the development of political parties. If a political parties law is enacted, their rights and obligations can be regulated in a reasonable and legal manner. When clear legislation is in place, political parties can develop justifiably. However, researches on political party laws were seldom conducted in Hong Kong and discussions among the public on this topic were rare in the past. As such, whilst supporting the formulation of a political parties law, the Liberal Party considers that extensive research and consultation can be conducted in society first.

President, the Liberal Party recognizes that an impeachment mechanism plays a vital role constitutionally, and the deterrent effect of a motion of impeachment to officials is most obvious. However, there is no impeachment mechanism against officials under the accountability system in Hong Kong at present. Among the 10 major powers and functions of the Legislative Council stipulated in Article 73 of the Basic Law, only para (9) states that the Chief Executive is subject to impeachment, but it is not stated as to whether other principal officials can be impeached as well. Therefore, it is really doubtful as to whether "an impeachment mechanism can be established" against those principal officials as proposed in the original motion.

In fact, if Members of the Legislative Council are greatly dissatisfied with the officials' performance, a motion on "vote of no confidence" can be moved. There were a lot of such examples in the past. Although motions moved by the Legislative Council do not have legal effect, moving such a motion itself has already imposed a great political pressure on those officials or people who are the subject of the vote of no confidence, and some of them even resigned of their own accord shortly before or after such motions were moved. Former Chairman of the Housing Authority Rosanna WONG and former Financial Secretary Antony LEUNG are examples, showing that a "vote of no confidence" passed by the Legislative Council can produce a powerful impact.

In addition, the Liberal Party also suggests that the existing Code for Officials under the Political Appointment System should be amended to introduce penalties, so as to plug the existing loopholes that there is only the Code without any penalties. Moreover, a graded punishment mechanism should be established between "stepping down" and "making apologies", so as to punish officials with poor performance and improve their accountability, while enhancing the accountability of such accountability mechanism.

Lastly, the Liberal Party considers that one of the objectives of establishing the accountability system is to maintain "political neutrality" of the Civil Service. However, in reality, civil servants, especially the senior and experienced ones, still have to undertake a lot of political responsibilities. In the uproar over the Hong Kong Institute of Education in 2007, Fanny LAW had to step down. Therefore, the authorities should examine how to delineate the duties between accountability officials and civil servants.

With these remarks, President, I beg to move.

**Ms Miriam LAU moved the following amendment: (Translation)**

"To delete "the Government of the Special Administrative Region has made countless blunders in the implementation of policies, since TUNG Chee-hwa" after "That" and substitute with "since the Government"; to delete "so-called" after "introduced the"; to delete "accountability of Directors of Bureau is only empty talk; subsequently, Donald TSANG Yam-kuen adds a wretched sequel to the accountability system by appointing the so-called Under Secretaries and Political Assistants at his own discretion; this provides convenience for authoritarians to hand-pick

their deputies, which results in a total collapse of the accountability system and is detrimental to the well-being of the people" after "accountability system in 2002," and substitute with "the system has not been working satisfactorily"; to delete "so as to implement fundamental reforms to restore its ability to govern; such reforms include" after "comprehensive review of the accountability system" and substitute with ", including"; to delete "establishing a political system which is truly accountable to the people, and" after "(a)" and substitute with "improving the accountability system step by step and ensuring that it is fully implemented and, in line with the decision of the Standing Committee of the National People's Congress on issues relating to universal suffrage,"; to add "considering" after "(b)"; to delete ", so as to induce political parties to be truly accountable to their constituents" after "party politics"; to delete "establishing an impeachment mechanism for replacing those" after "(c)" and substitute with "enhancing the accountability mechanism for"; to delete "who are derelict of their duties" before "; and (d)" and substitute with "as well as the transparency of the mechanism"; and to add "further" after "defining".

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

**SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS** (in Cantonese): President, I shall respond to the motion moved by Mr WONG Yuk-man on behalf of the Government. Since the motion touches upon the accountability system for principal officials (the accountability system), I wish to explain once again the background and justification of the political appointment system implemented by the Government of the Hong Kong Special Administrative Region (SAR).

In July 2002, the Government put in place the political appointment system. Under this system, politically appointed officials constitute the top tier of government leadership, with civil servants on permanent establishment forming the backbone of support. Politically appointed officials are not civil servants, so there is no long-term guarantee for their terms of office. And, a

politically appointed official's term of office will not exceed the tenure of the Chief Executive who nominated or appointed them. But they are required to bear all the political responsibility arising from their respective portfolios.

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

Under this system, the Chief Executive can form his own governing team. Members of his governing team must share his convictions and missions and implement the policies and political agenda of the Government under his leadership. Similar arrangements are also adopted by many other free and open societies to form their governing teams.

Under the new system, politically appointed officials and civil servants play different roles, but they all aim to serve Hong Kong. With politically appointed officials bearing the political responsibility arising government policies, the Government can better grasp social sentiments and meet the needs of modern management in the course of policy implementation. Besides, the development of a permanent and professional Civil Service can also be strengthened.

After amassing experience in the years following the implementation of the political appointment system in 2002 and learning lessons from what had happened during the term of the second SAR Government, we have come to the conclusion that the whole political appointment system will be far too weak and unable to cope with all the practical needs if it is confined to the tier comprising Secretaries of Department and Directors of Bureau.

For this reason, the Government launched a public consultation exercise in 2006 and published the Report on Further Development of the Political Appointment System in October 2007, proposing to create two additional tiers of politically appointed officials, namely, Under Secretaries and Political Assistants. It is hoped that this can enhance the support for Secretaries of Department and Bureau Directors and assist them in handling the political aspects of their work.

Mr WONG Yuk-man's motion sets out many major points and mentions many areas where he thinks reforms are required. But I must point out that apart from dismissing the Government's policies in many different areas, the motion

also fails to recognize the progress and improvements made by the Government after enhancing the accountability system.

To begin with, in regard to universal suffrage and the political appointment system, Mr WONG asks for the expeditious implementation of dual universal suffrage. I wish to reiterate that in December 2007, the Standing Committee of the National People's Congress (NPCSC) already made a decision on this issue. Since a definite timeframe has been set down, it will be possible to implement universal suffrage for the selection of the Chief Executive in 2017 and the election of all Legislative Council Members in 2020. With this timeframe for the implementation of universal suffrage for the two major elections, it will be possible to intensify the democratization of Hong Kong's political system. On the basis of the decision announced by the NPCSC in December 2007, the Government can further democratize the arrangements for the two major elections to be held in 2012. We hope that within the term of this Government, we can draw up all the arrangements for the two major elections in 2012, so as to bring Hong Kong's electoral system to a transit station in preparation for the implementation of universal suffrage in 2017 and 2020.

The expansion of the political appointment system can serve the purpose of making advance preparations for the implementation of universal suffrage. Since there is already a timeframe for implementing universal suffrage in Hong Kong, we can all expect to see the implementation of universal suffrage for the selection of the Chief Executive eight years later. But in order to smoothly implement universal suffrage for the selection of the Chief Executive, we must ensure an adequate software supply of political talents, in addition to setting up the hardware, that is, the required electoral system. Members can imagine that all candidates running in the Chief Executive Election in 2017 must organize their own teams for the formulation of election platforms and the canvassing of social support. The successful candidate will be able to select competent persons from his election team to fill the posts of Secretaries of Department, Bureau Directors and Under Secretaries, or even form the whole team of accountability officials. This approach of forming a governing team is in line with the systems adopted by other liberal, open and democratic societies in the world.

The present three-tier political appointment system could be launched only after the Government's application to the Finance Committee of the Legislative Council in December 2007. That year, the Government asked for Members'

support for the creation of 11 posts of Under Secretaries and 13 posts of Political Assistants with effect from 1 April 2008. In May 2008, the first batch of eight Under Secretaries and nine Political Assistants was appointed and announced. The appointees subsequently took office one after another in the middle of 2008.

Mr WONG Yuk-man's motion asks the Government to conduct a comprehensive review of the political appointment system. As I have mentioned, we already conducted a review and a public consultation exercise in 2006. At the moment, we do not have any plan to conduct any comprehensive review.

But I still wish to share with Members that since the implementation of the new system, the Government has been able to enhance the support for Secretaries of Department and Bureau Directors in respect of their political and liaison work. They have thus been able to strengthen their connections with the Legislative Council, District Councils, the various political parties and groupings, non-government organizations, community organizations and professional bodies.

Besides, Under Secretaries can now act as Bureau Directors during the latter's overseas visits. In case any major incidents occur during such periods, Under Secretaries and Bureau Directors can work together through co-ordination and division of labour. This arrangement is much better and more comprehensive than the arrangement in the past.

Mr WONG's motion accuses the SAR Government of creating the posts of Under Secretaries and Political Assistants "at its own discretion". I do not think that this is a justified accusation. As I have explained, the Government formally published a report in October 2007 and put forward its recommendations to the Legislative Council. The posts were created only after obtaining the approval of the Finance Committee.

I believe that when the fourth Chief Executive Election is completed in 2012, the successful candidate will conduct a fresh review of the present three-tier political appointment system. It will be up to the next Chief Executive to determine whether it is necessary to fine-tune the division of work among Policy Bureaux and the personnel establishment under the political appointment system.

The second issue is the development of political parties. Actually, over the years, the SAR Government has been adopting a very positive attitude towards the development of political parties. And, in the past few years, a whole series of measures were adopted to cope with the development of political parties.

In 2004, we introduced a financial assistance scheme for candidates standing in Legislative Council Elections (the financial assistance scheme), with the aim of encouraging more people to run in elections. In 2008, the subsidy under the financial assistance scheme was increased from \$10 per vote to \$11 per vote. In 2007, the financial assistance scheme was extended to District Council Elections. The relevant legislation was then amended, to the effect that the financial assistance given to a candidate by his political party needs not be counted when the candidate applies for government assistance.

Another point is that in order to encourage more people, political party members and independent candidates to partake in politics, we have been proposing to increase to the numbers of seats in our representative assemblies in every election year. For example, in 2003, the number of District Council seats was increased from 390 to 400. And, in 2007, the number of District Council seats was again increased, from 400 to 405. We will conduct a detailed study on whether it is necessary to increase the number of Legislative Council seats in 2012.

The third point I want to raise is that under the existing political appointment system, all politically appointed officials — Secretaries of Department, Bureau Directors, Under Secretaries and Political Assistants alike — can be selected from persons with political party backgrounds. Several Under Secretaries and Political Assistants have affiliation with political parties. This marks the first step. In case any future Chief Executive wants to set up a political alliance, he will surely have sufficient leeway.

As for Mr WONG Yuk-man's request for the formulation of a "political parties law", I must reply that several years ago, and also in 2005, discussions on this issue were already held in the Legislative Council. At the time, the various political parties, including the Democratic Party and other political parties and groupings, unanimously agreed that the formulation of a "political parties law" at the present stage might stifle the development of political parties. For this reason, our general direction at the moment is to continue to intensify our efforts

in several respects — encouraging more people to stand in elections and partake in politics and maintaining the financial assistance scheme.

When it comes to the question of political accountability under the new political appointment system, I must say that contrary to Mr WONG Yuk-man's description, it is certainly no "empty talk". Quite the contrary, there have been some concrete instances that can show the principle of accountability at work. Members may still remember that there were several cases before 2002 — the "new airport chaos" and the "short piling incident", for example — where government officials could not assume full political responsibility because all principal officials were still civil servants at that time. However, Members can probably remember that following the implementation of the accountability system in 2002, there occurred the "penny stocks incident". In this case, the then Secretary for Financial Services and the Treasury Frederick MA had to bow in public apology. He did not shift the political responsibility to the civil servants under him. A Member has also mentioned that after the SARS outbreak in 2003, Mr YEOH Eng-kiong resigned as Secretary for Health, Welfare and Food.

All the Secretaries of Department, Bureau Directors and other politically appointed officials must hold themselves accountable to the Legislative Council on the one hand and face the mass media and the public on the other. Whenever any political incidents occur in society, the transparency of the system and the accountability it requires will be very evident.

As for the division of labour among the Chief Executive, politically appointed officials and the civil service team, I must say that I cannot agree to Mr WONG Yuk-man's description of the accountability system as "a total collapse". This is not the case in reality. The expression "a total collapse" reminds me of a very crucial battle we have been fighting recently — the "Fight Against Pandemic". Members can all see that the whole team, led by the Secretary for Food and Health and comprising the Under Secretary for Food and Health and related public health officials, has been making painstaking efforts to combat the pandemic. The Secretary for Food and Health and the Under Secretary for Food and Health have been explaining the latest situation to the public through the mass media on a regular, or even daily, basis. This can help enhance people's understanding of the situation and foster their confidence. We are one whole team. No Bureau Director or Under Secretary needs to fight a lone battle. All Policy Bureaux take part in the fight. For example, the Education Bureau is



responsible for deciding whether class suspension is required under certain circumstances and encouraging parents, teachers and students to take precaution against the pandemic. The Commerce and Economic Development Bureau, on the other hand, is responsible for liaising with the hotel and tourism industries. In brief, our "teamwork" is very evident in this battle.

Another example I wish to discuss is the creation of employment opportunities. For more than half a year, all the relevant Policy Bureaux and government departments have been making strenuous efforts in this regard. Members can observe that in the case of infrastructure projects, the launching of the 10 major infrastructure projects and other projects has yielded very obvious results in creating employment opportunities (This is something that needs no further elaboration, I must say). But the efforts of other Policy Bureaux must not be overlooked. In the case of my Bureau, the Constitutional and Mainland Affairs Bureau, though its establishment is comparatively small, its efforts to promote Hong Kong's participation in the World Expo Shanghai 2010 and the establishment of four assistance centres for ethnic minorities have succeeded in creating some 100 posts. All this can show that after implementing the accountability system for seven years, the governing team has gradually developed with the spirit of "teamwork" being brought into play better and better.

Regarding the tasks and responsibilities pertaining to the post of Chief Executive, there are clear provisions under Article 48 of the Basic Law. And, the duties of principal officials and their deputies as well as the duties of civil servants are all set out clearly in the report published in October 2007.

Under the existing system, Secretaries of Department, Bureau Directors, Under Secretaries and Political Assistants will all serve a term of five years. There are roughly 40 posts to support the work of one Chief Executive for one term. This team will serve a term of five years, after which some team members may leave or stay behind. There will be changes to a politically appointed team after every Chief Executive Election. But all Permanent Secretaries and the 160 000 civil servants will remain in their posts and continue to serve the public regardless of the above changes. This will pave the way for the implementation of universal suffrage for the selection of the Chief Executive in the future.

I also wish to respond briefly to the amendment put forward by Ms Miriam LAU. First, created in 2007, these two tiers of politically appointed posts were

truly meant to pave the way for selecting the Chief Executive by universal suffrage, and the overall direction is in line with Ms Miriam LAU's amendment. Second, regarding the formulation of a "political parties law", I have already mentioned that all political parties and groupings do have some reservations about the idea. Third, under the existing political appointment system, politically appointed officials will shoulder the political responsibility arising from all political issues. The system is now firmly established. As for the respective roles of the Chief Executive, principal officials and civil servants and also the division of labour among them, I have already given a brief explanation. Therefore, it is my intention to listen to the views of Members on this topic before giving any further reply.

Thank you, Deputy President.

**MR LEE CHEUK-YAN** (in Cantonese): Deputy President, I am horrified by the Secretary's attempt to rationalize the accountability system for principal officials (the accountability system) by talking about the case of human swine influenza. I am also fed up with his boast about the "teamwork" of accountability officials.

The fundamental problem currently faced by Hong Kong is not so much about the quality of the accountability team. Rather, the problem lies with the very nature of the accountability system itself. Members may take a look at this sculpture, a gift given to the Legislative Council by Jens GALSCHOT, which is called "Fragments of a Democracy Story". All is very simple indeed. In a word, the existing political system of Hong Kong is twisted. It is just like this sculpture, which depicts a torn and twisted face. Basically, the political system of Hong Kong is also torn and twisted. It is simply pointless to talk about political accountability under such a torn and twisted political system.

Frankly speaking, the Secretary is not qualified to speak on accountability. Was he elected to office? He was not elected to office, so how can he be qualified to talk about accountability? To whom is he accountable? He is accountable to Donald TSANG because it was Donald TSANG who appointed him as Secretary for Constitutional and Mainland Affairs. And, to whom is Donald TSANG accountable? Donald TSANG is accountable to 800 people only. Who are these 800 people? They belong to a very small inner circle. This is what the accountability system in Hong Kong is like.

Who says that the Government's accountability system is meant to make its officials accountable to the public? They have just been trying to rationalize the whole thing. They claim that they are subject to accountability. But the Government has never been qualified to talk about accountability. For one thing, they are not returned by universal suffrage. Besides, they never have any genuine intention of holding themselves accountable to the public. They have turned the accountability system into something very simple: whenever anything happens, someone is ordered to tender an apology. As a result, it is only a system of political apologies. Apology is taken to mean the same as accountability.

Members have done some simple counting. Of all the former Bureau Directors and accountability officials who stepped down in the past, who really admitted that they had committed blunders? YEOH Eng-kiong was the only one. He was the only one who so admitted. All the rest did not. Mrs Regina IP likewise did not admit that her resignation was caused by any blunders of hers. She explained that she had resigned for personal reasons. Actually, it may be a good idea for her to explain whether she thinks she should resign to show responsibility for her errors.

There is actually no such thing as political accountability under the present system. Appointed officials will only tender their apologies whenever they should be held responsible for something wrong. At the most, they will only bow in apology. This is the system of political accountability they have been talking about. What is the present system really like? It is just like a system of political vassals. Posts are assigned to those who obey instructions. It is just like a system of political vassals. At the very beginning, there was just one tier, the tier of Bureau Directors. But now, there are also the tiers of Under Secretaries and Political Assistants. In this way, there are more benefits for those trusted by the Chief Executive.

A moment later, the Secretary will certainly assert that political talents can be nurtured under the system. His assertion is nothing but pure nonsense. He has explained that political talents can be nurtured, and a Chief Executive in the future will thus be able to form a team to draft his political platform. But it must be pointed out that the Chief Executive cannot represent any political parties. The whole political system is so morbid that any person elected as Chief Executive will only assign his apologists to different posts to form his own team. Maybe, they just hope that such a system of political handouts and vassals can

simply perpetuate itself. This time around, Donald TSANG may assign all the posts to a batch of apologists. Next time, the posts may still be filled by these apologists because Donald TSANG will stand for re-election. Such is the wishful thinking of the Administration, and in this way, the political system of Hong Kong will remain very much a vassal system.

I believe that if universal suffrage is implemented, things will be entirely different. With genuine universal suffrage, candidates will be nominated by political parties. Political vassals and those who have received political handouts from Donald TSANG should be excluded from the competition. Incidentally, I frankly think that they may not stand any chance of election anyway. The authorities have indeed kept all these people for a long time and given many benefits to them, but will they really be capable of contesting an election when genuine universal suffrage is implemented? Members may try to find out the answer when the time comes. But if genuine universal suffrage is not implemented, there will be nothing to find out. The system of political vassals will simply continue. Therefore, if full universal suffrage is not implemented in Hong Kong, it will be pointless to talk about political accountability because what we have will just be a system of political handouts.

Incidentally, speaking of political accountability, I must say that the Secretary should be the first one to assume political responsibility. I always say that the Secretary is the idlest of all Bureau Directors. He does not have much to do. Just now, he once again talked about the interpretation of the Basic Law by the National People's Congress (NPC). He said that discussions on the electoral arrangements in 2012 would begin on the basis of the NPC's decision. Every time, after the NPC's interpretation of the Basic Law, he will follow the decision. Last time, when the NPC ruled out the implementation of universal suffrage in 2007 and 2008, the Secretary also followed the decision. In brief, whenever he should start working, the NPC will interpret the Basic Law again, and he can immediately stop working. He can always "have a good time".

This has been the case all the time. If anyone is to be held politically responsible, he should be the first one on the list. If we are talking about settling old scores, I must settle old scores with him first. For how many times has he deceived Hong Kong people? Years ago, he said that he would launch consultation on the implementation of universal suffrage in 2007 and 2008, but the NPC subsequently gave an interpretation of the Basic Law, so he could withhold the consultation exercise. Then, he announced that he would launch consultation on the implementation of universal suffrage in 2012. But as a result

of the NPC's interpretation of the Basic Law again, no more consultation is required. This has been the case all the time.

How can we hold the Secretary accountable? Has he ever held himself accountable to the public? As I have mentioned, some other accountability officials do at times apologize to the public. But he is far worse than them. He has never given any apology. Every time, he just uses Grandpa as an excuse. He will always claim that he is not to blame because Grandpa wants to give an interpretation of the Basic Law. He will explain that for this reason, he does not need to do anything, that he is not to blame because Grandpa wants to give an interpretation of the Basic Law. Rather than doing anything, the Secretary has been hiding behind Grandpa, and he does not even need to tender any apology. In that case, what is the point of talking about political accountability? How can Hong Kong's political system make any progress? He has been the Secretary for Constitutional and Mainland Affairs for so many years, but has our political system made any progress? He has mentioned that the number of District Council seats has been increased from 400 to 405. Well, this is the only progress, I am afraid. Has there been any reduction of appointed District Council membership? He has even failed to do a satisfactory job in this respect, so how can there be any progress at all?

Therefore, Deputy President, I must say that basically .....

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

**MR LEE CHEUK-YAN** (in Cantonese): I see. I do not intend to say anything more anyway.

**MRS REGINA IP** (in Cantonese): Deputy President, originally, I do not intend to say too much about myself today, but as Deputy President and Mr LEE have such high expectations of me and want me to explain a little about myself, I will do so later; nevertheless, it is absolutely not my wish to steal the limelight.

Regarding the accountability system, I have strong views on it too because it has aroused much controversy ever since its launch in 2002. I hold that the accountability system ties in with the new constitutional arrangement under the

Basic Law because, as Members are also aware, under the colonial regime before the reunification, the Governor of Hong Kong was appointed by the Queen without election or consultation and the officials taking up the ministerial posts were just civil servants. Talents within the Government came from a single source. And the culture and the appointment system were closed. Such a system simply cannot cope with the needs of modern society, especially when our society becomes increasingly democratic. The Basic Law already gives us the opportunity to elect the Chief Executive, only that fellow colleagues have differences over the pace of implementation (and I also hope that it can come sooner); and all Members of the Legislative Council will ultimately be returned by election. Under the new constitutional arrangement, future government leaders should be political appointees with political experience and this, I think, is necessary.

Given that the Directors of Bureau have to be politically appointed, a team of political appointees was therefore introduced in 2002. This is reasonable. If Members make reference to the political systems of the United Kingdom and the United States, we will find that not all political appointees are elected by the people. As the United Kingdom adopts a parliamentary system, all ministers are Members of the Parliament, and in fact, a combined system of the executive and the legislature has many advantages. Most of the political appointees of the United States government, however, are not publicly elected. For instance, the former Secretary of State Condoleezza RICE was the vice principal of a prestigious school, and many former Treasury Secretaries were Wall Street tycoons. They are accountable to the public through the President of the United States and their mandate also comes from the election of the President by universal suffrage.

The first major problem of the accountability system, according to my own painful experience, is that it is wrongly named. The name itself misleads many people to think that the biggest difference between an accountability official and a civil servant is that the former can be dismissed. As a result, when problems occur, these accountability officials will be subject to scathing calls for their stepping down. Of course, the politically appointed officials are held responsible for their own political blunders. This is unquestionable. For example, we learnt from the news last night that the British Home Secretary had to resign for her personal scandal. But accountability should not be the only element of the political appointment system. The system itself should have its goal or value, and even other advantages.

I believe the political appointees ..... Of course, I can only speak for myself, and I cannot speak for the former or incumbent politically appointed officials. In my case, I resigned in 2003 truly because of personal reasons. I started looking for universities in 2002 and was admitted by a university in March 2003 and I started expressing my wish of resignation to Mr TUNG. In June 2003 I tendered my written resignation, which took place before the march. It is thus genuine that I resigned for personal reasons. However, putting aside the personal reasons, as a political appointee and an intellectual of integrity and honour, if my policy or my practice is such a failure that I have angered so many people and led to serious consequences, I absolutely would not remain in office and I would not hesitate to step down. Members of the public can see that since I left the Government in 2003, other than pursuing studies for personal enhancement at my own expenses, I did not take up any post in or earn a penny from the business sector, nor did I fawn on the SAR Government for a position. I earn the opportunity to serve the public again through direction elections.

A wrong name aside, I hold that the implementation of the accountability system has other problems. The first problem, as pointed out by many Members, is the ambiguous demarcation of powers and responsibilities among the accountability officials, who include Directors of Bureau, Under Secretaries and Political Assistants, and civil servants. Under Secretaries and Political Assistants, being so highly paid, should add values to the Government. If they want to be accepted by the taxpayers, they should let us see that they have added values to the Government. However, this is hardly the case. To date, many Members will agree that there is only one Under Secretary who has performed his duties satisfactorily, and he is the Under Secretary for Food and Health Mr Gabriel Matthew LEUNG. Many Members have mentioned him. Being a professional, a medical staff and a professor with medical expertise, he has tackled the swine flu problems very capably. Apart from him, we cannot find any Under Secretary who is truly professional and has shown us that he or she has added values to the Government. Even for those coming from political parties, none has gone through election or held an elected seat. Nor can they show that their political experience and political wisdom have made any contribution or brought any added-value. In terms of response and policy implementation, they are incomparable to the senior Administrative Officers. Indeed, all these make it very difficult to convince the public that they deserve such high remunerations. Moreover, during the implementation of the accountability system, there have been many negative rumours about the expansion of this system such as black box operation, small clique, and "stable" arrangements, which have dealt a blow

to the acceptability of the system. This also warrants the Government's attention when it implements the accountability system.

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

**MR LEUNG YIU-CHUNG** (in Cantonese): Deputy President, I have carefully listened to your speech just now and I concur with you particularly on the point that the resignation of some accountability officials in the past cannot reflect the very nature of the accountability system. I cannot agree with you more on this point.

However, I have some reservations about a remark you made in the beginning. You said that the accountability system is accepted by the public. I do not know on what basis you made this remark. As a matter of fact, in the past seven years, I could not see any sign of public acceptance towards this system. On the contrary, criticism and rebuke have abounded and never ceased. I could not see any public acceptance of the accountability system.

Although Secretary Stephen LAM said just now that in the battle against the swine flu, we seem to have won the battle. But I wonder if Secretary LAM has honestly reflected on himself that in this battle, the accountability officials have only claimed the credits in front of the cameras and the media and it is the civil servants who have actually worked at the front line. Particularly, those civil servants working as Liaison Officers in District Offices are in the worst situation, for they do not know any medical knowledge but they still have to go to the battlefield. Fortunately, they did not die there. But this is only pure luck because they have never been trained and were forced to go to the battlefield. Who are they? They are the civil servants, not the accountability officials you mentioned.

So please do not brag about how good these accountability officials are and trample on the civil servants. In fact, in this regard, the civil servants fare no worse than other people. Under such circumstances, they still courageously performed their duties.

Returning to the accountability system, I believe Members know the history of how the system came about. In fact, it did not come into existence for the sake of accountability. It was introduced during those years when TUNG



Chee-hwa was in discord with the Civil Service and he could not find his cronies. He was left with no choice but implement the accountability system. The Deputy President was right just now in saying that TUNG Chee-hwa felt isolated at that time, and thus he took forward the accountability system to use his cronies to maintain his governing authority.

Unfortunately, problems arose right from the debut of the accountability system. As the sayings go, "one can only get tung oil out of a tung oil container" and "foul grass grows out of a foul ditch". This system is fundamentally flawed. TUNG Chee-hwa was not returned by election in the first place, then how could these officials appointed by him be credible? How could they be accountable to the public? This is simply unfeasible.

Members have cited some examples just now. And some even said that Dr YEOH Eng-kiong is a good example because Dr YEOH emphasized that he assumed the responsibility for his failure to perform his duties. Unfortunately, Deputy President, TUNG Chee-hwa had asked him to stay but in vain. Hence, he left not because of the mechanism of accountability. No, this is not the case. He left as a matter of personal integrity, not because of the system itself. I cannot see how this accountability system can make the officials accountable to the public.

In truth, we do not have any accountability system. Has such a system ever existed? I remember this Council has debated whether we can request a certain official to step down or resign if a motion of no confidence is passed against him in this Council. But the answer is no. Why? Because the accountability officials are only accountable to the Chief Executive who decides whether they should leave or stay. Then, to whom is the Chief Executive accountable? Members know only too well that, to date, the Chief Executive is only accountable to a clique of 800 people. Hence, there is simply no accountability in the entire system. It is only so named.

Mrs Regina IP said just now that the system is given a wrong name. I do not think so. I think the name precisely seeks to mislead people and the public, making them think that this is a system of accountability but in truth it is not.

Mr LEE Cheuk-yan has clearly made this point just now. If the system renders true accountability, why has Secretary Stephen LAM not resigned? He is so incompetent in his post and has turned the political reform into a mess. Why has he not resigned and be accountable? Apart from Secretary Stephen

LAM, there is also Secretary Dr York CHOW. With so many medical blunders occurred, why has he not resigned to assume the responsibility? With such incidents happened one after another and so many problems found with food and vegetables, why has he not resigned? He can still sit here solemnly, taking no notice of us, or simply refusing to answer our questions. Should this be the performance expected of an accountability official? Is he accountable for the incidents?

We cannot see any accountability under the system, but we do see the true side of the story. As Mr LEE Cheuk-yan said, apart from misleading the public and the people, the accountability system is nothing but a pie-sharing exercise to recruit one's cronies to form a different type of gangs and cliques to consolidate one's governing authority. Taking the appointment of TSANG Tak-sing as an example, it is obviously politically incorrect. But for the sake of pie-sharing and strengthening Donald TSANG's position, he was appointed as a Director of Bureau. Similar situations happen all the time. As to the ability and commitment of these officials, there is no way for us to know.

Two years ago the Government actually committed the same mistake again and expanded the appointment system. The situation now is out of hand because the Government has time and again expanded this undesirable system.

Although a Member just now commended an Under Secretary for his outstanding performance, his co-called outstanding performance is actually not that outstanding, and this is what everyone is doing. The authorities said that the creation of these posts is to train talents, but how? Some of them still retain their original positions, and they are just suspended from duty without pay. So would the authorities please do not wishfully think that they are training talents. They are wasting their efforts.*(The buzzer sounded)*

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

**DR RAYMOND HO** (in Cantonese): Deputy President, when the Government first introduced the accountability system for principal officials (the accountability system) in 2002, it mainly sought to improve its governance through the system. Under this system, principal officials can focus on their political role and take on political responsibilities, while the Civil Service can concentrate on policy execution and implementation.

To this end, the Chief Executive must maintain strong leadership so as to lead principal officials to excel in their areas, and work interactively with them to form an outstanding governing team. And principal officials of different policy portfolios must enhance government efficiency and standards through co-ordination and co-operation in their work.

After seven years in operation, we can see that the introduction of the accountability system is fine in principle, but its execution warrants our discussion. To begin with, the powers and responsibilities of each accountability official must be clearly defined, but the present team of accountability officials still needs to improve in this regard. Secondly, accountability officials should work closely to complement each other and give play to their team spirit. However, we often notice that they do not co-ordinate with each other in their work and tend to work separately on their own. Thirdly, the powers and responsibilities between accountability officials and the Civil Service should also be clearly defined. The Government, however, has failed to do so when taking forward the accountability system. By introducing the posts of Under Secretaries and Political Assistants, it has further complicated the problem, which does not do any good to the co-operation between the accountability officials and the civil servants.

The executive-legislature relationship will not be improved by the accountability system either. The Government always claims itself to be executive-led. It thus has not seriously treated the Legislative Council as an equal partner. This attitude is particularly obvious when the Government enjoys high popularity or its governance is strong. However, the Government often implements unpopular policies without keeping tabs on public sentiments, thus triggering public grievances and arousing extensive opposition in society in the end. Facing public backlash, the Government has no choice but to quickly revise its original policy, which has ultimately tarnished its reputation. Certainly, its vacillating policies also play a part in exacerbating the conflict between the executive and the legislature.

Last year, the Government politically appointed the first batch of Under Secretaries and Political Assistants. The approach it took is problematic. The entire selection and employment process obviously lacked transparency. From the selection requirements to the terms of employment, all gave the public an impression of ambiguity. At that time, I commented on this phenomenon in this Council and said that the Government only had itself to blame, which is a rather

harsh comment. Originally, it is beyond reproach for the Government to strengthen the existing accountability system and increase manpower, but its tactless approach has regrettably cast a dark shadow on the entire system and rendered the 17 newly appointed accountability officials unable to bring their roles and function into full play while providing only very little room for them to gain public acceptance.

Deputy President, the implementation of the accountability system warrants our support. Unfortunately, the Government has failed to achieve the desired results in execution. Hence, the Government must promptly conduct a review and address the problems mentioned above and to facilitate the smoother operation of the accountability system and enhance the Government's standard of governance.

Thank you, Deputy President.

**MR FREDERICK FUNG** (in Cantonese): Deputy President, talking about the accountability system, I believe Members in this Council know that I am a "good friend" of this system. Since 1997, the Hong Kong Association for Democracy and People's Livelihood (ADPL) and I have promoted the accountability system or what we call the ministerial system or ministerial-like system. Then, Chief Executive TUNG Chee-hwa proposed this system for debate in this Council. All along, I have never change my attitude and I always emphasize that I support this system.

Certainly, there are problems with this system which requires improvements in many areas. This is incontestable and improvement is a must. I have raised the same question in a number of debates. That is, if we do not implement the ministerial system, ministerial-like system or the existing accountability system for principal officials, what system should we implement? Should we still follow the system of Administrative Officers (AOs) to govern Hong Kong as that adopted during the British rule? Or should we take the third option and implement a new system? If no one proposes a third option, does it mean that we have to adopt the system of AOs during the British rule, if we do not opt for the ministerial system, ministerial-like system or the accountability system for principal officials?

I believe Members also know that the AO system centres the entire governance on the AOs from the start till the end. This includes opinion

collection, consultation, policy-making, policy execution and review. The AO is the alpha and omega in decision making. And the appointment of AOs was the sole responsibility of the then Governor. The appointment process is confidential. Even if the appointment system is open, it is only a promotion system of the Civil Service and is by no means democratic or accountable in nature. Regarding the dismissal of AOs, unless they break the law or violate the civil service code, there is no way to dismiss them. Today, history tells us that however severe we have criticized an AO for his blunder, such as what happened in the substandard piling incident, he can still remain in office as a Secretary of Department. Hence, if the powers are in the hands of one person and the appointment is made by one person behind closed door, I think the system of AOs governing Hong Kong cannot and should not be applied to the SAR Government after the handover in 1997. This is the reason why I cannot accept the system of AOs governing Hong Kong and I hold that it should be replaced by another system. And the ministerial system, ministerial-like system or the accountability system for principal officials is another acceptable option to us.

Time has changed. After 1997, the Chief Executive was returned by a small coterie. Whether this coterie is made up of 800 people, 400 people or 1 600 people in the future as proposed, this system is different from the one in the past whereby the Governors of Hong Kong were appointed by the British Government because the appointee is, after all, returned by election. We can see that in the 1997 election, the candidates, including TUNG Chee-hwa, YANG Ti-liang and Peter WOO, had different platforms. Or from another perspective, even TUNG Chee-hwa who has stepped down and Donald TSANG who became the Chief Executive after him have different platforms. If we continue to adopt the system of AOs governing Hong Kong, I believe Members still remember the laughing stock about Michael SUEN. Before 1997, he was Secretary for Constitutional Affairs, assisting the then Governor Chris PATTEN to promote the abolition of appointment system of the District Board and lobbying around for our support of the abolition. After 1997, he was also the Secretary for Constitutional Affairs but was entrusted by Mr TUNG to reinstate the appointment system. He had to lobby again for our support of the appointment system. While he had talked about all the shortcomings of the appointment system in the past, he subsequently had to extol the merits of the system. A system of AOs governing Hong Kong will make such a joke.

So, if we are determined not to adopt the AO system, what system can we adopt? Members may provide their input, but I hold that the ministerial system

is one option. Why do I say so? Because in democratic or autocratic countries, the so-called ministerial system is a system for governing a country or society. It can be related to democracy because it concerns accountability. However, it can also be completely unrelated to democracy because it is about proper management of the government structure. We do need such a system from both angles of management of structure and management of people. Certainly, this system has its inadequacy in terms of accountability under a democratic system, which is why I said the existing accountability system for principal officials needs to be reformed to the extent that it is in line with the democratic system that democratic countries are generally moving towards.

Hence, after the handover in 1997, the ADPL and I specially sought a meeting with the former Chief Executive TUNG Chee-hwa to express our view of implementing the ministerial system. But he did not agree with us at the time. Not until 2002 did Mr TUNG propose the accountability system for principal officials. We in the ADPL have supported it all along. The main reasons of our support are that, first of all, no matter whether these principal officials are elected by small circle or universal suffrage in the future, the powers and responsibilities of the Directors of Bureau are clearly defined. Secondly, as the powers and responsibilities are clearly defined, whenever problems occur, or whenever problems occur in policy making and execution, the relevant Director of Bureau will clearly know that he has to assume responsibility. Either he is forced to step down or he just apologizes without stepping down, he will know that he has to assume responsibility. He can refuse to step down if he is shameless enough, but he cannot dodge public criticisms and he has to bear the consequences for implementing the policy concerned.

The present accountability system for principal officials has at least four shortcomings. I hope the Secretary can overcome these shortcomings in this period of time. First, I still hold that there are grey areas in the powers and responsibilities between the Directors of Bureau and some Administrative Officers, particularly the Principal Permanent Secretaries. They explain policies and make remarks individually; and they make district visits in the capacity of civil servants instead of Directors of Bureau or Under Secretaries. Secondly, once problems occur, the Legislative Council has no part to play in impeachment or appointment. This, I think, must be improved. Thirdly, all along the appointment system is not related to the people because the Chief Executive is not returned by universal suffrage and the biggest power rests with the Election Committee. This is inadequate.

When I voted for the accountability system back then, I brought a few points to the attention of the Secretary. First, be open; second, be introspective; and third, conduct reviews to constantly improve the system.

The biggest difference between WONG Yuk-man's view and mine is that he does not think the accountability system should precede universal suffrage, while I think that we should make the preparations, so that when the Chief Executive is returned by universal suffrage, we do not need to spend another three or five years on discussing the ministerial system. As long as we immediately tackle the problems now and refine the system accordingly, we will have a better system in place when universal suffrage is realized. *(The buzzer sounded)* ..... Thank you, Deputy President.

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

**MR CHEUNG KWOK-CHE** (in Cantonese): Deputy President, the Government implemented the accountability system for principal officials in 2002, but to date, we are still unclear about to whom these officials are accountable and how they are held accountable. Indeed, since the debut of the accountability system, there have been cases of a Secretary of Department and Directors of Bureau yielding to public pressure and resigning for their blunders. But their appointment was a black box operation in the first place because their appointment was decided by the Chief Executive who was not returned by universal suffrage. When accountability officials made mistakes, there is no mechanism in place to determine their punishment because they are not civil servants. To date, this problem still exists. And then, out of the blue, the posts of Under Secretary and Political Assistant were created in the name of nurturing political talents. Their powers and responsibilities, however, are undefined and the public know little about them. It is not easy for the public to tell their names. As such, how could the public know what they have to do or what they have done? The plain fact before us is that this political system is not worthy of the name of accountability system for principal officials which, in essence, should be accountable to the public. Only when the Chief Executive is returned by universal suffrage will the Chief Executive and his team be formally accountable to their voters and the people.

Given that the present remunerations of the accountability officials are so high and the public are ignorant of their duties, no wonder the public are generally discontented with them, considering that they are unworthy of their remunerations. Chief Executive Donald TSANG undertook earlier that he would have a salary cut. Accountability officials such as Directors of Bureau now receive \$298,000 per month, while Under Secretaries now receive \$209,000 to \$224,000 per month. Judging from their performance, it is only right that they should have a salary cut. Moreover, a bloated structure will inevitably give rise to overlapping roles. From the earlier incident of chartered flight to Thailand to fly stranded Hongkongers home, we can see that the powers and responsibilities of the Civil Service, the accountability Directors of Bureau and Under Secretaries are confusing. In the absence of a certain Director of Bureau, should decision be made by the Under Secretary or by the acting Director of Bureau after listening to the advice of the Permanent Secretary? The Chief Secretary for Administration said after the incident that this was a collective decision. In fact, collective decision is just the opposite of accountability of principal officials. Accountability of principal officials precludes collective responsibility. If collective responsibility prevails, it is not right to make only one principal official accountable. I hold that there should be a transparent selection and employment system which is subject to monitoring by society as a whole. Only by so doing can the accountability system for principal officials win public acceptance.

Deputy President, today's motion also mentioned political parties law. Due to insufficient public discussion on political parties law, the community has no specific idea on the mode and scope of legislation. But I believe the general public do expect that political parties are honest about their revenues and donations. Hence, their sources of revenues and donations have to be made very clear. Political parties in Hong Kong are now registered under the Companies Ordinance or the Societies Ordinance. So, political parties now exist in the form of a company or a society in law. This is not conducive to the development of political parties. Political parties represent a group of people with common beliefs and they gain support from voters who share such beliefs. That is why political parties can represent public views. Compared with political parties overseas, the political parties in Hong Kong are still young and small in scale with limited resources. It is thus very difficult for political parties to nurture political talents. Coupled with the fact that the Government and society have not provided any development opportunity for political talents, party politics has thus become unattractive. To enhance the development of political parties, the setting of certain standards which are conducive to their development should be



encouraged. However, no matter what regulation or ordinance is formulated in the end, a political parties law should not become a means to suppress other political views.

Deputy President, I so submit.

**MR ALBERT HO** (in Cantonese): Deputy President, Secretary Stephen LAM just now said that there were many similarities between the existing accountability system and western democratic countries. Then Mr Frederick FUNG talked about how the existing accountability system for principal officials (the accountability system) could be improved to become a ministerial system with democratic elements, or something to that effect. I consider their points of view ridiculous and nothing short of twisting the truth. Why do I say so? What is it really like to compare the two systems, that is the Hong Kong-styled accountability system and the democratic ministerial system? It is like comparing two things with different genes or different DNA. They are things of different species. So could you improve one to become another? Could you improve a cat to become a dog? Could you improve a snake to become a human being? Of course not, and why? It is because they are different in the most basic thing. And what is this most basic thing? It is the source of power.

A democratic system derives its power from a system of general election, from the populace. How does the existing accountability system derive its power? It comes from one person, Donald TSANG; or maybe there is a second governing team behind him, or maybe it is ultimately the Beijing authorities. No matter what it is, what we see basically is that its power does not come from the people. So how can you put these two things together? It is like comparing the sky with the earth, a comparison of two totally different things. Should such a comparison stand, it would be just a joke, a political joke. Secretary Stephen LAM, those words from you just beg the question as to how well you fare as a Bureau Director. This is my first point.

Second, if we reflect on the development and background of the accountability system, the truth is that the whole system is simply about usurping power. Powers are taken from the hands of the civil servants and put under the grasp of the Chief Executive. A system which started from power usurpation and ended with power concentration. As the team of accountability officials is accountable to the Chief Executive alone, what responsibilities could they honestly own? Which Bureau Director could well and truly be accountable to

the people because the power of his appointment rests with the people? Could the system as epitomized by the appointment and dismissal of the accountability officials bear witness to the fact that their powers are derived from the people?

Deputy President, the whole setup of the accountability system really hinges on power. Someone has used his power to allocate positions in the Government. Be it a haphazard deployment of personnel or an instance of attaching a dog's tail to sable, the home truth is that accountability officials are here just because they want a job, a place in this governing team. But how many of these accountability officials have long-term commitment and how many share the same vision? I honestly do not know. I am honestly clueless even up to this moment.

Honourable colleagues have mentioned that some accountability officials chose to retain their previous jobs and have the pay suspended after joining the Government. Could we take this as a sign of commitment? How many will eventually leave the team, how many will stay for good and how many will turn to politics? This is the second test. How many will rise up to the challenge? How many will carefully reflect on cardinal issues of right and wrong or fundamental policies and then work together through a gearing-in process to form a political team sharing the same commitment, core values and overall policy objectives? It is only natural for a governing team that has neither commitment nor co-ordination to end up like this. Of course, I have said time and again that the incumbent Bureau Directors and Under Secretaries are no average persons. They definitely have expertise and ability. But under the present setup, they could not demonstrate their political prowess. Under the present setup, they are merely regarded as a member of an unholy alliance as a result of they being allocated with positions by certain powers.

Frederick FUNG just now asked whether the Civil Service was a better system. Of course the Civil Service has its flaws because civil servants are not held accountable. These Bureau Directors and Under Secretaries at least do not have the protection of an impregnable cocoon as civil servants. Deputy President, the present system has no doubt removed the protection of permanent appointment as enjoyed by civil servants for these officials, but has it created other problems? When you give your support for this system, have you considered the undesirable consequences that come with such a misuse of power? Would it give rise to more collusion between the Government and businesses,

more transfer of benefits and even more control by the Central Authorities on Hong Kong's governing team? Have you thought about all these? If you have not, your thinking is very immature and you are voting for something without reason. I think this is all a bit .....

(Mr Frederick FUNG indicated his wish to make clarification)

**DEPUTY PRESIDENT** (in Cantonese): Mr Frederick FUNG, do you wish to clarify what you have said or seek clarification from Mr Albert HO?

**MR FREDERICK FUNG** (in Cantonese): I want to seek clarification from Mr Albert HO.

**DEPUTY PRESIDENT** (in Cantonese): Mr Albert HO, do you wish to clarify?

**MR ALBERT HO** (in Cantonese): I could clarify.

**MR FREDERICK FUNG** (in Cantonese): How does he know I have not thought about these things? How can he bash on me like that?

**DEPUTY PRESIDENT** (in Cantonese): Mr Albert HO, please clarify.

**MR ALBERT HO** (in Cantonese): Deputy President, I deduce all these from the logic of his speech. He has not thought about these things because there are really no answers.

Deputy President, if the whole political team is formed on the basis of democratic beliefs, it should be appointed and obtain a mandate through a democratic procedure. Members of the team would have to go through various tests of the democratic process before they realize the importance of being humble to listen and gauge public opinion so that they can make good political judgment and reconcile different interests. Throughout the process, it would be

most important for them to constantly review their ideals, aspirations and policy objectives to see whether they have been achieved and sustained. On the other hand, they would have to maintain their solidarity and keep on pursuing their common goals.

To put it simply, we support Mr WONG Yuk-man's motion. Point (a), which calls for the implementation of dual universal suffrage for the Legislative Council and the Chief Executive elections, is most important. The Secretary said we have had doubts about the political parties law. He is right because we have yet to have dual universal suffrage. We support WONG Yuk-man because there is point (a) in the motion and hence, it is alright for us to support a political parties law. If there is the foundation of party politics, we would support a political parties law. It is the right thing to do. Under a democratic system, we can delineate the responsibilities of different parties and naturally, an impeachment mechanism will be put in place. Thank you.

**MISS TANYA CHAN** (in Cantonese): Deputy President, I have organized a seminar on care and management of trees last month. One of the guests said, "If a tree is not planted properly in the first instance, a lot more resources would have to be spent to fix the problems later on. And there might be cases where nothing could be done at all." Come to think of it, is that not the same case with our accountability system for principal officials (the accountability system)?

Almost seven years ago, TUNG Chee-hwa's administration rolled out the accountability system which had resulted in structural and fundamental changes to the governance of Hong Kong. In principle, Hong Kong's governing team should steer towards assuming political responsibilities so that it can cope with the pace of democratization of our political system. It is just as indisputable as the greening of Hong Kong. But Mr TUNG's move was like planting a wrong tree in the wrong place and then failing to manage it properly afterwards.

The inherent flaw with the accountability system is that accountability is pledged to the wrong subject. Under the present system, the principal officials are nominated by the Chief Executive for appointment by the Central Government and they are accountable to the Chief Executive. Under such a system, what is the role of the Hong Kong people? What is the role of the Legislative Council which is the people's representative? This is not the kind of political accountability system with which we are familiar.

If our Chief Executive is returned by "one person, one vote", the officials' accountability to the Chief Executive would be seen as a form of accountability to the people. If the Chief Executive is partial to and try to cover up for any accountability officials who are incompetent, he will no doubt be severely punished by the electors in the next election. But sadly, our Chief Executive is returned by small-circle election. He cannot represent the public at all. He is at best a representative of those who have voted for him in the small circle, but he can never represent the people of Hong Kong. Hence, the accountability system implemented without the foundation of universal suffrage is intrinsically flawed.

Deputy President, while it is a fact that the accountability system is flawed intrinsically, how can we rectify the situation? As the accountability system has been implemented for only seven years, which is a relatively short period of time, the Government might have been able to make amends. But unfortunately, the Government has used the wrong medicine and missed the opportunity to rectify the accountability system. Instead, more problems have been created that put the system under further criticisms.

I said the Government has used the wrong medicine because by expanding the accountability system, it can neither rationalize Hong Kong's political system nor groom political talents. Instead, it has led to the problems of unclear division of labour and ill-defined powers and responsibilities between accountability officials and senior civil servants. Moreover, the expanded accountability system has sent a bad or even wrong signal to the young people in Hong Kong. Let me first talk about grooming political talents which is the wishful thinking of the Government. The latest batch of accountability officials, or political appointees, does not seem to have any real aspiration to develop a career in politics. Some of them are not active in political circles and none of them has stated any intention to run for elections in future or to proceed further politically. It remains a big question now that the Government has spent tens of millions of dollars on grooming these new political stars, but how many will ultimately come forward to reach the public through the baptism of direct elections? Is this really the proper and effective way to groom political talents?

Furthermore, starting from the time when the Government's proposal to expand the accountability system was first considered, we have repeatedly expressed the very real concern about possible conflicts between the accountability officials appointed under the expanded accountability system and the civil servants. Do the Permanent Secretaries have to follow orders from the Under Secretaries or the Political Assistants? What is the division of labour

between the Political Assistants and the Administrative Assistants of the Directors of Bureau? All these remain unresolved issues. Then how can we have any confidence in the system?

More importantly, the expanded accountability system has only served to demonstrate to the young people that a so-called political career has nothing to do with running for elections, understanding public sentiments, building up solid foundation through hard work or gaining public support by fighting for the people. The most important thing is to "take the right side" or establish the right links, and one could then become a Political Assistant and surely get a monthly paycheck of more than one hundred thousand dollars. Of course, I am not saying that they are all like this but it would induce the young people to think that way. With the existence of this door, this back door, how can we educate our young people that entering politics requires vision, mission, commitment and principles? If we allow this to continue, I do not think it is beneficial to our political development in the long term.

I know many young people aspire to pursue a career in politics. While they might not have any background or connection, they have their beliefs and principles and they have the strength and the will to go on. By expanding the accountability system under which the appointees are selected through nepotism and not meritocracy, how can we convince these young people that the whole system is just and fair? How can we entice more young people to enter into politics? If we allow this to continue, we will end up with a big succession problem.

If the Government continues to allow the accountability system to go the wrong way, it will no doubt end up like what I said earlier about planting a wrong tree in a wrong place and then neglecting it afterwards. As the tree continues to grow, it will exert excessive pressure on the ground and the roots will eventually burst out. Finally, just as what we have witnessed recently about trees that have not been managed and maintained properly, the tree will fall and innocent people might get hurt. As we are discussing the accountability system, it is a subject that is closely related to the people's livelihood. By having these discussions, the system could develop and evolve.

Deputy President, as the saying goes, "it is better late than never". If the accountability system is to function properly, the Government must expeditiously implement dual universal suffrage, enhance the acceptability of the accountability

officials and actively assist the development of political parties. Moreover, candidates affiliated with political parties should be allowed to become the Chief Executive. The Government should also review the effectiveness of the expanded accountability system. It is only by achieving all these that Hong Kong's democratic system could continue to grow strongly and even come to fruition.

I so submit. Thank you, Deputy President.

**MS EMILY LAU** (in Cantonese): Deputy President, I speak in support of the original motion proposed by Mr WONG Yuk-man and I oppose the amendment proposed by your goodself.

Many discussions have been held in this Chamber about the accountability system. But, Deputy President, I have to protest once again on this occasion and restate my request to amend the Rules of Procedure. It is just ridiculous that the mover of a motion should have less speaking time than the responsible Secretary. As there is one proposed amendment to his motion, Mr WONG can speak for an additional five minutes. But the Secretary's speech just now lasted for more than 17 to 18 minutes. Wow, it is just absurd. I think it is no good. Why do we not have rules to limit the speaking time of government officials? Moreover, most of what the Secretary has said is nonsense. But we have to sit here and just listen. Deputy President, I am so infuriated that I am trembling in rage. So I must say to the Secretary, please speak to the point from now on.

Deputy President, why do I support the original motion proposed by Mr WONG Yuk-man? As the Chairman of the Democratic Party has said just now, our primary concern is to have universal suffrage in Hong Kong, that is to have dual universal suffrage for the Legislative Council and the Chief Executive elections in 2012. This is a very important demand. It is only 2009 now and we must strive for its implementation fervently. These accountability officials and the Chief Executive basically have not performed their duties. As indicated in various public opinion surveys, universal suffrage is what the people desire most. On this account alone, the Secretary should have been held accountable and resigned. While universal suffrage is something so dear to the Hong Kong people, how dare you tell the Central Authorities that it does not matter and can be postponed again and again? It is very important for Hong Kong to have

universal suffrage, and just as important are the rules and regulations under a proper political parties law.

Deputy President, you have just mentioned that tax deductions should be allowed for political donations. The intention is to promote the development of political parties through various arrangements. But all have been rejected by Secretary Stephen LAM and his colleagues. Then, what did he say? Deputy President, he said the Government would recruit all elites and talents in the ranks of the so-called "Political Assistants" and "Deputy Directors of Bureau". Is it really conducive to promoting the development of political parties? I think what he is saying is really absurd.

The crux of the question is that we long for direct elections. We also hope that the society and especially, the young people can see for themselves that a career in politics does have a future. If these young people choose to join a political party and if they have the ability, they could eventually have the power to govern through elections. I think by making the proposals in his motion, Mr WONG Yuk-man is pointing a way forward in this direction. Of course, we also need to establish an impeachment mechanism so that those with under-par performance would face impeachment and even dismissal.

Deputy President, you have said something very important just now to which I agree, and that is, the Legislative Council is very powerful. If anyone disagrees, we can give it a try. If we propose a no-confidence motion against Secretary Stephen LAM in the Legislative Council in two weeks' time, it will be very shocking indeed. It is particularly more so because the people would understand that if the no-confidence motion is passed, the relevant official should leave his office. Therefore, if your suggestion is about establishing more transparent mechanisms, I have no problem with that.

But, Deputy President, why do I oppose your proposed amendment? You started your speech by saying that in 2002, TUNG Chee-hwa introduced the accountability system in response to the demand from society. I have looked all over the society and I can see no other demands from the society except the call for universal suffrage. But you have twisted it altogether, just as the Pillar of Shame, and yet, you said it was a response to the demand from society. And now, we are stuck with a nondescript accountability system. Have you got something wrong? You even said the system was well supported by the public. I really have no idea what you were referring to when you mentioned support



from the public. Does the public support someone using a name card as proof of salary? I honestly fail to comprehend the thinking and logic of the Liberal Party. You mentioned that the system was endorsed by the Legislative Council. But, Deputy President, you should be fair in your remarks. While it is true that the system was passed by the Legislative Council, it was carried with a large number of negative votes. Those who voted against the proposal received 60% of the votes in the direct elections but they only got 23 seats in the Legislative Council. What does it say about our political system? It is truly a twisted political system. Otherwise, why does Mr Jens GALSCHOT give us this sculpture? The whole thing has been twisted and the Liberal Party is perpetuating the wrongdoing.

Deputy President, the Secretary has mentioned that the present arrangement is working well because if an official is absent, there will be someone to take his place. Just now, we witnessed the performance of K C CHAN standing in for John TSANG. When we asked about the appointment of the new Chief Executive of the Hong Kong Monetary Authority, K C CHAN dared not say one word. When Members asked whether the three-member selection team was appointed at the end of last year, he dared not answer even this little question. Is that what the Secretary meant by an arrangement that is "working well"?

Wow, that is surely working well for those officials who get paid for two to three hundred thousand dollars a month to just come here and sit for a while saying nothing at all. And you, Deputy President, were saying that the people were very satisfied. Wow, have you got something wrong? Deputy President, I have to say that you Members of the "royalist" parties or the pro-communist alliance are always giving a big helping hand to the Government under the pretext of mild condemnation. Well, what you said was correct. It was in fact the Finance Committee of the Legislative Council which had approved the funding request. But had it not been you who were helping the Government with your small criticisms, and if you could block the Government's way then, things would not have ended up like this.

Getting to the bottom of things, a genuine political appointment system must be established on the basis of elections. The political party which wins in the election would have the power to govern. The most senior party members would become secretaries and those less experienced would become under secretaries. Appointments are made according to a hierarchy. This is the experience in overseas countries. But Secretary Stephen LAM has once again

twisted the political systems overseas. Which overseas countries have a system like ours? First, our Chief Executive is not returned by direct election. Second, there is no ruling party in the legislature. The accountability officials are appointed at the pleasure of the Chief Executive himself. The Chief Executive can choose whoever he likes or simply because someone is loyal or pro-Beijing. There are all sorts of reasons he can make his picks.

There is one more thing, Deputy President. Do you know that sometimes when the Under Secretaries or Political Assistants meet with us, they would bring along their Administrative Officers (AOs)? It would be the AOs who answer our questions at the meeting. Why is that so? It is because the Under Secretaries and Political Assistants are not familiar with their own policy portfolios. Under the circumstances, how could the AOs not feel aggrieved? The salary of these accountability officials is so much higher than the AOs and yet they do not know how to answer our questions. They are really clueless as to what the questions are all about. What good such a system has for the Legislative Council and society?

Hence, I agree with the proposals made by Mr WONG Yuk-man. The system should be reviewed and ultimately, abolished. Mr WONG is being lenient by simply asking for its review. The system should be abolished and then there must be a fundamental reform. Universal suffrage must be implemented in the first instance so that Hong Kong would be governed by a ruling party in the legislature. The Chief Executive could also come from political parties. It is the only way to respond to the aspirations of the people. Deputy President, I do not know why Mr WONG is being so moderate by simply asking for a "review". Even though his request is moderate, I will support him.

**MS CYD HO** (in Cantonese): Deputy President, today's motion is actually an extension of our last Budget debate where we discussed the proposals to delete funding provisions for the salaries of the Bureau Directors as well as the expenditure of various Policy Bureaux. Both the society and the Legislative Council realize that a huge problem exists but the matter has yet to be resolved. Why is that so? It is because our political system is twisted. Just like the sculpture that Mr Jens GALSCHOT presented to us, it is a fragment of democracy. Only half of the Members of this Council are returned by universal suffrage and hence, it is fragmented and incomplete.

Deputy President, the Secretary said just now that the accountability system was an arrangement to prepare for the election of the Chief Executive by universal suffrage so that when the time came for the election of the Chief Executive by universal suffrage after these two terms, the candidates would be able to form their own teams to help draw up their policy platforms and run the election campaign. But since the implementation of the so-called accountability system, the talents groomed through the political appointments are all for political parties favoured by Beijing. These talents are neither groomed for the people of Hong Kong nor for the democratization process. Why do I say so? Deputy President, I have statistics to back up my observation. In the last Legislative Council election held in 2008, the result in the geographical constituency of Hong Kong Island was the least satisfactory. The out-and-out pro-democrats, including myself of Civic Act-up, the Democratic Party, the Civic Party and the League of Social Democrats, only got 54% of the votes. These four candidate lists only managed to get 54% of the votes, compared to 64% in Kowloon West, 56% in Kowloon East, 61% in New Territories East and 61% in New Territories West.

But when we look at the incumbent Directors and Deputy Directors of Bureau who are appointed politically, none of them is from pro-democratic parties which received 60% of the votes from the electors. Deputy President, there is none. Of the incumbent Secretaries and Under Secretaries, who have political affiliations? Under Secretary Gregory SO, that is the one who likes to give out name cards, belongs to the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB). Mr Jeremy YOUNG, Political Assistant to the Secretary for Education, has some association with the Liberal Party. Mr Raymond CHEUNG, Political Assistant to the Secretary for Development, also belongs to the DAB. Mr Caspar TSUI, Political Assistant to the Secretary for Home Affairs, is also a member of the DAB. How come no political appointee is from those parties which received 60% of the votes from the electors? Why does the Government spend public funds on grooming talents for political parties favoured by Beijing while those parties which represent the majority of people in Hong Kong are excluded? Maybe the Secretary will tell us later that Miss Tanya CHAN has been appointed as a director to the Board of the Urban Renewal Authority. But why has the Government not tried to appoint Miss CHAN as a Political Assistant or Under Secretary? Why has the Government not considered this option? Deputy President, Hong Kong people will support the implementation of an accountability system and they will support the grooming

of political talents. But they will never support the use of public funds to groom talents for a handful of political parties favoured by Beijing.

I want to cite another example. With due respect, Mr CHAN Hak-kan is a ready example. He has been appointed to work as an assistant in the Chief Executive's Office for one year and he is a classic example of the revolving door concept often cited by the Government: a young talent could first become a district councillor, then work in the executive authorities and finally take part in direct election to run for a seat in the Legislative Council. But I was wondering why the Government did choose to appoint Mr CHAN as an assistant. Why was that so? There were 400 district councillors. Why only one district councillor belonging to the DAB was appointed and had the opportunity to work in the Chief Executive's Office? It did not matter what kind of work he undertook during that one year.

Deputy President, if we really want to nurture a healthy environment for the development of party politics, we can draw reference from the experience of Germany. After suffering from the terrible tragedy of World War II as a result of the Nazi's one-party dictatorship, Germany has clearly stipulated in its constitution that the country must maintain a multi-party system. Under the government's funding scheme, each political party is not just being given \$10 for each valid vote received in elections. Moreover, there is funding provision for the political parties to establish think tanks and organize different courses to engage the young people so that they could start participating in various social and political activities even when they were students. When they grow up, the young people would have more knowledge to decide for themselves what their political affiliation is. The German Bundestag is also better than ours. It endorses the formation of political factions and allows the co-existence of different political parties. In the Reichstag building, there are four conference rooms, one in each corner of the building, for the use of the major political parties. But, Deputy President, you also know that we have a hard time fighting for the use of rooms 003D, 201 and 218 in this building. We also have many factions in the Legislative Council, altogether there are eight different political parties and groupings and things could get messy. How come only those parties having eight Members, nine Members or three Members could use the meeting rooms? Why can we not allocate the rooms to different factions? Deputy President, I think we need to review the situation. We should start right here in the Legislative Council.

Deputy President, apart from the mysterious circumstances surrounding the appointment of the political appointees, there is also the concern about whether they would work in the business sector after they step down from office. Would their appointment constitute an inducement to transfer of benefits? To date, the rules and regulations governing the accountability officials in this respect are more lenient than those applicable to civil servants. Regarding the latter, a select committee has been formed under the Legislative Council and many questions and dubious circumstances have been uncovered. But under the political appointment system, the relevant rules are even more lenient. Hence, I call on all political parties, including the Liberal Party to which the Deputy President belongs and the DAB, to draw up their own rules in this regard. It is very difficult to demand action from the Government but it will be relatively simple for the parties to formulate their own rules. I want to challenge these parties to face the public and formulate a set of effective rules and regulations to govern their members before they step down from office as accountability officials. Thank you, Deputy President.

**MR PAUL CHAN** (in Cantonese): Deputy President, within the seven years since the implementation of the accountability system for principal officials in 2002, we have had two Chief Executives and three terms of governments. To date, the Government has only published two reports in the initial implementation stages, namely the Report on Implementation of the Accountability System for Principal Officials and the Twelve-month Report on Implementation of the Accountability System for Principal Officials, issued in January and July 2003 respectively. No comprehensive review has been conducted in the ensuing six years. Last year saw the further development of the political appointment system with the creation of two additional tiers of political appointees in the Government. As the accountability system has come so far, I think it is high time for the Government to conduct an overall review on various aspects of the accountability system including whether the intended objectives have been achieved, how effective the system has been working and what is the outcome in terms of ensuring a politically neutral Civil Service. The results of the review should also be made public.

But today, I would like to talk about an important element in the implementation of the accountability system which is post-office employment control of politically appointed officials.

First of all, I want to declare that I am a member of the Committee on Review of Post-service Outside Work for Directorate Civil Servants (Review Committee). However, matters relating to the politically appointed officials are not within the terms of reference of the Review Committee. The Review Committee will publish its report shortly and separately, the Select Committee to Inquire into Matters Relating to the Post-service Work of Mr LEUNG Chin-man formed under the Legislative Council is working in full throttle and will complete its work in the near future. I think by then, matters relating to post-office employment of politically appointed officials will no doubt create a lot of attention both within the community and in the media. I hope the Government could give due regard to this important element in its overall review on the accountability system so that it would not lag behind the times.

Going back to where I left off, within the seven years since the implementation of the accountability system, we have had three governing teams, and 11 principal officials had stepped down from office for various reasons.

Under the Code for Officials under the Political Appointment System, provisions have been made in relation to post-office employment of politically appointed officials. In paragraph 5.15, it says and I quote, "Within one year after stepping down from office, politically appointed officials shall seek the advice of a committee appointed for this purpose by the Chief Executive before commencing any employment, becoming a director or a partner in any business or profession or starting any business or profession on his own account or with others. The proceedings of the committee shall be kept confidential but the advice given shall be made public."

I have visited the website of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials (the Advisory Committee) (formerly known as the Advisory Committee on Post-office Employment for Principal Officials under the Accountability System). The Advisory Committee was established in mid-April 2005 which was more than 18 months after the implementation of the accountability system. By then, three principal officials had already stepped down from office. During its four short years of operation, more than half of the outgoing principal officials intending to take up employment have sought the advice of the Advisory Committee. Some of these cases have aroused grave public concern.

In recent years, a number of cases have happened involving post-service work taken up by directorate civil servants such as the incidents involving Ms

Elaine CHUNG and Mr LEUNG Chin-man. These cases have created many doubts and suspicions in the community and a great deal of concern has been voiced through public opinion. When formulating government policies, the politically appointed officials would come across a lot of official information which is confidential. The sensitive nature of their work is by no means less than that of directorate civil servants. But the existing control arrangements for post-service employment of politically appointed officials are not as rigorous as those for directorate civil servants.

When I checked through relevant papers in the course of the Legislative Council's deliberation on the accountability system, I noticed that some Members had suggested that Hong Kong should follow the British system where the control period for post-service employment of politically appointed officials was two years. But some other Members held that if the requirement was too stringent, it might create difficulties in recruiting the best candidates to be accountability officials. Deputy President, while I have no intention to draw any conclusions at this stage, I think the Government must give due consideration in this regard when reviewing the accountability system.

Deputy President, I so submit.

**MR IP KWOK-HIM** (in Cantonese): Deputy President, the accountability system was first implemented with the objective of enhancing the Government's ability to gauge public sentiments. It also required the principal officials to be directly involved in the formulation of government policies within their portfolios as they would have to assume political responsibility for the success and failure of their policies. Through the accountability system, the Government could implement its policies more effectively, respond to the needs of the community in a timely manner and provide better services to the public.

Since its implementation on 1 July 2002, the accountability system has been generally supported by the people. Public consultations were held in July 2006 to review the accountability system. With the proposed creation of the Under Secretaries and Political Assistants positions through the expanded accountability system in 2007, the Government's objective was still to achieve better people-based governance.

After the reunification, there has been growing demand and expectation from the people on the Government. By implementing the accountability

system, the Government is opening up its governance so that more talents from different sectors can be recruited into the government structure. The accountability system also requires the principal officials to reach out to the people and understand their needs. This can be of great help to the Government in keeping tabs on the pulse of society, understanding community sentiments and responding to the people's demands.

Under the accountability system, the principal officials have to take political responsibilities for government policies. If there is any failure in government policies, the responsible principal officials would have to apologize to the public or even step down from office. This epitomizes the Government's accountability to the citizenry and the community and it has helped enhance public monitoring on government policies.

It is clear that the accountability system is developed as a result of steady progress in our political system and in our society. The implementation of the accountability system and its continuous improvements is a testimony to progress in our political development.

However, we cannot expect the accountability system to be a cure-all fix for each and every problem faced by the Government. In fact, the Government has made mistakes in its policy from time and time since the implementation of the accountability system. Incidents such as the sending of chartered flights to Thailand, the unfortunate death of a young girl caused by a fallen tree as well as various health, medical and drug safety blunders have created a lot of discontent among the people.

But the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) is of the view that we cannot simply dismiss the accountability system on these accounts alone. On the contrary, it is because of the implementation of the accountability system that whenever mistakes are made, government officials would come forth in the first instance to respond to the public's criticisms and to seek improvements immediately. The accountability system has in fact functioned in the way as it is intended to.

Of course, the accountability system would have to be reviewed and improved constantly. We also hope that there is more solidarity between the accountability officials and various government departments and that they could work with good team spirit and clear delineation of their respective roles and responsibilities.



It is the ultimate goal for Hong Kong's constitutional development to implement dual universal suffrage in accordance with the provisions of the Basic Law and the decisions made by the Standing Committee of the National People's Congress. The DAB is of the view that the development of a democratic political system requires support on various fronts. The accountability system is an arrangement conducive to achieving dual universal suffrage. On the one hand, it could enable future candidates running for the election of the Chief Executive to form their election teams. Having received the people's mandate, the Chief Executive-elect could then select the right people to form his own governing team. On the other hand, the accountability system has opened up the channels and scope for talents in the community to enter into politics and hence, help groom future political talents for society. These all have a positive impact on promoting the healthy development of our constitutional system.

While Hong Kong has yet to have dual universal suffrage, it does not mean that Hong Kong has no democracy, and it does not mean that Hong Kong should stop implementing new systems that are conducive to democratic development. The accountability system is a system conducive to enhancing our democracy. The DAB does not agree that we should dismiss all arrangements that are conducive to the development of a democratic constitutional system simply because Hong Kong has yet to implement dual universal suffrage.

As regards the relationship between political parties and the accountability system, political parties are an integral part of modern politics. In order to ensure the healthy development of our constitutional system, we must have full-fledged and stable political parties in Hong Kong to co-ordinate and represent various interests in the community and to continuously take us forward. But the development of political parties is only at an initial stage in Hong Kong. As regards the way forward for promoting their development, the DAB considers that instead of imposing more restrictions, more room should be allowed for the political parties to go about their own way. Hence, the DAB does not think it is the right time to embark on any major legal reform in this respect.

Deputy President, it has only been seven years since the implementation of the accountability system and the expanded system has only been put in place for one year. The DAB considers that while it is important to have higher demand and expectation on the Government and the accountability system, it is equally important to create a better environment for the implementation of the

accountability system to ensure its healthy development for promoting democratization in Hong Kong.

Deputy President, I so submit.

**DR PRISCILLA LEUNG** (in Cantonese): Deputy President, when the Budget was discussed in this Council, Members have expressed their views on this subject. I would also like to express my opinion. I would not look at the accountability system from the perspective of whether or not it is usurpation of power or a process from power usurpation to power centralization, but would rather review from an institutional angle the present problem arising from the system.

(THE PRESIDENT resumed the Chair)

First of all, I think the direction of the accountability system in itself is correct. In my opinion, the implementation of the accountability system is not an attempt to seize power from the civil servants. I think it is not the right angle to adopt in discussing the issue.

The accountability system can be better implemented. When it was first launched, the public hoped that, by bringing in more experts and talents, these officials, especially in the fields to which they belong, can really lead and control civil servants in the relevant departments, so that government policies could be delivered more efficiently and meet the expectation of the public. The accountability system, since it was launched in 2002, has attracted plenty of criticisms so far. I think it was mainly due to the problems in the implementation of the system, which can be summed up in several points.

In regard to the appointment of accountability officials, especially that of Political Assistants, I think their salary is indeed too high. In identifying Secretaries and Under Secretaries, there was a mismatch of talents. In the process of appointing these talents to the posts of Secretary, Under Secretary and Political Assistant, transparency was lacking. Owing to these three points, a lot of problems have resulted in the accountability system. I think the Government should reflect thoroughly on how to make improvement in implementing the accountability system and enhance its effectiveness.

Some people suggest abolishing the existing accountability system outright and revert to the original system. I think this pendulum effect is unhealthy for the community, and the public will be at a loss. To the general public, the systems implemented by the Government are always very abstract. If we are to expend so much effort to revert to the original system, swinging from one side to another all the time, they will be all the more confused.

I think since the existing system has been in place for seven years, the Government should do a better job in appointing the next batch of officials, so as to cast its net wider in recruiting capable persons and enhance transparency in the employment process. I believe there are a lot of talents in this community suitable for the relevant posts. As they are willing to make commitments, the Government should therefore widen and deepen its spectrum in attracting talents.

While maintaining that there is a rather serious problem in the implementation of the accountability system, I believe that improvement can be made in this respect. Unlike the United States or the United Kingdom, though we do not have full universal suffrage system, I still think we should make reference to the system of the United States as they have the courage to recruit professionals in certain fields to work in the government. We still have a long way to go before we can have constitutional reforms and dual elections by universal suffrage. In the process, we must accept a gradual approach for implementing reforms, and we may have to improve step by step and bit by bit the present accountability system.

Most importantly, the accountability system should not give people the impression of political "pie-sharing", or else even those people who are indifferent to politics would feel unconvinced. I think the Government should indeed make improvement in this regard. As regards the political parties law mentioned in the original motion, I am open-minded to that. As a matter of fact, in 2005 and 2006, when the direction of our constitutional reform was discussed by the Committee on Governance and Political Development of the Commission on Strategic Development, it was suggested that the Government should consider enacting a political parties law in Hong Kong to clarify issues relating to the regulation of political parties and room for development, or even to provide them with healthy directions and resources and allow more young political talents to join the Government by way of participating in political activities.

As such, in regard to today's motion, I think many suggestions in the original motion warrant our serious consideration, however, I do not agree to the

wording of the comments on the accountability system in it. I will only support the amendment of Ms Miriam LAU. Thank you, President.

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

**MR LEUNG KWOK-HUNG** (in Cantonese): President, many Members gave their views on Mr WONG Yuk-man's motion. Firstly, under the present political situation, accountability is not evenly shared out among the pro-government parties. Today, the amendment proposed by Ms Miriam LAU to Mr WONG Yuk-man's motion shows one thing. President, you had a famous saying to describe the relationship between your political party and TUNG Chee-hwa, that is "getting a share of shame but no glory". Today, it is the situation faced by Ms Miriam LAU. Her political party was dismembered into pieces by the Liaison Office of the Central People's Government, and yet she has to stand up and give her support. It is indeed a shame. In fact, it should have been the DAB or other pro-government parties to propose the amendment. However, it is not the case; instead of the Federation of Trade Unions, the Liberal Party has to do the job. How pathetic it is! We can see that under this political situation where appointment is made by favouritism and based primarily on blood relations (politically speaking), this could only be the case.

Secondly, this is like the story about a scholar who wrote three pages about buying a donkey without even mentioning the donkey. A scholar wanted to buy a donkey, but he did not get to the point after writing three pages. This is exactly the situation today. Mr WONG Yuk-man concisely pointed out that the accountability system should be truly a system of accountability, and that without genuine universal suffrage, there can only be fake accountability. What he has to answer is whether there can still be true accountability without genuine universal suffrage. Dr Priscilla LEUNG spoke a lot just now, but is she in support of dual universal suffrage? Does she want to have dual universal suffrage in 2012? If not, what she said would be only empty talk.

Those in the DAB said that as the situation in Hong Kong is yet to be well developed, therefore they will support anything that will do good to the development of democracy. It is right in saying so because it supports anything that is favourable to the Democratic Alliance for Betterment of Hong Kong .....

**MR WONG YUK-MAN** (in Cantonese): The Democratic Alliance for the Betterment and Progress of Hong Kong.

**MR LEUNG KWOK-HUNG** (in Cantonese): I am sorry, buddy, it should be Democratic Alliance for the Betterment and Progress of Hong Kong. What good does it do to them? It supplies talents to take up the posts of Under Secretary and Political Assistant, therefore it will support anything that is favourable to the DAB. What has it to do with democracy? We have to be careful with the terms used. As the saying goes, foul grass grows out of a foul ditch. What we are talking about now is rubber stamp politics. Honestly, on this issue, we can only describe it as brazen, or shameless.

**MR WONG YUK-MAN** (in Cantonese): ..... it is unparliamentary.

**MR LEUNG KWOK-HUNG** (in Cantonese): Really? Well, let me use some parliamentary language. Like what Chairman HU has taught us, we should exercise power in the interest of the people, share the feelings of the people. To put it simply, what is the principle of the accountability system? Let us look at the present system. After being recommended by the Chief Executive, officials under the accountability system have to be appointed by the Central Government. In other words, the appointment of these officials has to be confirmed by the Central Government ..... I do not need such confirmation. After I have been elected, whether it likes it or not, it has to admit the fact. Therefore, the whole procedure of control is clear and we know to whom they are accountable. Although we are not happy with the performance of Stephen LAM, criticizing him of being useless, wicked or whatever, there is nothing to be done. As TUNG Chee-hwa was so dumb as to let him remain in office, and Donald TSANG is still keeping him in his team, we are not in a position to say anything. His appointment needs no approval of this Council, nor is there check and balance like that exercised by the Senate under the presidential system of government, and we cannot impeach him. If you say that such a system is helpful, I think you are really sick and need medication.

Today is the eve of 4 June. I recall that at that time, the students in Beijing put up seven demands in their dialogues with the Central Government. In fact, they were the same as what we are asking for today, such as fairness, open dialogue, freedom of speech, political reform, and so on. It is as simple as that. Today, all Members of this Council can voice out their views, including

the pro-government parties and those like me who wants to make criticisms can also do so. However, the students in Beijing only put forward these seven demands, and they were shot and suppressed by DENG Xiaoping and the old communist buffers. Today, we have a platform here where we can express our views freely, but if we still cannot learn from the bloody lesson after 20 years and still take the side of the evil-doer, oppressing reforms which should have been implemented and the needs of our people, are we not eating blood-drenched buns?

Some people say that the killing in the 4 June incident was right as it brought about today's economic prosperity. For the same reason, the Japanese invasion was also a good deed. If it did not invade China, how could it be defeated by us and be taken over by the United States? If it was not taken over by the United States, how would it become a subordinate of the United States and have access to so many markets? Without these markets, Japan would not have been so prosperous. Based on this logic, we should welcome the invasion of Japan. It defeated China in 1895. After winning the Japan-Russia War, it went on to invade China. No wonder Chairman MAO had thanked the Japanese for their invasion. These are all rubbish, President, that is why I feel so absurd.

Now that we can hold discussion openly, fairly and freely, but we are still talking nonsense, telling lies and bullshit, that is why I cannot help saying a few words here. I hope Members understand that freedom is not easy to come by. I also hope that Members will remember the blood shed by the martyrs on 4 June and cherish the memory of them tomorrow night as our contribution to the country.

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

**MR CHIM PUI-CHUNG** (in Cantonese): President, we are talking about a comprehensive review in today's motion. There should be nothing wrong. We can conduct a review at any time. As to whether or not it should be a comprehensive one, it is another question. The SAR Government, as a government, should review its policies from time to time. The problem only arises from the term "accountability system".

As we all know, before the reunification, Hong Kong was a British colony with its own system. All affairs in Hong Kong were governed by rules set down by the British Government. The British Government appointed a Governor to

implement policies in Hong Kong, and he was monitored by a minister of the foreign office in Britain. It has been 12 years since the reunification, and the accountability system was launched seven years ago. Was the accountability system introduced out of a good intention? President, in my personal opinion, I think it is well-intentioned. It is because accountability officials have to be accountable for everything. They have the duties and responsibilities for doing so. For this reason, theoretically speaking, the term "accountability system" is good. Feeling honoured and having made this undertaking, these officials, on accepting their appointment, will naturally be accountable to the entire community, to the Central Government, and indirectly to the whole nation. This idea and thinking is absolutely right.

The problem is whether or not we can thoroughly implement the system to make it truly accountable. With the high salary and great powers, if these accountability officials are doing a good job, they would be supported by the public, trusted by the Chinese Government and recognized by the world, and would even win the support of various political parties in the Legislative Council. This is a good thing. However, if they are doing a bad job, and as we can see, there have been Secretaries of Department and Directors of Bureau taking the blame for the mistake they made and resigning or stepping down under this system. Why would we say that the system is no good?

As such, unlike the official system in the British colonial era, the accountability system is similar to the system of China in the past, whereby the officials adopted the attitude of muddling along, for they get the same pay irrespective of how much work they do. However, President, while our system is called the accountability system, there is no accountability in substance. It applies to many officials or even our Chief Executive. The Chief Executive said he would "get the job done" when running for office. As the Chief Executive himself is mindful of getting the job done, the Secretaries of Department and Bureau Directors will therefore be more mindful of that. Fearing that they cannot get the job done, they just dare not say anything. Unlike the Chief Executive who is accountable only to the Central Government, the Secretaries of Department and Bureau Directors are appointed by the Chief Executive. As such, they would just keep quiet and dare not say anything. This has been their mentality since the colonial era, and has all along been criticized by the public.

For this reason, I have been saying in this Council that the Chief Executive has to lead Secretaries of Department and Directors of Bureau to be accountable to the people's government, to the people of Hong Kong and to all the facts.

They should have a sense of responsibility, mission and glory in order to be accountability officials in the SAR Government. They must not work only for salaries, and if they work purely for high salaries, they had better serve in the private sector or even start their own business in order to earn more money. In the private sector, they do not need to possess any political sensibility and they can earn their living with their own ability. Besides, accountability officials are always the target of criticism by Members and the media.

President, this is not an easy job, and Members are difficult to deal with. Some Members are very critical and despise people to whom they do not take a liking. In fact, before criticizing others, I think he had better reflect on himself first. As such, I think legislators should respect each other. As a matter of fact, President, I once criticized you for tolerating the attitudes of some pan-democrats. I was angry because what they did was unacceptable. If you put up with them one more time, I will show intolerance on your behalf. If my criticism has been too severe or strict, President, I am sorry. My position is, as a responsible official of the SAR Government, accountability means courage. He cannot yield to powers or unruly legislators.

President, the successful implementation of the accountability system would be a blessing to the people of Hong Kong. We understand that Hong Kong is not independent but a special administrative region of China. I strongly believe that Hong Kong is the only place in the world where the people can criticize blatantly their own country in their territory. Let us wait and see how the situation will become in future. I wish to take this opportunity to advise the people of Hong Kong to stand fast at their posts and do their part properly. China will always be improving and the future will be better.

If this Council keeps on tolerating these outrageous behaviours of unruly legislators, the public will have to bear the consequence in future. The Chinese Government will be courageous enough to lead the people in China and Hong Kong to move forward. In the future, China will absolutely have the power to shoulder all the responsibilities. Nevertheless, such reactionary activities — this is the term I use and I will be responsible for my remarks — should not be tolerated in one's own territory. We should bear in mind that we cannot always oppose our own country. Legislators of the Hong Kong SAR are duty-bound and obliged to assist the SAR Government. The Government should rectify its mistake made and be responsible to the people for any inadequacy. However, we should assist the SAR Government in its accountability to the Central Government and the whole nation. We should make criticism when it errs.



But irrational abuses will only be a drain on our strength. President, it is what we should not permit. I hope we should act more sensibly and sort out the problem by discussion.

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

**MR PAUL TSE** (in Cantonese): President, as the subject of the motion is "Comprehensive review of the accountability system", I wish to discuss it with a more ..... perhaps in a manner not as vehement as Mr CHIM Pui-chung was. However, I want to find out the legal basis of the entire accountability system or the so-called ministerial system (whatever it is called).

According to our Basic Law — it is of primary importance — Article 11 stipulates that the systems and policies practised in the Hong Kong Special Administrative Region, including the executive, legislative and judicial systems, and the relevant policies, shall be based on the provisions of the Basic Law. We all understand this very clearly and without any doubt. However, in Article 48, in relation to the powers and functions of the Chief Executive, paragraph (5) mentions his power in appointing principal officials, including Secretaries and Deputy Secretaries of Departments, Directors of Bureaux and so on. But strangely, there is no mention of the so-called ministerial system or accountability system, and no reference is made to its detailed powers and functions, as well as the relation between them.

Then, I have some doubts, whether it is ..... perhaps I am new to this Council, I do not have a very clear picture of the past events. However, when I put the question to some veteran colleagues, they also felt that the legal basis of the accountability system was established on somewhat ambiguous grounds and the whole system had not really been challenged or carefully dealt with by the Administration. I have three questions to put to my veteran colleagues or the Secretary who are present. Was the ministerial system or collective accountability system ever mentioned in the course of consultation on or formulation of the Basic Law? If not, why do we have such a system?

Secondly, in regard to our civil service system, the Basic Law spares no trouble in stating clearly in several provisions to provide safeguards, including Article 100 which stipulates the retention of the civil service, Article 101 which allows foreign nationals to serve as public servants in government departments at

all levels — with the exception of certain posts. Also, all the benefits enjoyed by public servants shall be maintained, including the management system, benefits and relevant mechanism. As such, if we have ever contemplated establishing an accountability system and a ministerial system, such issues should have been mentioned. Why are they not mentioned? The transformation of the original civil service system into a ministerial system may have many merits, as some Members of the democratic camp even consider it more democratic and a system which can better meet the need for social development. Yet, disregarding whether it is more democratic or better, it must meet the most fundamental requirement, that is, it must be in line with the constitutional system in Hong Kong. In this respect, have we conducted any review seriously? Is the legal basis of our accountability system adequate enough to ensure that we will not meet any challenge in future? As we all know, problems do arise from time to time. Although it may be rather late to carry out a review, we cannot rule out that one day, someone who is somehow affected may challenge the decisions made under this accountability system. What are we going to do then?

In this regard, I hope the Administration will provide us with an answer when a comprehensive review is conducted. It is of importance especially because before the unification, an issue of utmost concern to Hong Kong people was whether the system of Hong Kong could remain unchanged for 50 years. If, before the unification, the Government announced during the formulation of the Basic Law that it would deviate from its policy by implementing the ministerial or accountability system after 1997 or abolishing the civil service system, I believe that the exodus back then would have been much more serious than what we saw before 1997.

I believe that there are certain reasons and grounds for retaining the civil service system. No matter how democratic or correct the ministerial system or accountability system is, it may not have adequate legal basis in the context of the Basic Law. I wish to reiterate that when conducting a comprehensive review in future, the Administration should put in great efforts in this area, in order to avoid reaching a point where it can no longer extricate itself from problems. Thank you, President.

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

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): Mr WONG Yuk-man, you may now speak on Ms Miriam LAU's amendment. You may speak up to five minutes.

**MR WONG YUK-MAN** (in Cantonese): In my memory, since day one of this Council, after a motion is moved, other Members will propose amendments. However, on this occasion, the number of amendments moved is the least, with only one amendment. Moreover, as far as I remember, no motion has ever been amended to such a great extent. From today's paper, you can see that no other original motion has been revised to such an extent. Why does she not propose a motion of her own? If this cannot be done this time, do it next time! She can simply oppose my motion. What does she mean by doing this? My original motion has entirely lost its spirit after being amended.

I have written an article today. I have put in a lot of efforts, not stirring up troubles for no reason, as Mr CHIM Pui-chung has said. This article is particularly written to explain some fundamental concepts in politics. First, in explaining the ABC in politics, we need to know the meanings of opinions-led politics, rule-of-law politics and accountable governance. I am prepared to have an exchange with our great Secretary for Constitutional and Mainland Affairs, therefore I have given him and also the press a copy of my speech. It can be seen clearly from the title that the crux of my motion is "Without genuine universal suffrage, there can only be fake accountability". You can see that the argument of the article is very clear, representing only the ABC in politics.

Second, it represents my vision of the future of Hong Kong, or the political development of Hong Kong. Ms Emily LAU suggested abolishing the system. If you have read through my article, you will know that I totally object to the accountability system but trying to be kind, I still leave some room for conducting a review. If the Administration is unable to implement genuine universal suffrage, the accountability system should at least be properly implemented but there must still be room for manoeuvre, such as establishing an impeachment mechanism and clearly defining the roles, functions and powers among the Chief Executive, principal officials and civil servants. As a Chinese saying goes, we should recommend the right person no matter he is our relative or enemy. If you think someone is the right person for the job, even though he is your relative or friend, you would recommend him all the same. People should not refrain from recommending a right person on the ground that he is one's own relative or enemy. Even if he is one's enemy, one should still recommend him if he has got

the right calibre. However, in the case of our SAR Government, it is just the contrary. It only recommends relatives but not enemies.

For this reason, the first thing I would like to talk about is the ABC in politics, and how the accountability system should be like. The second thing is to put forward my vision. Yet, Ms Miriam LAU, Chairman of the Liberal Party, almost deleted the whole of my motion by rewriting it and even mentioning the Standing Committee of the National People's Congress (NPCSC). Why does she need to do all this shoe-shining now? Why does she propose in her amendment that we should go in line with the decision of the NPCSC on issues relating to universal suffrage? It is not really an amendment, and I do not know what it is. Therefore, regarding Ms Miriam LAU's amendment, I can only say that I really regret it. We can foresee that her amendment will surely be negated, otherwise, we will certainly break off with these democrats. My original motion will definitely be disposed of by you people.

It does not matter. This is a platform for debate. Members of the Legislative Council representing public opinion will rely on their own knowledge and experience to eloquently state their case through this platform, so as to allow the public to differentiate between the right and the wrong and make a judgment on their own. The problem cannot be solved by speaking indignantly or sending the People's Liberation Army into this Chamber to kill us all. You can do nothing about me.

So, are we really discussing in a rational manner? I am only asking for a rational discussion. If you have read my article, you will know that I am trying to reason with you. I am not here to start a row. Let us just have a discussion. I want very much to have exchanges with the Secretary for Constitutional and Mainland Affairs. Instead of just making his points in a speech, he can write an essay to rebut me. I did not mean to offend the Secretary by not listening to him. It is only that what he said is something that I have heard before. However, you may not have heard what I am saying now. As Ms Emily LAU said, I am trying to be kind, therefore I hope we can have more room and clues for thinking in our discussion on issues relating to the survival and sustainability of Hong Kong.

**PRESIDENT** (in Cantonese): Mr WONG, your speaking time is up.

**SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS** (in Cantonese): President, it is a rather nice experience indeed to participate in motion debates of the Legislative Council, as the quality of Members is really very high. For the last few Members that have spoken, including Mr CHIM Pui-chung and Mr WONG Yuk-man, they spoke eloquently in different styles, quite resembling the two extremes in the political spectrum. However, to those who do not know the political background and actual policies, if they have only listened to any one of those speeches, they would have thought that the arguments are reasonable. Therefore, since I have the honour of being invited by Mr WONG Yuk-man to exchange my views and principles with him, I would like to respond again.

Mr LEUNG Kwok-hung asked whether there can be accountability before the implementation of universal suffrage. The answer is definitely positive. The logic lies in the fact that Hong Kong is a liberal and open society. Although there is no universal suffrage at the present stage, as senior officials of the Government, we have to face the questions from Members, political parties, the media and the public inside and outside the Legislative Council, and have to give accounts on and be responsible for all the decisions made by the Government of the Hong Kong Special Administrative Region (SAR).

Although Mr LEE Cheuk-yan is not in the Chamber at this moment, I still have to give him my compliments. In terms of eloquence, Mr CHEUNG Man-kwong and Mr LEE Cheuk-yan are at the top of the list in this Council. Mr LEE is the master of a skill, namely, the skill of playing with logics. Perhaps he should register and get a copyright for this skill, and take it as a trademark for himself. He asked about the source of power. The source of power of the Chief Executive, the SAR Government, Members of this Council and the judicial authorities of Hong Kong is the Basic Law. As to whom the Chief Executive is responsible and accountable, Article 43 of the Basic Law states very clearly: "The Chief Executive of the Hong Kong Special Administrative Region shall be accountable to the Central People's Government and the Hong Kong Special Administrative Region in accordance with the provisions of this Law." The meaning of "be accountable to ..... and the Hong Kong Special Administrative Region" is that he is responsible to the Hong Kong society and the Hong Kong people.

All Secretaries of Department and Directors of Bureau, being the principal officials, as well as Under Secretaries and related officials in the political ruling

team support that the Chief Executive is responsible to the Hong Kong society and the Hong Kong people. Although we are still not ready to implement universal suffrage today, and we have not yet implemented universal suffrage for the Chief Executive election and the Legislative Council election, there are still very important issues of public concern to be debated, studied and voted in this Council everyday. If the bills, motions and budgets that we submit are not supported by Members, it is difficult for us to proceed any further. Therefore, although there is no universal suffrage yet, we still have co-ordination and checks and balances between the executive and the legislature, together with the checks and balances of the constitutional system.

Many Members have asked: Although there is still no universal suffrage at the present stage, when universal suffrage is implemented in the future, will it turn into party politics? I can surely answer "yes". Party politics has gradually been growing in Hong Kong since the 1980's and the 1990's, and will surely bloom and bear fruits in the future.

The future Chief Executive will actually need a multi-party political alliance to support the SAR Government led by him. In the future, when the Chief Executive returned by universal suffrage has to carry out his election platform, and he will need even more support from Members and different political parties than at present. However, in order to set up such a political alliance, we at least need to have two elements: First, the Secretaries of Department, Directors of Bureau and their deputies in this executive structure need to have certain perspectives and administrative experience. Second, whether it is the Government or Members, if there is coalition government in the future, they need to know how to grasp the public pulse. Hence, on the one hand, they need to have experience in the executive structure, while on the other hand, there needs to be participation of political parties. They need to grasp the pulse of society, the public and different sectors. These are very important.

Members may ask at what stage we actually are. At the present stage, we have to develop the system for the implementation of universal suffrage in the Chief Executive election and the Legislative Council election on the one hand, while having to pave the way for attaining this goal on the other hand. We cannot say that since we have not achieved universal suffrage at the present stage, we will then do nothing. If it is like that, when it comes to the implementation of universal suffrage in the Chief Executive election in 2017, members from

different political parties being recruited may only have council experience and the experience of convening meetings with residents or discussing issues with the business sector, but not the experience of participating in an executive government. This will be a very big vacuum.

I would like to respond to the arguments put forward by other Members. Mr LEUNG Yiu-chung said that in dealing with the human swine influenza incident, the principal official and the Under Secretary concerned should not take the credit. This absolutely did not happen. When I made the remarks to Members earlier, I just hope that Members could understand that politically appointed officials and the professional team of civil servants are co-ordinating with each other. In dealing with this incident, the Secretary and Under Secretary have to give an account to the public and this Council, and maintain public confidence in the handling of this incident by the Government. Medical staff and the related professional departments and other departments, including the Home Affairs Department, of course, have to do their best. The team of civil servants works according to its professional tradition of all these years, and this is demonstrated in the present incident.

Mr Frederick FUNG reiterated why he supported the political appointment system. What I would like to say is that before 1997, we had been under the British rule for over 150 years. It was not until the last 12 years that we began to have election system. However, since the introduction of the election system, there have been changes and reforms in society. The interaction among society, representative assemblies and the Government has changed. Therefore, I agree with the remarks of Mr Frederick FUNG that the mode of "Administrative Officers ruling Hong Kong" is no longer applicable now.

I had been an Administrative Officer before and so, I have experienced this system and understand how it works. The expertise of colleagues from the Administrative Officer grade is that they know how to do research, make recommendations and submit proposals on issues that fall within their policy area. This is policy work. Nevertheless, when it comes to political work, especially when the element of election has already been introduced into the Hong Kong society, our colleagues in the Government need to possess more experience and elements so as to render the administration of the Government more complete. Apart from knowing how to formulate policies, as I said earlier, they also have to know how to keep tabs on the pulse of society.

In promoting the political appointment system, we have retained the most useful element of the civil official system from the colonial era, namely, a professional, permanent and neutral Civil Service. Therefore, in 2002, we set up the system of Permanent Secretaries. While retaining the most useful element of the previous system, we at the same time have also introduced the cabinet system of the political appointment system. This is a bit similar to overseas governments as they also have cabinet system based on political appointments. However, we will not completely follow the system of the United States. When the President of the United States with a tenure of office of four years is elected and assumes office in Washington, a few thousand people will be changed. Under the existing system in Hong Kong, only 40 people at the most will be changed every five years. This is helpful to maintaining stability in the entire executive structure of Hong Kong.

Mr Paul TSE asked: Which articles of the Basic Law have provided the basis for us to implement the political appointment system? He was particularly concerned about Article 100 of the Basic Law. It mainly mentions that we need to maintain the terms of employment of colleagues in the civil service system after 1997. The civil service system is of course very important. It is part of the system that we have to retain. According to Article 48 of the Basic Law, the Chief Executive shall nominate to the Central People's Government for the appointment of Secretaries of Departments, Directors of Bureaux and principal officials by the Central Authorities. According to Article 55 of the Basic Law, Members of the Executive Council of the Hong Kong Special Administrative Region shall be appointed by the Chief Executive from among the principal officials of the executive authorities, members of the Legislative Council and public figures. Therefore, since the introduction of the new system in 2002, the term of office of all Secretaries of Department and Directors of Bureau is five years, as it shall not extend beyond the expiry of the term of office of the Chief Executive who appoints them. This is totally in line with the Basic Law. We have added a new tier of political appointees to the civil official system of Hong Kong before 1997, so as to more properly respond to and handle the task of governance of Hong Kong in this era.

Mr Albert HO asked where the power came from. The power of the Chief Executive comes from the Constitution of the country. The SAR is established under Articles 31 and 62 of the Constitution. Although we have not yet achieved election of the Chief Executive by universal suffrage, the basis of the



constitutional system is clearly laid out in the Basic Law and the Constitution of the country. Even though we have yet to achieve universal suffrage, Mr Albert HO cannot say that when the Government changed the system in 2002, it was "usurping power" from the civil servants. His remarks are colourful but it does not mean that they are in line with the principles of the Constitution. It is because according to Article 48 of the Basic Law, the Chief Executive is responsible to lead the government of the SAR. The Chief Executive is empowered and appointed by the Central Authorities to be responsible for the governance of Hong Kong, and he is also responsible for leading the Civil Service of Hong Kong. Therefore, the constitutional and statutory power exercised by the Civil Service is also derived from the Basic Law .....

(Mr LEUNG Kwok-hung stood up)

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, do you have any questions?

**MR LEUNG KWOK-HUNG** (in Cantonese): For the appointment by the Central Government, the term should not be "委任", but should be "任命" in Chinese.

**PRESIDENT** (in Cantonese): Take your seat. Secretary, please continue.

**SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS** (in Cantonese): "委任" is the term that we commonly use in Hong Kong, while "任命" is the term used in the Basic Law.

Therefore, the saying of "usurping power" has no constitutional basis, but is only a specious argument.

Miss Tanya CHAN asked: When will there be candidates who have run in elections taking up positions of officials under the political appointment system? In regard to candidates who have run in elections, from the election of the Chief Executive for the third term in 2007, we can see that Mr Donald TSANG was the

Chief Secretary for Administration at that time, while Mr Alan LEONG was serving in the Legislative Council. Therefore, it is absolutely possible that some day, officials under the political appointment system may run in the Chief Executive election. I also believe that after some time, other Legislative Council Members may also be interested in running for the Chief Executive in future terms. This system can nurture candidates for election and politicians.

Ms Cyd HO asked: Will the Chief Executive only select members of the pro-establishment camp for making political appointments? In fact, Members can see clearly that in the existing executive structure, there are a few Members of the Executive Council who were members of the pan-democratic camp, including Mr Anthony CHEUNG and Ms Anna WU. Therefore, the structure of the SAR Government is not so monotonous, but consists of people from various backgrounds.

Finally, I would like to respond to the remarks of Ms Emily LAU. Whenever she refuted my arguments, she would say that I should not compare the system of Hong Kong with overseas systems. I hope that Ms Emily LAU will not misunderstand or even distort my remarks. It is because every time when I make such a comparison, I have a premise, and that is, I will certainly state clearly that Hong Kong has not yet achieved universal suffrage at the present stage. In fact, what is the difference between us? You think that political appointment system should be implemented after universal suffrage is achieved. However, we think that it should be implemented before universal suffrage is achieved so as to pave the way for the future. This is our only major difference. Of course, we also have another difference on when there should be universal suffrage and how it should be conducted. These questions can be gradually discussed, with proposals submitted by the Government and put to a vote in the Council in the coming eight and 11 years.

Members can criticize the existing political appointment system, and they can even say that not every person appointed by the Government is that brilliant, or not everyone is so efficient. However, we are not having a discussion on individuals today. We are having a discussion about the system. We think that this system is beneficial to the future political development of Hong Kong in general. We can gradually improve the system. But all in all, I appeal to Members not to support the motion of Mr WONG Yuk-man today. Thank you, President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the amendment, moved by Ms Miriam LAU to Mr WONG Yuk-man's motion, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr WONG Kwok-kin rose to claim a division.

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

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

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

Functional Constituencies:

Ms Miriam LAU, Ms LI Fung-ying, Mr Tommy CHEUNG, Mr Vincent FANG, Mr Paul CHAN, Mr CHAN Kin-por, Mr IP Wai-ming, Dr PAN Pey-chyou and Dr Samson TAM voted for the amendment.

Dr Raymond HO, Mr CHEUNG Man-kwong, Dr Philip WONG, Mr Abraham SHEK and Mr CHEUNG Kwok-che voted against the amendment.

Mrs Sophie LEUNG, Mr WONG Yung-kan, Mr LAU Wong-fat, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Mr CHIM Pui-chung, Dr LAM Tai-fai, Mr IP Kwok-him and Mr Paul TSE abstained.

Geographical Constituencies:

Mr WONG Kwok-hing, Dr Priscilla LEUNG, Mr WONG Kwok-kin and Mrs Regina IP voted for the amendment.

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr LEUNG Yiu-chung, Ms Emily LAU, Mr Andrew CHENG, Mr Frederick FUNG, Mr LEE Wing-tat, Mr LEUNG Kwok-hung, Mr KAM Nai-wai, Ms Cyd HO, Miss Tanya CHAN, Mr WONG Sing-chi and Mr WONG Yuk-man voted against the amendment.

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Mr CHEUNG Hok-ming and Mr CHAN Hak-kan abstained.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 24 were present, nine were in favour of the amendment, five against it and 10 abstained; while among the Members returned by geographical constituencies through direct elections, 24 were present, four were in favour of the amendment, 14 against it and five abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

**PRESIDENT** (in Cantonese): Mr WONG Yuk-man, you may now reply and you have one minute five seconds. This debate will come to a close after Mr WONG Yuk-man has replied.

**MR WONG YUK-MAN** (in Cantonese): President, this Secretary has used more than 10 minutes to speak on this motion at the beginning, and used another 10-odd minutes to reply just now, but I only have one minute five seconds, right? What kind of representative assembly is this, buddy? Besides, he is full of nonsense, right? He swaps the concepts, deliberately misrepresents facts,

confuses the logics, reverses the cause and the result and is full of false reasoning. Faced with such a person, buddy, I only have one minute five seconds to respond to him. I should simply use this one minute to rebuke him severely, right? He was not responding to the substance of my motion, buddy, right?

Alright, let me respond to him and spare me from rebuking him. He said that the Basic Law had provisions on the constitutional system and that the accountability system was not against the Basic Law. I want to highlight one point. The decision of the Standing Committee of the National People's Congress made at the end of December 2007 was that the Chief Executive could be returned by universal suffrage in 2017, but it did not state how universal suffrage should be conducted. According to Article 45 of the Basic Law, there will be election by universal suffrage upon nomination by a broadly representative nominating committee. We think that this can be a fake universal suffrage or may contain a screening process, but this is still unknown yet. That means there is a timetable, but a roadmap is still lacking. Even if there is genuine universal suffrage when the Chief Executive will be returned by universal suffrage in 2017, we still have to wait till 2020 when all Members of the Legislative Council can be returned by universal suffrage. In that case, the credibility of this Chief Executive .....

**PRESIDENT** (in Cantonese): Mr WONG Yuk-man.

**MR WONG YUK-MAN** (in Cantonese): ..... will be stronger than the Legislative Council .....

**PRESIDENT** (in Cantonese): I must order you to stop immediately.

**MR WONG YUK-MAN** (in Cantonese): ..... no need to amend the Basic Law? Is that right? Can he answer this question?

**PRESIDENT** (in Cantonese): Please be seated.

**MR WONG YUK-MAN** (in Cantonese): Is it necessary to amend the Basic Law?

**PRESIDENT** (in Cantonese): Mr WONG Yuk-man.

**MR WONG YUK-MAN** (in Cantonese): Simply judging from this point, we know that he has problems.

**PRESIDENT** (in Cantonese): Please be seated immediately.

**MR WONG YUK-MAN** (in Cantonese): He is just like a fool, right? He really is shameless, just like foul grass growing out of a foul ditch, right?

**PRESIDENT** (in Cantonese): Please be seated immediately.

(Mr WONG Yuk-man sat down)

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mr WONG Yuk-man be passed.

**PRESIDENT** (in Cantonese): Will those in favour please raise their hands.

(Members raised their hands)

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

(Members raised their hands)

Mr WONG Yuk-man rose to claim a division.

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

(While the division bell was ringing, Mr CHIM Pui-chung stood up)

**MR CHIM PUI-CHUNG** (in Cantonese): President, I hope that you can be fairer when presiding at the meetings in future. Otherwise, you need to be responsible for all the consequences.

**MR WONG YUK-MAN** (in Cantonese): The tank is driving in.

**PRESIDENT** (in Cantonese): Mr CHIM Pui-chung, if you have any comments on any of the rulings that I made during the meeting, you are welcome to raise your comments outside this meeting.

**MR CHIM PUI-CHUNG** (in Cantonese): I am putting forward to you now .....

**PRESIDENT** (in Cantonese): A tradition has already been established in this Council. Members please do not challenge any ruling made by me when the meeting is in progress.

**MR CHIM PUI-CHUNG** (in Cantonese): President, I wish to advise other Members to respect each other. Otherwise, Members have to bear all the consequences.

**PRESIDENT** (in Cantonese): Mr CHIM Pui-chung, now is not the time for Members to speak.

**MR CHIM PUI-CHUNG** (in Cantonese): When they can speak, why am I not allowed to speak? If they want to make a mess of it, let us make a mess together.

(While the division bell continued to ring, Mr LEUNG Kwok-hung stood up)

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung.

**MR LEUNG KWOK-HUNG** (in Cantonese): What is meant by bearing their own consequences? Is it just like the consequences borne by Martin LEE?

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, now is not .....

(Mr LEUNG Kwok-hung turned to Mr CHIM Pui-chung and spoke)

**MR LEUNG KWOK-HUNG** (in Cantonese): You had better explain that.

**MR CHIM PUI-CHUNG** (in Cantonese): You can sort it out by yourself.

**MR LEUNG KWOK-HUNG** (in Cantonese): Buddy, that would amount to intimidation.

**MR CHIM PUI-CHUNG** (in Cantonese): Report to the police then.

**MR LEUNG KWOK-HUNG** (in Cantonese): Buddy, I am not afraid of you.

**PRESIDENT** (in Cantonese): Members.

**MR CHIM PUI-CHUNG** (in Cantonese): Go and report to the police.



**MR LEUNG KWOK-HUNG** (in Cantonese): What are you talking about?

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung.

**MR LEUNG KWOK-HUNG** (in Cantonese): What is meant by bearing their own consequences?

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, please be seated.

**MR LEUNG KWOK-HUNG** (in Cantonese): What is meant by bearing their own consequences, buddy?

**MR CHIM PUI-CHUNG** (in Cantonese): Don't you think .....

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, please be seated.

(Mr LEUNG Kwok-hung was still talking to Mr CHIM Pui-chung)

**MR LEUNG KWOK-HUNG** (in Cantonese): Are you going to deal with me in the same way as those who dealt with Martin LEE? You are the one bearing the consequences.

**MR CHIM PUI-CHUNG** (in Cantonese): You yourself .....

**MR LEUNG KWOK-HUNG** (in Cantonese): You bear your own consequences.

**PRESIDENT** (in Cantonese): I now suspend the meeting.

(The division bell had been ringing for less than three minutes)

4.20 pm

Meeting suspended.

4.25 pm

Council then resumed.

**PRESIDENT** (in Cantonese): We now proceed to a division on the motion moved by Mr WONG Yuk-man. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Mr CHEUNG Man-kwong and Mr CHEUNG Kwok-che voted for the motion.

Dr Raymond HO, Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, Mr LAU Wong-fat, Ms Miriam LAU, Mr Abraham SHEK, Mr Tommy CHEUNG, Mr Vincent FANG, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Prof Patrick LAU, Mr Paul CHAN, Mr CHAN Kin-por, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Dr Samson TAM voted against the motion.

Ms LI Fung-ying, Mr CHIM Pui-chung, Dr LAM Tai-fai and Mr Paul TSE abstained.

Geographical Constituencies:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr LEUNG Yiu-chung, Ms Emily LAU, Mr Andrew CHENG, Mr Frederick FUNG, Mr LEE Wing-tat, Mr Alan LEONG, Mr LEUNG Kwok-hung, Mr KAM Nai-wai, Ms Cyd HO, Miss Tanya CHAN, Mr WONG Sing-chi and Mr WONG Yuk-man voted for the motion.

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Mr WONG Kwok-hing, Mr CHEUNG Hok-ming, Mr CHAN Hak-kan, Dr Priscilla LEUNG and Mr WONG Kwok-kin voted against the motion.

Mrs Regina IP abstained.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, two were in favour of the motion, 19 against it and four abstained; while among the Members returned by geographical constituencies through direct elections, 25 were present, 15 were in favour of the motion, eight against it and one abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the motion was negatived.

**PRESIDENT** (in Cantonese): Second motion: Promoting research and development.

Members who wish to speak in the debate on the motion will please press the "Request to speak" button.

I now call upon Dr PAN Pey-chyou to speak and move his motion.

**PROMOTING RESEARCH AND DEVELOPMENT**

**DR PAN PEY-CHYOU** (in Cantonese): President, I move that the motion on promoting research and development (R&D), as printed on the Agenda, be passed.

President, "do not put all the eggs in one basket", so the saying goes, because when the basket breaks, all the eggs in the basket will be broken. Actually, not just eggs but also rice bowls should not be put in one basket because both rice bowls and eggs are fragile objects. When the economy of Hong Kong restructured from manufacturing industries to services industries in the past, much focus has been placed on the key industries of the financial services and the real estate industries, which has given rise to a situation in which "when one prospers, all prosper; when one fails, all fail", resulting in drastic fluctuations in the economy of Hong Kong. The recent financial tsunami has exposed the problems caused by the reliance on a single industry. Concerned about issues of people's livelihood and employment and worried about this phenomenon, the Hong Kong Federation of Trade Union (FTU) has all along been advocating industrial diversification to allow the Hong Kong economy to be driven by multiple industries so that whatever problem a certain industry faces, other industries will be able to provide employment opportunities, thereby maintaining the vitality of the economy.

Incidentally, the Task Force on Economic Challenges has recently proposed that Hong Kong should focus on the development of six industries with good potential, including innovation and technology, medical services, environmental industry, education, testing and certification as well as cultural and creative industries. Upon careful examination of these six industries, we can easily find that in order to enable Hong Kong to give full play to its potential in these six industries and become the bellwether, a solid foundation for R&D is required. Such foundation will enable our enterprises to enjoy edges in related fields and provide goods and services with better quality through transformation and innovation. Only in this way will we be able to avoid being eliminated. Therefore, R&D can be said as the soul of these six major industries.

Hong Kong has all along been a city focusing on business while attaching little importance to scientific research and development. However, "while some people are on their way home after having resigned from their official positions, others are hurrying to the imperial examination centre". As a matter of fact,

R&D is an emerging industry throughout the world and different countries are competing and making great effort to develop it. According to the Organization for Economic Co-operation and Development, its members' expenditure on R&D in 2007 amounted to US\$825.6 billion in terms of purchasing power. Just the United States alone put in about US\$368.8 billion. In the economic bailout package introduced earlier by the United States President, Barack OBAMA, over US\$150 billion was used for scientific research and development. Even though the United States Government is faced with the impact of the financial tsunami, it has not slashed its expenditure on R&D and, on the contrary, it has allocated additional resources in it, all because it attaches great importance to this industry and persists in supporting it. The Mainland has been attaching greater importance to R&D on science and technology in recent years. The same report shows that China's expenditure on R&D amounted to US\$86.8 last year, and as many as 1.22 million researchers were engaged in the relevant work.

Some people may query whether we will risk developing R&D at our own peril as Hong Kong is a small place with a large population where land prices are high and there is a lack of foundation for scientific research and development. Actually, Hong Kong has a lot of edges over the Mainland and other areas. These edges include the following:

First, the legal system: Our legal system, which has a long history, is sound and reliable. Being independent of the executive authorities and the legislature, it is free from intervention. Common law cases have enhanced not only the consistency of judgments but also the efficiency of judicial proceedings. This legal system, which is the most valuable asset of Hong Kong, has provided the necessary legal framework for R&D work.

Secondly, the flow of information: It enables us to obtain free flow of information from different places, keeps us abreast of the latest development in different disciplines and enables our exchanges with members of the industry outside the territory.

Thirdly, the freedom of thought and speech: They safeguard academic development against various unreasonable interventions.

Fourthly, reliable law-enforcement agencies: They protect the legal rights and interests of intellectual property right owners.

Fifthly, the standard of the English language: At present, English is still the main language used in R&D. A great majority of research reports, dissertations and academic discussions are written or conducted in English. Compared with most East Asian places, Hong Kong has a higher standard of English in general.

Sixthly, the standard of universities: In recent years, the quality of local universities has been rising, which has prepared Hong Kong to become a regional centre for higher education. Outstanding universities can attract first-rate scholars, gifted students and funding, creating favourable conditions for R&D.

Seventhly, international perspective: Hong Kong has long been the meeting point of the east and the west. The convergence of different cultures has enabled Hong Kong people in general to possess a broader international perspective and hold an open attitude towards foreign ideas and thoughts, which is highly conducive to creative work. Actually, the people of Hong Kong are nimble and creative, and have long been renowned far and near for their "can do" spirit.

Now, let me talk about the development of Hong Kong over the past few years. In fact, the first Chief Executive proposed promoting innovative technology industries as early as after the reunification in 1997. During his office, he also established the Commission on Innovation and Technology and set up the Hong Kong Science Park (HKSP) and the Hong Kong Applied Science And Technology Research Institute Company Limited to support R&D. At the same time, he also set up the Innovation and Technology Fund in 1999 to finance projects that contribute to innovation and technology upgrading in the manufacturing and service industries. Therefore, after the reunification, Hong Kong has actually sown plenty of seeds and taken the first step in scientific research. However, as the Government's effort in promoting the relevant development has been inadequate, many problems have remained unresolved, thereby resulting in our slow progress or even lack of progress in scientific research.

In the Global Competitiveness Report 2007-2008 published by the World Economic Forum, Hong Kong ranked 23 in the subindex on capacity for innovation, which was even lower than South Korea, Taiwan and Singapore. Even in the ranking list of creative cities in China, Hong Kong only ranked second after Shenzhen. Besides, Hong Kong's investment in scientific research represented a far lower proportion of the Gross Domestic Product (GDP) than

other developed economies. In 2007, Hong Kong's investment in this area represented 0.75% of its GDP, as compared with 3.22% in South Korea, 2.31% in Singapore, 2.58% in Taiwan and 1.42% in mainland China over the same period.

Where does the problem lie? Many different aspects are involved.

First, government involvement is inadequate. The Government is not sufficiently determined to take forward the relevant work. Just like a person who is about to change his profession from being a salesman to a computer technician, he has to face difficulties on the one hand, but he is reluctant to engage in further studies and change his habits and attitude of living on the other even though he knows that he has to change his profession, thus letting slip his opportunities.

Secondly, there is a general lack of knowledge on R&D in society. As there has always been a lack of development in this respect, the general public has limited knowledge about R&D as an industry. University graduates are unwilling to engage in research, and even if they have reluctantly taken up postgraduate studies, they will quit whenever more desirable jobs are available in the market.

Thirdly, the inadequate and unstable number of postgraduate students is a major factor which stifles researches at universities. There is also the problem of the lack of talents in other areas, such as staff responsible for research co-ordination, as inadequate training is provided in society, resulting in the emergence of a bottle-neck.

Fourthly, the society, that is, the bureaucratic system of the Government, has stifled its development. As a result of its rigid policies, the Government has often created unnecessary barriers. Take the R&D work on pharmaceutical products as an example. In fact, Hong Kong does have some advantages in researches relating to later stages of clinical testing. However, the time required for vetting and approving the relevant testing projects by the Department of Health is indeed very long, which takes three to nine months. Besides, during the testing process, patients have to pay the out-patient fees when receiving check-ups at hospitals or out-patient clinics even though their visits are only for research purposes — only for research purposes but not for clinical treatment purposes — which has added to patients' burden.

Fifthly, the utilization and value of inventions: As the local market is small, wider application for R&D results has to be sought. Although the huge mainland market is very attractive, the intellectual property right protection measures of the Mainland still leave much to be desired. The outcome is that research results which are obtained after much arduous work may be taken away easily by the others.

Sixthly, facilities are inadequate. Take the HKSP as an example, some R&D tenants may need special facilities, such as highly sanitized rooms, which would incur exorbitant costs if they are to be provided by the tenants themselves. However, the HKSP can only provide a basic factory site but not these relatively special facilities. Besides, even if tenants wish to install additional facilities at their own expenses, approval would not be granted. Some industries are thus discouraged from using these scientific research venues.

Seventhly, R&D funding is inadequate. The main source of research funding for scholars is government subsidies, which are subject to the approval by the University Grants Committee. Although competition for such funding is very keen, this is not the major problem. The major problem is rather the inadequate funding amount, which is the major barrier of R&D. Very often, the funding provision is only 60% to 70% of the funding required, and is actually unable to offset the operational expenditure on R&D incurred by universities, thereby making it necessary for universities to subsidize their R&D work. Therefore, is it really workable to "try to eat one's cake and have it too"?

What should be the way forward? First of all, we think the Government must acquire a clear understanding of the long-term value of R&D and be determined to move towards this direction to enable Hong Kong to become China's key technology city, and to add value to the industries in Hong Kong, the Mainland as well as the region. With such determination, the Government should contemplate concrete actions. As it has been 11 years since the Government set up the Commission on Innovation and Technology in 1998, it is high time a comprehensive review is conducted to find out the position of Hong Kong in its pursuit of R&D on science and technology, the barriers which has to be removed, and the positive elements which have to be introduced. To this end, we propose setting up a committee to gather together relevant stakeholders so as to come up with ideas on promoting R&D with their concerted efforts for actual implementation by the Government. We think the Government should



hold an open attitude towards the questions of whether or not changes have to be introduced to the functions of various bureaux or even whether or not a new policy division/bureau should be set up.

Thirdly, in order to enhance public understanding of scientific research, information on the history of R&D work, application by various industries and the current situation of R&D development in different countries over the world may be included in the school curriculum and provided through the mass media. Besides, additional funding should be provided to encourage university students and people receiving professional training to engage in research. Take my profession as an example. Ever since the Hong Kong College of Psychiatrists has included academic research into its specialty training programme, young doctors have gradually developed an interest in academic research, and it has become a trend with positive and desirable effects on the development of this specialty. However, the majority of these doctors receiving this training have to employ research assistants and statisticians or even purchase the drugs for research purposes at their own expenses. For these young people, it is a very heavy burden.

Fourthly, more resources have to be put in for R&D. As I mentioned just now, the amount of resources allocated for scientific research in Hong Kong is pathetic. Before the R&D industry prospers, the Government is indeed duty-bound to take the lead in allocating more funding for R&D. It is an encouraging sign that in the 2008 Policy Address, the Chief Executive has proposed allocating a provision of \$18 billion to establish the Research Endowment Fund.

Fifthly, with the industrial development in the Mainland, the R&D industry in Hong Kong can cater for the needs of the industries in the Mainland. As R&D work in the Mainland has been growing rapidly, R&D work in Hong Kong has to tie in closely with that in the Mainland to avoid being marginalized and to achieve complementarity in order to create a win-win partnership. Duplication and irrational competition should also be avoided. To establish such a highly interdependent collaborative relationship, a platform for collaboration has to be developed at an early stage to facilitate policy formulation. Besides, a co-ordination mechanism has to be established so that both parties can expeditiously resolve specific problems encountered in implementing the relevant strategies.

Sixthly, human resources have to be developed. Employment is the primary concern of the FTU, and R&D work may generate employment opportunities. Take the HKSP as an example, its first two phases of development which are already available for rental are home of about 260 companies, offering up to 6 500 employment opportunities, including 4 200 R&D personnel, with an overall business volume of more than HK\$60 billion. The project work of the third phase will create additional employment opportunities. Besides, the HKSP can also facilitate the development of other related industries and the new positions so generated will indeed be numerous. However, this rosy picture may not be realized in future because of the lack of talents. Therefore, we propose formulating strategies to actively nurture talents in R&D and, when necessary, bring in overseas talents which are really lacking in Hong Kong under the principle of giving priority to local talents.

Seventhly, policy and tax concessions: The FTU has always held the view that those who have the means should pay more, while disagreeing with the provision of tax concessions to enterprises. Nevertheless, R&D is an industry with a long start-up period but a late payback period. Overseas experience suggests that tax concessions and other incentives can indeed facilitate the R&D industry in laying a solid foundation and encourage existing enterprises to invest in R&D work. Take India as an example, an enterprise can obtain a tax deduction of \$2 for every \$1 of investment in R&D work. The two recent United States presidential candidates also proposed to make the R&D tax deduction system a permanent system.

Eighthly, land production should be carried out for R&D and talent training purposes. All industries require land. Existing land which can be used for R&D and innovative high technology industries in Hong Kong include the HKSP, the Cyberport and some industrial zones. The Government should examine policies to enhance the utilization of such land. Besides, the river loop area at the border of Hong Kong and Shenzhen can be developed into an area with universities and the R&D industry to enable universities to nurture talents in R&D and provide them with an opportunity to develop in dynamic synergy with the R&D industry.

If we can be determined right now to take R&D development as a key policy, what kind of a place will Hong Kong become? Let us take a look at Finland, which is a country with a population of only 5.3 million. It only took Finland 30 years to transform from a traditional industrial country to a strong

nation of innovation and technology and to nurture the communications technology giant Nokia. In 2004, Finland is regarded as the most competitive economy and its achievements have astounded the world. While longing for such desirable outcome, we should also think of what actions we should take to make this happen.

Should we continue to idle our time away, we will continue to hold onto the financial services and real estate industries to be our lifelines. Then, what will happen in the future? I believe we may find the answer in Iceland, the neighbouring country of Finland.

I so submit.

**Dr PAN Pey-chyou moved the following motion: (Translation)**

"That the Task Force on Economic Challenges has identified six economic areas where Hong Kong enjoys clear advantages as the targets of focal development to boost Hong Kong's economic growth and provide job opportunities, and in order to successfully promote the development of these economic areas, Hong Kong must lay a solid foundation for research and development ('R&D'); in this connection, this Council urges the Government to:

- (a) set up committees to make recommendations on policies and various complementary measures for promoting R&D, for implementation by bureaux;
- (b) consolidate and coordinate the existing relevant policies as well as the structures and resources of various related public organizations, so as to more effectively boost Hong Kong's technological R&D business;
- (c) through education and publicity, foster an atmosphere that emphasizes technological research and innovation;
- (d) take the lead in allocating more funding to enhance the capability of technological research, and stipulate the interim and long-term targets that government funding in R&D shall represent a certain proportion of local gross domestic product;

- (e) establish negotiation platforms in conjunction with Guangdong Province and other regions in the Mainland to achieve complementarity of edge, maximal application of R&D results and effective protection of intellectual property;
- (f) formulate policies for nurturing local talents in R&D and systematically bring in overseas professionals under the principle of giving priority to local talents;
- (g) introduce tax concessions and other incentives to encourage private organizations to invest in R&D work in Hong Kong; and
- (h) make optimal use of the land of the existing industrial estates and science park, etc, and expeditiously develop the land in the boundary districts between Hong Kong and Shenzhen for the purposes of technological R&D and talent training, so as to facilitate the establishment of industry clusters.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Dr PAN Pey-chyou be passed.

**PRESIDENT** (in Cantonese): Five Members intend to move amendments to this motion. This Council will now proceed to a joint debate on the motion and the five amendments.

I will call upon Dr Samson TAM to speak first, to be followed by Mr Fred LI, Mr Andrew LEUNG, Mr LEUNG Kwok-hung and Ms LI Fung-ying; but no amendments are to be moved at this stage.

**DR SAMSON TAM** (in Cantonese): President, Hong Kong indeed needs to identify new growth areas to expedite its restructuring into a new economy. We all believe in this deeply and already have a consensus. In regard to the motion on "Promoting research and development" proposed by Dr PAN Pey-chyou, I concur with it entirely.

In regard to this motion, I move a few points in the amendment to especially respond to some myths that hinder the technological development of Hong Kong.

The first question is: Why has the technological development of Hong Kong long been lagging behind from the neighbouring areas? In my opinion, the most important reason is the general lack of knowledge in technological research on the part of the policy-making officials in Hong Kong. Hong Kong has long adopted the Administrative Officers (AO) system. That means we rely on "generalists" to rule Hong Kong. Our policy-making officials, such as the Secretary or the Under Secretary sitting here today and even our Permanent Secretaries, were all AOs before and they basically lack profound knowledge in science and technology. The biggest problem is that this batch of policy-making officials will be transferred to other positions every three years. They have to be transferred to other positions "before their seats are warm". In this game of musical chair, who will have the energy and the mindset to work for the long-term strategy on technological development of Hong Kong? Therefore, the practice of assigning AOs, who do not have profound knowledge in science and technology, to be responsible for technological research is definitely yielding half the results with twice the efforts. However in Taiwan, its policy-making officials are usually talents with doctorate degrees and an engineering and technological background, and it is much easier for them to promote technological research. Hence, the achievements of Taiwan in technological research are obvious to all.

Therefore, President, I hereby suggest that the Government should review the rotation system of AOs. For instance, the Government can transfer some AOs with potentials to organizations engaging in technological research, or even transfer them overseas to receive training, so that they can become specialized persons in technology in the AO grade. The other alternative is to absorb specialists with profound knowledge in technology as policy-making officials in future. Only by doing so can we expect the officials in the SAR to have a good grasp of the policies in technological research and to properly maintain the sustainable development of future policies. Hence, in the amendment, I propose to improve the existing rotation system of AOs, and to allow more flexibility in the employment conditions (for example, the term of office) so as to nurture from among the generalists some officials with technological mindset.

The second aspect that I always consider to be rather problematic is this: Hong Kong is not devoid of quality universities, as the eight universities in Hong

Kong have all attained international standard and they have quality articles published in many international academic journals every year, but why are these results of technological research always unable to be transformed into technology for application in economic areas? In my opinion, part of the reason is that the technological research or fundamental research of Hong Kong is much too scattered, lacking both the focus and strategy. Compared with our country, although our country has more schools than Hong Kong and those schools are also very scattered, our country knows how to utilize the resources in a focused manner, so that each university can give play to its own edge. It has also set up the State key Laboratory Scheme. Two-odd years ago, individual universities in Hong Kong also made applications under this scheme, but only five universities were successful. Among the eight universities in Hong Kong, there are only five State Key Laboratories, and the number is very small. Therefore, I hope that officials in the SAR Government can strive for setting up more state partner laboratories in Hong Kong.

Besides, Chief Secretary Henry TANG and I went to Shenzhen to meet some officials responsible for technological policies there. They revealed that Shenzhen and Hong Kong would join hands to strive for some high technology projects like "863 Project" from the Ministry of Science and Technology in Beijing for the enterprises or technological research institutions of Hong Kong to apply. I deeply believe that if the Hong Kong enterprises can successfully apply for these projects, they can then participate in more technological research projects at the state level in future. When there are achievements from these projects in future, we can formulate the standards together. President, formulation of standards is in fact very important to the development of the relevant industries. Therefore, I hope that in future, Hong Kong enterprises engaging in local technological research can participate in the technological research projects of the Mainland. We can formulate the standards together, so that the relevant industries can apply these standards and introduce new products sooner than the others.

The third myth is: Why are Hong Kong enterprises, be they large, medium or small in scale, not so enthusiastic in technological research, but technological research in other places can usually obtain a lot of investments from the best enterprises? I believe that if Hong Kong is to do well in technological research, we cannot solely rely on the Government. We also think that the participation from enterprises is absolutely important. But why are the enterprises not active in participating? This is related to government policy. Many other

neighbouring places or countries in Europe and the United States have some policies in regard to investment in science and technology by enterprises. For instance, they have some positive policies in areas like tax concessions, which many colleagues have mentioned, and in attracting overseas enterprises to invest in technological research. In fact, it is not the case that we made no achievement last year. Last year, DuPont Company came to Hong Kong to set up a technological research centre. In fact, it is through some indirect policies, that is, with the support of the Science Park and the laboratories, that DuPont Company is being attracted to Hong Kong. Therefore, if the Government just sits back and do nothing, I believe that these technological enterprises will not take Hong Kong as the first choice for investment. I thus hope that the Government will not be complacent about having attracted DuPont Company to come to Hong Kong. I hope that there can be eight to 10 enterprises like DuPont Company being attracted to Hong Kong every year. This definitely is an important move in promoting the overall enterprises in Hong Kong to develop towards science and technology.

If enterprises are to engage in technological research, can they just work on any kind of technological research? The answer is of course in the negative. Since Hong Kong does not have military or aerospace technology, if we are to attract these enterprises to Hong Kong, we will be unsuccessful. Then, what kind of technological research can Hong Kong work on? I suggest that the Under Secretary can seriously consider inviting some appropriate enterprises to engage in technological research in Hong Kong. What is meant by appropriate? From my past discussion with the industries concerned, I think that green economy and creative industries as always mentioned by colleagues in the Legislative Council are very appropriate to Hong Kong. If investment is to be made in these two areas, many new and focal technologies will have to be involved. Take creative industries with which I am familiar as an example. If we are to develop creative industries well, many technologies have to be involved. For instance, the Next Generation Internet Protocol IPV6 is what the whole world is now promoting. While Shenzhen, Taiwan and Singapore have already attained certain achievements, Hong Kong has yet to make a start. As regards cloud computing that countries in Europe and the United States are now studying, it is also an important technology to support creative industries. Therefore, if the Government can strategically identify the industries that can be developed in Hong Kong, it has to strengthen and promote the technological areas concerned, so that more related enterprises can take root in Hong Kong.

President, all in all, let me repeat the three points here and I hope that the Secretary can provide a response. We need to solve the problem from three aspects: First, the Government should immediately review and improve the existing rotation system of AOs. Second, it should consider how to assist the universities in Hong Kong to effectively transform the results of their technological research into products. And third, it should come up with better means to consolidate the position of Hong Kong in order to attract more international technological research enterprises to come to Hong Kong, so that Hong Kong can develop by leaps and bounds in technological research in the coming few years. However, I believe the most important point is that the Government must be committed to taking up the role of a good facilitator. This is what I have been expecting the Government to respond positively.

President, I so submit.

**MR FRED LI** (in Cantonese): President, 10 years ago, the Government said that it had to develop a Chinese Medicine Port. However, it finally missed the chance and the plan fell through. Subsequently when the "dot com" fever emerged, the Government said it had to develop a Cyberport. However, this has become a real estate project at the end.

Besides, the red wine duty has been waived in recent years. Nonetheless, the red wine port project seems to have disappeared, though auctions are held from time to time in Hong Kong by red wine sellers. The projects on florist port and fashion port are also nowhere to be seen. Six years ago, the Government planned to develop a logistics park at Siu Ho Wan on Lantau Island. In February this year, it was finally decided that this project would be infinitely shelved. When it comes to ports, the Government only talks about them. And when it comes to parks, the projects just end starkly.

The Task Force on Economic Challenges has now announced that six economic areas will be studied for development, and they are testing and certification, medical services, innovation and technology, cultural and creative industries, environmental industry and educational services. We hope that the Government will just talk about them and do nothing as in the previous cases, but will genuinely and conscientiously carry out the development work.



These six economic areas are all knowledge- and technology-intensive. Therefore, the Democratic Party supports this motion proposed by Dr PAN on promoting research and development. However, to develop these six economic areas, we cannot solely rely on research to raise the knowledge and technological level, as these economic areas can only survive in an environment conducive to their operation.

For instance, if a country supports scientists to study sports science but there is no professional sports market for professional athletes to give full play to their skills and make a living, under the circumstances, the athletes basically have no chance to display his prowess. When they cannot take sports as their lifelong profession, it is highly probable that they will switch to other professions, and the results of scientific research on sports science will become useless. Finally, the related research work will be forced to terminate.

The six economic areas, namely testing and certification, medical services, innovation and technology, cultural and creative industries, environmental industry and educational services, have actually been existing in Hong Kong and are not something new. Nonetheless, in order to develop these economic areas into industries capable of making foreign exchange earnings, a specific nurturing environment is needed.

Item (g) of the original motion suggests introducing tax concessions and we are in support of that. However, introducing tax concessions alone is not enough to create an environment conducive to the operation of these six economic areas. The Government indeed needs to consider allotting land at concessionary land premium and offering concessionary loans to support the development of these economic areas.

We put these two concessionary measures into the amendment instead of having them included as other incentives is because they are really too important and have to be highlighted. They definitely are not other incentives that can be dispensable.

The investment in testing and certification is rather huge. According to the information from the Innovation and Technology Commission, there are 163 laboratories in the whole territory. However, 68 of them (that is, about 42%) are laboratories of government departments and universities, and from the Mainland and Macao.

There are only 95 private accredited laboratories locally. Most of them mainly provide services on calibration as well as verification of construction materials, but not for food testing. Among these 95 accredited laboratories, a total of 14 laboratories can provide comprehensive food testing to the public, and only four laboratories can provide analytical testing services of food ingredients as required by the food nutrition labelling law to be implemented in mid-2010.

In other words, these laboratories which originally engage in calibration services and verification of construction materials need to invest in new equipment before they can restructure to provide food testing services. According to some people from the testing and certification field, the cost of procuring the equipment is enormous, as it may cost a few hundred thousand to a few million dollars for just one equipment. The equipment for testing nutritional composition even costs as high as \$10 million. Since the amount of investment is huge, not every company is willing to invest. Thus, members of the industry suggest that the Government should consider providing loan subsidy.

In the area of education, the result of the survey conducted by an organization shows that 80% of parents in Shenzhen are willing to send their children to study in the universities of Hong Kong. However, they are worried that the academic system of Shenzhen does not dovetail with that in Hong Kong, and their children will find it difficult to catch up with the study progress. In Hong Kong, 80% of local educational organizations wish to admit students from Shenzhen. Nevertheless, the prerequisite of admitting students from Shenzhen is to provide dormitories for them.

However, the Government's existing requirements on the operating conditions of international schools admitting overseas students cannot cater for the needs of the education sector.

Take the admission of Shenzhen students as an example. Fung Kai Public School in Sheung Shui plans to invest \$40 million to redevelop the existing vacant school premises so as to be the first secondary school providing dormitories or hostel places for all its students in Hong Kong. That can attract students from better-off families in Taiwan and the Pearl River Delta to study in Hong Kong and develop education services. Nevertheless, the Education Bureau says that since there is no precedent, that school can only admit overseas and South Asian students and it is not allowed to admit students from Taiwan and the Mainland.

When schools which have money and land cannot develop their education services, it will be even more difficult for those schools which have neither money nor land.

In December last year, the Government introduced the plan to develop international schools. The measures include providing interest-free loans to the schools to construct their school premises. However, the schools have to repay the loans by installments within 10 years, and they are expected to assign at least half of their academic and hostel places to non-local students holding student visas and those from overseas families coming to work or invest in Hong Kong.

The conditions set by the Government may be too strict. As the English Schools Foundation whose students come from 50-odd countries points out, there is a certain degree of difficulty in meeting the requirement that half of its students must be non-local students. It also says that the amount of investment in the construction of school premises is huge and it is worried that it is difficult to recover the cost of investment within 10 years.

Therefore, if the Government is to develop these six economic areas, it has to set up a task force to co-ordinate the policies of various departments and to co-operate with the industries. It also has to listen to the views from members of the industries and provide concessionary loans and concessionary land premium so that the government policy can be conducive to the development of the economic areas.

I so submit.

**MR ANDREW LEUNG** (in Cantonese): President, in March this year, State Council Premier WEN Jiabao proposed in the Report on the Work of the Government that he would proactively promote scientific and technological innovation, spread technologies, conduct product research and development (R&D) work, and start technology-based enterprises. In April, the Task Force on Economic Challenges announced the development of six economic areas where Hong Kong enjoys clear advantages, with the inclusion of innovation and technology. Last month, Premier WEN again urged enterprises to grasp the opportunity to put in more resources into science and technology, strive to achieve breakthrough in key technologies, explore new products and promote innovative development, with a view to proactively promoting industrial

transformation. We must therefore do our utmost to maintain Hong Kong's competitiveness in the long run and to catch up with these developments.

Hong Kong's industrial sector has all along requested the Government to exert more efforts to promote the R&D and design of product and technology, so that enterprises may grow towards a high value-added direction, with a view to maintaining long-term and sustainable economic growth. Last week's *Asiaweek* had interviewed Prof Paul CHU, the soon-to-retire President of The Hong Kong University of Science and Technology. He said that while Hong Kong has the conditions to act as the locomotive of China's science and technological development, the Government must shake off its old mindset and encourage development through the implementation of relevant policies. Also, it should change the old practice that the expenditure on R&D accounts for a low proportion of the Gross Domestic Product (GDP). While official statistics show that the amount of capital put into R&D still accounts for only 0.77% of GDP in Hong Kong, the percentage of R&D funding in the peripheral regions such as Taiwan, Japan and Korea exceeds 2.5%. The percentage of the Mainland even doubles that of Hong Kong, and it aims to bring the percentage to beyond 2% in 2010. As reflected by the longstanding 1:1 ratio of capital input between the private and public sectors, policies in Hong Kong have failed to induce the private sector to inject more capital into R&D.

I support the original motion's proposal to set up committees. To ensure the operability of the Government and the effectiveness of the proposal, I have added the word "inter-departmental". The Federation of Hong Kong Industries (FHKI) and I both consider that R&D development requires the support of different departments on different policy fronts, such as formulating industrial policies on science and technology with emphasis on high value-addedness, and also in respect of funding, investment promotion, taxation, land use, population, as well as the procurement policy of the Government. The setting up of inter-departmental committees can help lay down more clearly directions and objectives to facilitate co-ordination of the work of various responsible Policy Bureaux and departments.

To support local R&D and innovation, protection of intellectual property rights (IPR) is vital and indispensable. In order to effectively protect the R&D results, it is necessary to apply for patents from different places, which may cost up to hundreds of thousands of dollars. I propose the establishment of a Patent Trademark Authority in the hope of fully utilizing Hong Kong's well-established legal platform which offers effective protection of the IPR and our low tax

regime. And, in view of the fact that countries around the world wish to enter the mainland market, the establishment of a "one-stop" registration system with the concerted efforts of the relevant Policy Bureaux and departments of Hong Kong and the Mainland will streamline the registration procedure of patent and trademark in both places, hence facilitating Hong Kong to emerge as a IPR service centre of the region and attracting local and overseas organizations to make more investments in R&D work. I hope that R&D of technology and product will not only enjoy better IPR protection, but can also leverage on the geographical advantage of our proximity to the world's largest market, hence boosting the confidence of local and overseas organizations in choosing Hong Kong as a R&D base.

President, I heard that many enterprises have encountered great difficulties in their expansion into the mainland market. Not only are they unfamiliar with the IPR laws of the two places, but they also do not understand the differences between the two places in the actual operation and system pertaining to IPR protection. Many enterprises said that the application for patent is time-consuming, and there are not many professionals who can provide such services. The existing role of the Hong Kong Government should therefore be expanded to include, for instance, conducting search for local patent application and issuing patent search reports. There can be mutual recognition of the search reports issued by us and China's State Intellectual Property Office, and this also requires co-operation between the two places, such as making concerted efforts to promote co-operation between intellectual property agents of the two places, so as to provide "one-stop" services including establishing a Worldwide Intellectual Property Search Database, training of talents, and so on.

The Patent Application Grant, which was launched by the Innovation and Technology Commission in 1998, aims to provide grants to Hong Kong people or companies that have never owned any patents before. However, the maximum grant is only \$100,000 for each application, which is obviously insufficient for an applicant to complete the necessary patent application process in major markets. We therefore propose that the Government should raise the limit to \$500,000 and establish a new scheme to subsidize further applications by patent owners, with a view to encouraging innovation and to supporting and promoting transformation of industries.

President, noting the words "tax concessions" in the original motion, I have to remind the Secretary of FHKI's long standing and repeated requests for tripling the tax deduction for expenditures on R&D, design and brand-name building.

President, I have done some calculations for the Secretary with the figures of 2007. I discovered that while local R&D accounts for 0.77% of the GDP, the total value of exports of high-tech products is about \$1,013.7 billion, which accounts for 38% of the total value of export products. To catch up with the R&D level of the Organization of Economic Cooperation and Development countries, that is, 2% of the GDP, an additional \$20 billion must be ploughed in each year, which only accounts for 0.7% of the total exports. This will nonetheless increase the total value of export hi-tech products and the overall export products. In order to achieve this end, private organizations must be induced to conduct more R&D work, and the ratio of capital input between the public and private sectors should also be increased from 1:1 to 1:2.

The FHKI and I have stressed that, after tripling the tax deduction, no additional funding from the Government will be necessary. Enterprises are free to invest, and they may enjoy tax deduction only when profits are made. Calculating on the basis of the approximately \$6 billion R&D expenditure of the business sector in 2007, if tax deduction is tripled, the Treasury's profits tax income will only be reduced by \$2 billion, which accounts for less than 0.6% of government revenue. Yet, this sum of money may be used by enterprises to increase their manpower, resources and capital for product and technology R&D. So, if the enterprises succeed in their work, they will make more money, which will in turn generate more tax revenue for the Treasury. This approach is not only attractive to local companies, sound overseas technology companies may also be attracted to invest and establish R&D centres in Hong Kong, as well as imbue a culture of innovation and technology in Hong Kong. It may also attract more talents to join this high value-added industry. As enterprises inject more money and recruit more employees, this will facilitate the development of other business areas and industries, thereby producing even greater economic benefits.

Talent is an essential element of R&D. Given that we have world-class universities, research academics and scientific research expertise, good financing environment, extensive international network, stable social environment and convenient logistics trading platform, as well as the world's lowest tax regime, we therefore have a favourable environment for attracting world-class talents. However, I have come across members seeking help from the FHKI, who have encountered great difficulties in applying for the admission of overseas professionals to work in Hong Kong. I understand that the Government has adopted a more lax attitude and approach towards the admission of overseas professionals in recent years, in the hope of helping enterprises to recruit more

talents. I hope that the Government will attract R&D professionals worldwide to come to Hong Kong and participate in local R&D work through the implementation of more proactive population policy in the future. Apart from absorbing overseas talents, we should also formulate policies to nurture local young people who are creative and have potential in R&D. In a Council meeting held a few months ago, I had also talked about the need to leverage on our advantages in cultural exchanges between the East and the West and being a hub of talents from around the world, with a view to inculcating a creative mindset in our next generation. I am not going to repeat the details today.

Last of all, I wish to talk about the Science Park and the Industrial Estates. In October last year, the Chief Executive stated that the function of the Industrial Estates would be reviewed next year. I hope that in the light of Hong Kong's future industrial development, the authorities will focus more on high value-added activities like R&D, design and branding in the positioning of the Industrial Estates, so as to foster a favourable atmosphere for R&D, design and innovation. In the Science Park, there are currently about 250 enterprises and five major industry clusters have been formed, namely the green technology, electronics, communication, precision engineering and biotechnology, which can open up more and more opportunities. When planning future development, the authorities should take corresponding actions to absorb more technological enterprises, for this will on the one hand, facilitate the development of new economic areas, and promote technology, innovation and green economy on the other.

President, I so submit.

**MR LEUNG KWOK-HUNG** (in Cantonese): President, it seems that you have consulted the Secretariat on whether or not my amendment is out of scope. I have only mentioned basic and tertiary education, and research and development (R&D) is certainly inextricably linked with them. Please take a look at the countries that have made remarkable progress in R&D, for instance, Germany or Japan in the 19th century. Even the copycats endeavoured to introduce basic education in the 19th century, let alone the United States.

Our colleagues considered that the R&D funding is too low and there is an absence of government policy on R&D, thus making Hong Kong unable to emerge as a focal operation ground for R&D. In my opinion, as evident from

the Government's investment on education in monetary terms as a proportion to the Gross Domestic Product (GDP), the amount of funding is far lower than that of our competitors, such as Singapore, Japan and South Korea.

This is the crux of the problem, and put it in other words, even though we have made a lot of money, only \$3 out of \$100, for instance, will be spent on education, as compared with \$6 in other places. Such a difference has a far-reaching implication. We are currently talking about the issue of trees, right? Chief Secretary Henry TANG has been designated to take care of the trees. As an old Chinese saying goes, "It takes 10 years to grow trees but a hundred to educate people". The Government attaches great importance to trees, to which I certainly have no objection, but its performance in educating people is very poor.

I have actually talked about it in this Council many times before, and even sought views from different Secretaries of Department and Directors of Bureau on what they thought about Hong Kong's investment on education and why its proportion to GDP was so low. They always reply that, "No, Mr LEUNG, the government provision as a share of public expenditure is more or less the same as others. But as our tax revenue is small, we can only have a small 'cake', therefore the amount is smaller when compared with other places even though the proportion is the same".

What is the key then? We have not made use of taxation to redistribute resources for investment on education, with a view to strengthening our soft power and enabling our talents to blossom. What does "blossom" mean? This is not just a casual remark. It means really growing with roots and stems, but not tugging the shoots upward to help them grow.

My reasoning is very simple. Without good basic education, how can we identify sufficient talents from the young generation? We have discussed the nurturing of local talents time and again, but what have we nurtured? A reply should be given by the Government but not Secretary Gregory SO. He is not responsible for education, buddy, and he can only refer the matter somewhere else. He may give his name card to the Director of Bureau sitting next to him and said, "Hi, here I am. Mr LEUNG has told me about the situation." This is how his name card should be given. I have never heard of this issue before. But what is more infuriating? Most of the children of the Secretaries of Department do not study in Hong Kong, but abroad. In other words, they would rather trust overseas education. The input of considerable resources on overseas



education, starting from early childhood education, has made it possible to nurture creative talents.

Education system is the second point in my amendment. Our education system stresses the goal of elimination by means of instilment (The President had also suffered from it, but his outstanding performance has enabled him to get through it). In other words, students from early childhood, so long as they cannot afford to receive special education in, say, international schools or direct subsidy schools, will have to receive "spoon-fed" education, of which the President is also a victim, right? Students are spoon-fed with knowledge. The President is so superb that he could stand it. Under our education system, students will be spoon-fed with knowledge once they enter kindergarten. Those who have spare capacity in their brains can make their way to the university. After entering the university, it is another world. The President chose to study Mathematics in the University of Hong Kong as he wished, right? This is the case.

Despite that our system has been reformed so many times, nothing has changed. What is the reason for that? For those who are in the appropriate age to go to the university, TUNG Chee-hwa had carried out "unauthorized building works" by creating new programmes like the associate degree programme for them, claiming that 60% of young people in the appropriate age can go to the university. In fact, only 18% can make it. So, how about the remaining 42%? They will have to save as much as they can and do part-time jobs, whereas their families will have to cut down on their already meagre spending in order to pay for the fee of an associate degree programme before entering the university. Do you think that those belonging to this 42% are all mediocre? It is only because of the complete failure of our education investment policy that our talents have been wasted and murdered time and again. As we all know, the President studied Mathematics and Prof YAU Shing-tung achieved his success outside Hong Kong. Many young people of Hong Kong were indeed groomed for success in universities in the United States. Therefore, we have actually put the cart before the horse if this point is not mentioned.

Another issue is the curriculum. As President used to be a school headmaster, he should be aware of this. Students are required to study eight to 10 subjects, which is different from the cognitive process of human beings. Insofar as the human cognitive process is concerned, we learn because we are interested. Buddy, students should not be forced to learn. I guess when the President was a student, he might be very afraid of the Chinese language subject,

for instance, and he would certainly have a phobia about this subject. For Mathematics, however, he must feel just like a fish in water and be very interested. Our education system, whereby instilment is the means and elimination is the goal, has gradually given rise to a pyramid-like selection process. Despite that education expenditure can be saved as a result, the talents of many young people have been buried. Should our system remain unchanged, it is useless to increase the expenditure on R&D. Why? Because if Hong Kong still sticks to the old way of increasing the expenditure on R&D, it can only call on overseas talents to return to Hong Kong, and that is why there are these admission schemes of professionals and talents. This has nonetheless done nothing to help nurture local talents.

Hong Kong manufacturers are so greedy that though the rates of profits tax and marginal tax are pretty low, they still turn to the Government for R&D funding. Are they sick? Overseas countries have tax rebates simply because the tax rates are high. Buddy, those people can enjoy tax concessions because they have made large tax payments before. Hong Kong's tax regime is so low that it cannot even afford to pay for its basic education. Why have the authorities done so? Is this Chamber a place for reasoning? I however fail to see any reasoning. I have come across many losers under the education system. Yesterday, I met a postgraduate student of The Chinese University of Hong Kong when I was playing football in Tai Po. He is currently a manager of the Hongkong and Shanghai Corporation Limited's Mongkok branch, but he lives a tough life. Why is that so? Why do local students at appropriate age find it so hard to study in universities? Life is still tough after they graduated and moved on to postgraduate studies, and it will be equally tough if they continue with the doctoral studies. Why is that so? This is precisely because a large amount of social resources have been turned into financial or property capital, or capital for making quick money. This is in line with the thinking of people who are accustomed to making quick money, just like "Uncle Four". He said we could buy stocks when the index reaches 34 000 points, but then it suddenly plunged to 14 000 and we all "PK" (stumbling to death on the street). How can the rich people do this?

If the Government really wants to do something, it must change the direction. Firstly, there should be a redistribution of wealth through various means under the tax regime, and then invest heavily on education such that the working class, grassroots or people who do not have many children need not strive so hard to secure university places for their children, and it will not be necessary for them to enter university by trampling on others.

Moreover, there is the issue of small-class teaching. The teacher to student ratio in Hong Kong is seriously imbalanced. Comparing with those advanced countries, our situation is completely nasty and chaotic. Why are these fundamental problems not resolved before the Government provides funding for them to do R&D? This is downright unthinkable, and the Government has given a false account of the true facts and put all things upside down.

I therefore propose this amendment and hope that Members will support it.

**MS LI FUNG-YING** (in Cantonese): President, it is beyond doubt that Hong Kong must look for new economic growth areas to support the sustainable development of Hong Kong. From the four major pillars of the Hong Kong economy, namely finance, logistics, tourism and business services, mentioned by the Chief Executive in the past to the six economic areas where Hong Kong enjoys competitive edge, namely, testing and certification, medical services, innovation and technology, cultural and creative industries, environmental industry and educational services, introduced by the Chief Executive at a meeting of the Task Force on Economic Challenges in early April, we can see the efforts put in by the SAR Government.

The target of the Chief Executive in introducing these six economic areas where Hong Kong enjoys competitive edge is to go beyond Hong Kong. We can go north to tie in with the "Twelfth Five-Year Plan" of the country, providing services especially to the Guangdong Province and the Pearl River Delta Region. We can also go south to compete with countries like Thailand and Singapore in providing professional services to customers from Southeast Asia. Many of these economic areas enjoy a relative advantage in our neighbouring regions. I do not oppose promoting the research and development (R&D) of these economic areas so as to strengthen the economic power of Hong Kong. However, on the other hand, these economic areas which may bring in foreign currencies for Hong Kong and help achieve a better future for Hong Kong, are at the same time taking up the major resources serving the Hong Kong residents, especially the grassroots. This is where my worry lies and is the reason for my proposing an amendment. I ask the Government to clarify the relationship between the economic areas mainly for creating foreign exchange earnings for Hong Kong and the resources for providing services to the public, before promoting the R&D of these economic areas.

As a matter of fact, during the Chief Executive's Question and Answer Session of the Legislative Council in mid-May, I asked the Chief Executive a similar question. My question to the Chief Executive is that: Many of these six economic areas are closely related with people's livelihood. Take medical services and education services as examples. On the one hand, these services generally enjoy good reputation, but on the other hand, the resources of these services are far from enough to satisfy the needs of the public. For instance, the waiting time of patients for consulting a specialist is absurdly long. The waiting time for receiving a specialist minor surgery is one and a half year, and this is only commonplace. For another instance, the admission rate of local students to local universities is still maintained at 18% to date. Before the Government will study how these services can attract customers from neighbouring regions, should it first study how to improve these services in order to satisfy the needs of the public?

President, I am justified in raising these questions. Dr York CHOW, the Secretary for Food and Health, when responding to the question raised by a Member of this Council at the end of last year, pointed out that in 2007-2008, there were 680 000 new appointments in specialist out-patient clinics of public hospitals, and the waiting time of 8 900 cases among them was more than three years. The surgical department was even the hardest hit in terms of waiting time. The longest waiting time for patients was four years. The answer of Secretary Dr York CHOW cannot fully reflect the very undesirable situation in reality. It is because many members of the public give up waiting after knowing the long waiting time. Otherwise, the waiting time may be even longer. The medical system as an economic area and the medical system serving the public are not unrelated. For example, a large number of women come to Hong Kong from the Mainland to give birth in recent years, and this actually is contributing to the economic area in medical services in Hong Kong. However, this has added to the burden of public medical services on the one hand, and has led to a large-scale brain drain of nursing staff from public hospitals to private hospitals. The turnover rate of nursing staff from the departments of obstetrics and gynecology of various public hospitals by the end of mid-2008 was as high as 6.9%. If we are to develop an economic area in specialist medical services, will the public medical system be similarly affected? For example, will the drain of specialist doctors lengthen the waiting time of the public for specialist services?

It is very unfortunate that when responding to my question, the Chief Executive was very evasive. He totally avoided referring to the relationship

between medical services as an economic area and medical services as the resources for serving the public, but only emphasized that the resources of medical services would be improved through medical financing measures.

Similarly, we face the same problems in developing the economic area of education services. The existing rate of Hong Kong students admitted to subsidized universities is only 18%, which is a far cry from the average admission rate of 58% of member countries of the Organization for Economic Co-operation and Development. The result of long freezing the rate of local students admitted to subsidized universities is that every year, thousands of local students who are qualified to be admitted into universities with their Hong Kong Advanced Level Examination results are being shut out. On the other hand, subsidized universities are keen to expand by all means the admission of non-local students. I think this is somewhat like putting the cart before the horse.

Members of the Central Policy Unit have explained to me the contradiction between developing the six economic areas where we enjoy competitive edge and the resources for providing services to the Hong Kong people. They said that in developing these economic areas with competitive edge, the resources of the Government in providing services to the public would eventually increase. They said that the pie would be bigger and the public could also share the benefits. What they have said is not novel. For many policies, the Government always gives similar remarks in order to evade its responsibility, and the existing economic relief package of the Government is an obvious example. In regard to the Financial Secretary's package of measures to fend off the financial tsunami which mainly aims to save the economy, the logic behind is that when the economy revives, the pie of this market will be bigger and the public can then share the benefits. Even though the community and this Council have reached a wide consensus of asking the Government to set up an unemployment loan fund, the Financial Secretary still turns a deaf ear to it. In fact, it has long been a practice that the general public can either get a zero share or just a tiny share of this pie in the market. When this pie shrinks, many members of the public are even shut out of reach of the pie. If the Government is unable to clarify the relationship between the economic areas which can create foreign exchange earnings and the resources for providing services to the public, and ensure that services to the public will not be affected by the R&D of these economic areas, it will be difficult for me to accept the explanation of the Central Policy Unit.

President, there are various suggestions in the motion and the amendments concerning the development of economic areas where Hong Kong enjoy competitive edge for the consideration of the Government, and they are not issues of principles. However, I still propose to move an amendment to the first point of the original motion. It is mainly because the functions of the Committee on Economic Development and Economic Co-operation with the Mainland under the Commission on Strategic Development can to a large extent serve to make recommendations on policies and various complementary measures for promoting R&D. Therefore, if we decide to promote R&D of these six economic areas, I think to review the functions of the Commission on Strategic Development with a view to repositioning it is more desirable than to set up other committees. Nonetheless, if the proposal of the original motion and other amendments concerning the setting up of committees are carried, I can only withdraw my amendment.

With these remarks, President, I move the amendment. Thank you, President.

**PRESIDENT** (in Cantonese): You cannot move you amendment at this stage.

**SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT** (in Cantonese): President, the global financial tsunami has dealt a great blow to most economies. In response to this, the Government of the Hong Kong Special Administration Region has introduced a series of measures, with a view to maintaining economic stability, as well as rendering assistance to affected industries and members of the public, so that they can tide over the difficult times. Despite the fact that economic recovery may take a longer time and involve greater difficulties, we still have to be forward-looking and seek new development opportunities, so as to ensure the long-term development of Hong Kong's economy.

In order to enhance the economic strength of Hong Kong, we must sharpen the competitive edge of our core industries while promoting further diversification of our economic development. In October last year, the Chief Executive announced the establishment of the Task Force on Economic Challenges (TFEC), which is responsible for proposing specific options for the

Government and business community to address the present economic challenges, with an aim to assisting us in turning the present crisis into new business opportunities.

The TFEC convened the fourth meeting in early April. After the meeting, the Chief Executive announced that the TFEC would conduct studies on how to develop the six industries with good potential, namely, testing and certification; medical services; innovation and technology; cultural and creative industries; environmental industry; and educational services.

The motion on "Promoting research and development" proposed by Dr PAN Pey-chyou today just comes at the right juncture. Be it formulating public policies or making commercial decisions, research and development is a vital and basic area of work, laying the foundation for innovation and technological development. The Government is now gathering the views put forward by members of the public, the academia and the industries, so as to provide assistance to the development of new industries. In this regard, research is even indispensable. I hope Members can actively put forward their views on this issue.

I also wish to emphasize that research and development should not be limited to the academia or scientific community. Rather, all sectors of society should attach importance to this area of work because research and development, which is considered to be the origin of innovative ideas, helps promoting economic development and social advancement. For that reason, it has direct bearings on every one of us here in this Chamber. Moreover, the present technology and even future innovations are the fruits of the efforts dedicated by members of various sectors to research and development. To achieve continuous economic development, investment in this area of work is essential.

President, I will first listen to the views put forward by Members and give a response in my concluding remarks. Thank you, President.

**DR RAYMOND HO** (in Cantonese): President, as existing local industries have been moving northwards, resulting in a significant change in the economic structure over the past three decades, we have all along been looking for a new direction for economic development. With the migration of low-skilled

labour-intensive industries to the Mainland, Hong Kong should develop towards the direction of high technology. However, Hong Kong has not been able to achieve much breakthrough in such development so far, which may be attributable to the policy of positive non-intervention upheld by the Government throughout the past years. The Government's long-term negligence of the promotion of research and development (R&D) has caused Hong Kong's proportion of R&D investment to remain at a very low level, while that of Singapore and Taiwan are about 2% and that of Japan is over 3%. After so many years, economic restructuring is still under discussion. However, economic development has been skewed with continual reliance on service industries.

It can be argued that the Government has made some relatively positive moves in policies to promote R&D in recent years. In subsidizing researches, the Government has increased the number of applications allowed per year for the Innovation and Technology Fund and expanded the scope of eligible technologies for the Fund. Besides, the Government has also established an \$18 billion Research Endowment Fund and provided additional research postgraduate places. In promoting technological development, the Shenzhen and Hong Kong Governments approved the framework of the "Shenzhen-Hong Kong Innovation Circle" last year and invited the participation of DuPont, a renowned United States enterprise in technology. With the efforts made by different parties, DuPont was successfully invited to participate in the work of the "Shenzhen-Hong Kong Innovation Circle" and locate its global thin film photovoltaic business headquarters and R&D centre in the Hong Kong Science Park.

Not long ago, the Shenzhen and Hong Kong Governments examined the development of the Lok Ma Chau Loop and came to the preliminary view that consideration could be given to placing the focus on higher education to be complemented by R&D facilities for innovative high technology and creative and cultural industries. Over the past decade or so, I have been urging the Government to enhance co-operation with the Mainland, in particular, Shenzhen and Guangdong Province, in the development of innovation and technology. I greatly support the Government's positive measures in recent years, and I also hope the Government can seize this opportunity to expand the scope and depth of its co-operation with the Mainland in R&D work and endeavour to achieve complementarity of edges to create a win-win situation.



To promote R&D, the availability of relevant talents is very important. If the relevant professionals are not available in Hong Kong, more overseas professionals should be brought in when necessary, but Hong Kong should also nurture local talents in R&D in the long run. Nonetheless, the education system of Hong Kong is still placing excessive emphasis on examination results, which has caused students to focus only on the memorization of facts, thereby stifling the development of independent and creative thinking. These are problems which should be addressed squarely by the Government. In order to nurture local talents in R&D, Hong Kong should not only rely on institutions of higher education and research institutes of a high standard but also provide basic education conducive to promoting R&D and creativity. It is equally important for the Government to encourage private enterprises to develop R&D work in Hong Kong through introducing various concessionary measures, including tax concessions and the provision of suitable sites.

President, the crisis arising from the financial tsunami has sounded a warning bell again, alerting us that the economy of Hong Kong cannot rely solely on the services industries. We must enhance Hong Kong's productivity and expand its room for economic development through promoting R&D.

I so submit. Thank you, President.

**MR JEFFREY LAM** (in Cantonese): President, it is an indisputable fact that Hong Kong is facing the crisis of hollowing-out of industries. As a result of the eruption of the financial tsunami, the major economic pillar of Hong Kong economy — the financial services sector — was seriously damaged. Obviously, the financial services sector alone cannot pull Hong Kong economy out of its present predicament. As Hong Kong now faces crisis on various fronts, we can only enhance our competitiveness by promoting research and development (R&D) and developing new industries, thereby promoting an economy with sustainable development.

However, the Government has failed to formulate any long-term plans for the development of scientific research. So far, no policy blueprint has been provided and the measures introduced were mostly piecemeal. Therefore, we have yet to see any achievement by the Government. Take the example of the five R&D centres established three years ago to take forward innovation and technology projects. As a result of the impact of the financial tsunami, the

amount of sponsorship for R&D projects is only 13%, which is much lower than the original target of 40%. This necessitates more financial support from the Government. A friend of mine who operates a biotechnological enterprise considers that financial support from the Government has been insufficient. Hence, companies often have to spend millions of dollars on purchasing new equipment. That is why they prefer to move to South Korea or Singapore to continue with their R&D work. The development of high technology industries is extremely capital-intensive and has a comparatively slower return. It is therefore very difficult to operate in this industry. Long-term commitments and unrelenting efforts on the part of entrepreneurs aside, effective support from the Government is also very important.

So far, the Innovation and Technology Fund has funded nearly 1 400 projects, which involve a provision of about \$4 billion. I think that the provision can be further increased. The Government should therefore review the various subsidy schemes and consider expanding the eligibility for and scope of applications. Furthermore, in order to effectively promote the development of local innovative technology, the Government should inject more capital, formulate a comprehensive development strategy and adopt a new mode of development. For instance, the Government may act as a "project co-ordinator" when new technologies are introduced, such that during the course from product development, introduction of new technologies to marketing, it can co-ordinate the interaction among the different departments, R&D organizations and enterprises concerned, with a view to developing creative industries in concert. Also, the Government may provide more assistance to the participants, such as granting tax deduction and financial guarantee for expenditures on design, R&D and the building of new brands, so as to encourage enterprises to boldly start up their businesses. I also hope that the Government will formulate more training plans to teach people with creativity to start new businesses, and such training should include the protection of intellectual property rights, preparation of investment proposals, industry promotion and capital sourcing.

President, the Government should also provide assistance in terms of sites. For instance, despite that the Science Park, due to the impact of the financial tsunami, has granted rental waiver for two months and frozen the rental rate for the rest of the year, it has yet to be completely rented out. Actually, the Government may consider the tenants' suggestion to revise the rental of the Parks slightly downwards. Furthermore, space is required for R&D in biotechnology. I therefore eagerly hope that the Government will expedite the construction of the

Phase 3 Office Buildings, which will provide such supporting facilities as laboratories for the industries concerned.

President, with regard to the long-term development strategies formulated by the Government before, we often do not know when they will be implemented, and the waiting time could be very long. This "go-slow" style of the Government must be changed because we can see that development in our neighbouring regions is really very rapid. Just like the idea of developing the Lok Ma Chau Loop (the Loop), it has been discussed for many years. The Government has stressed that the development of the Loop involves a series of complicated issues, such as environmental protection, the ecology and transport connection, so "careful consideration" is necessary. After many years of consideration, however, it is only recently that the Government has decided to develop higher education as the leading use in the Loop with elements of high technology R&D facilities and creative industries incorporated.

President, the development of the Loop is of paramount importance to the development of innovative industries in Hong Kong. It does not only promote the establishment of the "Shenzhen/Hong Kong Innovation Circle", but also facilitate their integration into a hub of cross-boundary technological and innovative industries, thereby further producing a synergy effect in the Pearl River Delta Region. Only in this way can Hong Kong enhance its competitive edge, consolidate its advantages and open up new horizons. I suggest that the Government should develop a new mindset and be decisive, prompt and forward looking, with a view to leading Hong Kong to become competitive in the international market.

President, I so submit.

**MR CHAN KIN-POR** (in Cantonese): I personally strongly support the promotion of research and development (R&D). Today, a number of Members (including the movers of the original motion and amendments) have made many concrete and meaningful proposals, which have enriched the discussion.

In fact, as a result of the rapid changes with time, R&D has become increasingly important, particularly to the development of a country or region. This is because it will continuously bring in new mindsets and state of the art technology, attract a pool of talents and enhance our competitiveness over the neighbouring regions or countries.

Since it is important to conduct R&D before the demand emerges, we cannot wait until a certain demand actually exists. As such, the establishment of a systematic R&D basis is therefore very important.

Certainly, R&D work often takes a very long time and the results may not be applicable in the end. And yet, if any one of the researches turns out to be useful, the efforts made would be worthwhile. Hence, it is absolutely necessary for the Government to invest more in promoting R&D by, for instance, providing tax concessions and other subsidies and incentives, so as to encourage Hong Kong enterprises of different scales to engage in R&D.

In fact, the Government can make reference to the practices of the neighbouring regions. Singapore, for instance, has set the target of increasing the R&D expenditure to reach 3% of the Gross Domestic Product by 2010. And in order to encourage enterprises to invest in R&D work, it has introduced three tax incentive schemes last year, providing as much as SGD250 million a year for a period of five years.

One of the taxation measures is that all enterprises carrying out R&D work in Singapore can enjoy greater tax concessions, and the rate of tax deduction has increased from 100% to 150% of R&D spending. There are, of course, two other schemes, but I am not going to elaborate here.

Since Hong Kong has its unique economic, social and political environment, policies should be formulated according to its unique situation so as to keep abreast with the times. Yet, regardless of whether the development of industries is promoted through R&D or other policies, we should be bold and move forward using more progressive and creative approaches.

Mr Fred LI's amendment mentions the creation of conditions conducive to the operation of the six economic areas where we enjoy clear advantages and this, I strongly agree.

I wish to particularly talk about the development of the medical tourism industry. Given that Hong Kong has outstanding and professional health care staff as well as medical skills of high standards, coupled with our advantages in tourism, sightseeing and shopping, it is absolutely possible for Hong Kong to develop into a capital of medical tourism in the region and even in the world. I

think that Hong Kong's first batch of target customers should be the middle and upper classes of the Mainland who have the strongest spending power.

However, given the scarcity of land and a dense population in Hong Kong, the greatest difficulty currently encountered in the development of medical tourism is the shortage of land. The Government has approved four sites for the construction of private hospitals many years ago, but they are in some very remote areas. Should we really wish to develop medical tourism, but if these hospitals are located so far away and no supporting facilities like shopping malls or hotels are available in the vicinity, we would achieve only half the result with twice the efforts.

I understand the Government might fear that if any land near to the urban area is allocated for the construction of private hospitals, it will again be criticized for collusion with the business sector. But so long as the ways and processes of land grant are transparent, fair, just and open, and in the best interest of Hong Kong, the Government should proceed with it boldly.

I hope that the Government can apply the same spirit to other industries enjoying clear advantages, for this would be beneficial to Hong Kong.

President, I so submit.

**MR CHAN KAM-LAM** (in Cantonese): President, as technology innovation is vital to the growth of a country's or region's comprehensive economic strength and enhancement of industries' competitiveness in the international market, many governments have therefore vigorously promoted research and development (R&D) activities. According to a recent survey conducted by the Organization for Economic Co-operation and Development, different countries around the world have still increased their investments in R&D amidst the challenges of the financial tsunami, with a view to bringing the economy back on the track of sustainable growth.

Concerning the R&D of any innovative technology, given the long lead time before commercialization of the results and the extremely high risk and uncertainties involved, it is rather difficult to induce the private sector to engage in scientific research and bear the risks without government support. Therefore,

the Government does have a very important role to play in leading industries to achieve innovation and help them cross a critical point.

The State has made the enhancement of capability in self-innovation and the development of technology as its development strategies in future, with a view to emerging as a powerful technological country in the middle of this century. Through the development of high-technology and high value-added industries and in line with the State's development strategies, Hong Kong should be able to perform a more important function in the Mainland's modernization process, thereby achieving sustainable development. The Guangdong Province, on the other hand, has also introduced a policy of industry upgrading and transformation. In view of this, Hong Kong will be marginalized if we do not take steps to cope with these developments.

Nonetheless, when we talk about the need for the Hong Kong Government to play a more active role in the promotion of R&D and the development of industry, many people, and so does the Government, think that this is not an easy or permissible task.

It is not permissible because the Government should not intervene in the market, and some people feared that any wrong judgment by the Government would result in economic loss. However, a number of free market economies around the world have already formulated industrial policies and partially adopted the planned economy approach, so that with the support of the Government, the competitive edge of some industries will be enhanced in the international market. The South Korean Government, for instance, has been formulating five-year plans since 1962, under which many internationally reputed enterprises were established, such as Samsung and LG. Its development in industry is indeed remarkable.

It is not an easy task because Hong Kong is just a small economy with a small market and also limited manpower and resources. Looking around at the countries or regions that have successfully promoted the development of scientific research, many of them are financially powerful. In Sweden, a country of engineers, for instance, it has a population of 9 million only, but its Tetra Pak's aseptic packaging and Sony Ericsson's mobile phone communications technology are unique in the international market. Finland, on the other hand, is also renowned for its innovative technology.

In the budget released in February this year, the Financial Secretary stated clearly that the Government should play a more active role in responding to economic development. This is what the Government can do. We think that the Government should expedite the commercialization process of R&D results by formulating industry policies, improving the organizational structure, formulating financial, taxation and government procurement policies, promoting co-operation among the Government, enterprises, academia and research institutes, strengthening co-operation with other countries, improving the R&D accreditation mechanism and building a team of talents. Due to the time constraint, I will only focus on how the Government should step up its support and establish a mechanism for co-operation among the Government, enterprises, academia and research institutes, with a view to promoting the development of R&D and industries.

To encourage enterprises to carry out R&D or engage in high-technology new industries, the governments of many countries and regions are providing tax concessions, including tax deduction for R&D expenses, profits tax deduction for accelerated depreciation of plant and equipment of high-technology industries, as well as the provision of guarantee and low-interest loans. In the United Kingdom, for instance, eligible small-and-medium enterprises may enjoy up to 175% of tax deduction for their actual expenditure on R&D, whereas the deduction for large-scale enterprises is 130%. We propose that the SAR Government can increase the rate of tax deduction for R&D expenditure from 100% to 150% of actual expenditure, and provide tax concessions for high-technology enterprises with development potential, so as to encourage them to establish laboratories or departments required for studies and exploration of technologies in Hong Kong.

The Hong Kong Government has also provided a special fund for R&D, in which both the Government and enterprises put in the same proportion of resources for R&D projects. In spite of this, the SAR Government can make reference to the practices adopted in other places. For instance, it may buy shares through the provision of seed fund or risk fund and subsequently withdraw after a certain period of time. The Finnish National Fund for Research and Development, for instance, holds 10% of Nokia's shares.

The close co-operation and exchanges among the Government, enterprises, academia and research institutes is vital to enhancing the competitiveness of an economy. We suggest that the Government should, under an improved mechanism of co-operation among the Government, enterprises, academia and

research institutes, follow the approach adopted by some United States universities, where the Government and universities have given permission for the academics to exclusively engage in R&D work with pay. The academics may even apply for government funding. Apart from using the equipment available in the universities, they may also employ university students to participate in their R&D work. Not only can this enable the academics, enterprises and staff to jointly engage in R&D projects, but the academics, universities, industries and even the Government may also set up a company when their R&D projects reach a more mature stage, and draw up investment proportion and profit-sharing proposals.

President, we consider that without a solid foundation of industry, it is necessary for the Government to put in more resources so as to assist the industries in engaging in high-technology research. We may also increase our investment by taking advantage of the Shenzhen border area. It is hoped that, in the end, we may achieve a higher level of complementarity of edge between the two places, thereby achieving a win-win situation.

Thank you, President.

**MR WONG KWOK-HING** (in Cantonese): President, in view of the fact that Hong Kong has been hard hit by the financial tsunami, the Task Force on Economic Challenges proposed the development of six economic areas where we enjoy clear advantages, namely testing and certification, medical services, innovation and technology, cultural and creative industries, environmental industry and educational services.

I think that the Government's proposed development of the six economic areas that enjoy clear advantages is commendable. This is because the Government has identified a proper direction, which is in stark contrast to its old mindset of developing such tertiary industries as finance and tourism. However, the idea that Hong Kong should develop a real industry has all along been neglected under the Government's old mindset.

In the past, we have "positive non-intervention", and recently we have "big market, small government". It all means that the Government does not care about the development in respect of investment. Therefore, I am supportive of the Government's direction to develop the six sectors with good potential.



However, the question that we are going to ask is: Has the Government learnt a lesson from the previous proposals on building the so and so port or centre when it indicated the intention to develop those six sectors? It should not again give people an impression that these are empty talks that bring no outcome at all. What can be done to restore our confidence?

In my opinion, direction alone is not enough. The Government must also provide a roadmap, a timetable and a funding proposal so as to make us feel its sincerity. Otherwise, I doubt if those six major industries under discussion are again empty talks. In the end, it is still the finance industry that shores up Hong Kong economy. The Heng Seng Index has now rocketed to 18 000 points and is close to 19 000. Should all Hong Kong people join this speculative activity? It is downright impossible for such a virtual economy to add value, but I am very worried that such an economy is taking place.

Why would I raise this issue? Because this is what we see in the Legislative Council. I wonder how many years the Government has been talking about the 10 major infrastructure projects, but when are they actually implemented? They will be actually implemented when the Government seeks funding from the Legislative Council. The Government requested funding of about \$100 billion for infrastructure projects this year, but the projects mainly involve the provision of transportation and community facilities. How much is actually dedicated to the development of those six major industries, especially for doing the preliminary research and development work? Very little indeed. Therefore, it is hoped that later on the Under Secretary will respond to our questions and tell us the amount of resources or investment devoted to the preliminary work for developing those six major industries. Only this can make me feel the sincerity of the Government.

Should the Government fail to provide any roadmap, timetable or funding proposal, I will be very worried that these six major industries are nothing but again empty talks. When the incumbent Government is replaced a few years later, the new Chief Executive will bring up the same issue for discussion again. This is my grave concern.

Recently, in order to tackle the problem of a rising unemployment rate, resources have been put into infrastructure. However, this can only partially resolve the unemployment problem, which is particularly serious in the

construction sector. Employees ranging from engineers and construction workers are facing this problem. Nonetheless, the construction sector alone does not account for the overall unemployment rate. Other sectors are also desperately looking for a way out. We can see from the fresh graduates that graduation means unemployment, and considerable resources have been put in by the Government to hold the fresh graduates back from entering the production chain. There are the so-called Youth Pre-employment Training Programme and Youth Work Experience and Training Scheme, as well as various other training programmes. And yet, can they find a suitable job after receiving such training? This is actually very short-sighted and the trainees do not see any future at all. While giving a green light to the funding proposal, we still wonder if the trainees can genuinely have prospects of career development in future upon completion of these training programmes one after another which are organized with the funding provided. I do not think that they can have any prospect.

Despite that the Government has identified the direction of developing the six major industries, it should not remain at the discussion stage. Rather, it should proceed in a step-by-step manner, mapping out plans and implementing measures, so that we can see the determination of the Government.

I therefore hope that later on the Under Secretary will give us a response, highlighting when a roadmap or flow chart will be provided, and when a funding proposal will be submitted to the Legislative Council. This is a test of the Government's sincerity, ability and determination in developing an industry-based economy in Hong Kong. In fact, the Government's direction is right, and I strongly support it. My criticism is that, the Government often remains at the discussion stage which may last a couple of years. Will the next term of government continue with this when the term of this government ends? Who knows?

I hope that the Government will listen to our views. In the motion proposed by Dr PAN Pey-chyou today, a lot of statistics and analyses have been provided. He also pointed out that Hong Kong should not only develop in the manner of "using the front portion of premises as shop and the rear portion as plant".

Thank you, President.

**MRS REGINA IP** (in Cantonese): I welcome Dr PAN Pey-chyou's original motion and support the amendments proposed by the many other Members, except one of the amendments proposed by Ms LI Fung-ying, and I can support the other amendments. Later, I will explain why I consider one of her amendments problematic.

As mentioned by many colleagues, the competitive edges traditionally enjoyed by Hong Kong are now under great threats. I agree that it is necessary for the Legislative Council to hold a debate to urge the Government to step up its effort in promoting research and development.

The first point I would like to discuss is the six major industries mentioned by many colleagues earlier. However, as I pointed out recently in a commentary I made in the *Hong Kong Economic Times* — since Secretary Gregory SO is so busy, I wonder if he has noticed that article — strictly speaking, the six major industries should be counted as five, for the Government once said that Innovation and Technology should not be regarded as an industry. First, regarding the six industries, the Government uses the term "產業" (industries) in Chinese, but actually, they are referred to as "Economic Areas" in English. Economic areas and industries are different. In economics, Innovation and Technology is a means to facilitate economic growth and value-addedness of the economy, which is called a "Driver of Growth". As pointed out by many Nobel Prize-winning economists, this is the most important element for stimulating economic growth nowadays. In other words, it is the Technical Progress in Total Factor Productivity. It is not an industry in itself and it stretches across various industries, including the conventional manufacturing industries or service industries such as the financial services industry and the tourism industry. Nor is it just a high-tech industry. Therefore, may I ask Secretary Gregory SO, the Chief Executive and the Financial Secretary to examine whether they are indeed talking about five industries? The concept is unclear here.

Second, regarding the five major industries, I indeed agree with the views of Ms LI Fung-ying. Earlier on, Ms Cyd HO pointed out in this Council that medical services and educational services are actually public services which, at present, are funded by public money in large measure. Could these essential services in society be turned into profit-oriented industries? If these services are turned into profit-oriented industries, will this run counter to the objective of these public services in providing essential services to society? Extensive discussions of these issues have not been carried out in society.

I will then explain why I cannot support Ms LI Fung-ying's amendment to "review the functions of the Commission on Strategic Development (CSD)". If the Government intends to intensify its efforts in promoting research and innovation, as I mentioned in a debate of this Council earlier, I think it is most desirable that an independent Policy Bureau be set up, like the Ministry of Science and Technology and the Ministry of Information Industry of the State. Departments specialized in promoting innovative technology and innovative cultural industries are set up in many countries and places, but not in Hong Kong. With regard to committees, I have done some research. When I learned on that day that the Steering Committee on Innovation and Technology (SCIT) has been set up under the Commerce and Economic Development Bureau — A decade or so ago, before the reunification, the committee was called the Industry and Technology Development Committee under the Commerce and Industry Branch, and I used to be an official member of the committee at that time.

To draw a comparison of the two committees, I would say that the difference is in name only, and the new committee is just old wine in a new bottle, for the membership of the committee has not changed for a decade or so. Those members are undoubtedly eminent members of the business and industrial sectors, who include the President of the Chinese Manufacturers' Association of Hong Kong, who represents the old industries and conventional industries, and a number of celebrities in the business and industrial sectors. However, if we really want to promote innovation and technology, we must have experts, and talents who are specialized in these areas. Take Mr Patrick WANG of the Johnson Electric as an example. His company is engaged in micro motor production, but he is not specialized in micro-electronics or biotechnology. Hence, if the authorities still include those old faces in the SCIT, which only comprises representatives from science and technological research institutes of universities and certain conventional industries, the committee is indeed lacking the expertise. I think the Government should do better in this respect. This is why I disagree to the proposal of putting this task under the CSD, for the CSD too lacks the expertise.

The Government has to increase its investment in technology research. Many colleagues have talked about this aspect, and I too have talked about this repeatedly before. I thus do not want to dwell on this. In respect of increasing tax concessions and other concessions, such as allocating land to members of the technological industry or the cultural and creative industries to set up their own businesses, I am in support of it.

I also agree with Mr LEUNG Kwok-hung that more should be done in respect of education. Secretary Gregory SO, officials from your Bureau once told me that they did not understand why Mr LEUNG Kwok-hung would mention education in the discussion on scientific research. I think education is very important. Education system in Hong Kong should not merely train students for taking examinations, but should cultivate their interest in technological researches since their childhood. However, exposure in this respect is completely lacking in Hong Kong. Among universities in Hong Kong, only The Hong Kong University of Science and Technology has provided summer courses focusing on technology. In comparison, many famous universities in the United States offer brilliant science programmes for secondary students, and talented students can even have their school fees and boarding fees exempted. They put in much effort to nurture children and teach them how to start a business by making use of technology. We have not done enough in this respect.

Finally, given the time constraint, I would like to talk about Mr Andrew LEUNG's view that we should make optimal use of Hong Kong's competitive edge in respect of intellectual property right. I have at hand a report compiled by Prof WONG Poh-kam of the National University of Singapore. He pointed out that though Hong Kong has claimed to have done a good job in protecting intellectual property right, there are less than 10 law firms which really have the expertise in intellectual property right, that is the significant IP practice, in Hong Kong — I wonder if Mr Ronny TONG and Mr Alan LEONG, who are both Senior Counsels, will agree with this. Many law firms in Hong Kong are engaged in agency work, which means outsourcing those jobs, and we do not have sufficient talents for IP litigation and IP strategic consulting work. Despite that the State has expedited its work in establishing the intellectual property right, we are unable to provide support in this regard. I hope colleagues who are barristers by profession will respond to this.

**MR RONNY TONG** (in Cantonese): President, as information shows, a total of \$12.4 billion was spent on research and development in Hong Kong in 2007, which accounted for approximately 0.77% of the GDP. Of that amount, only \$6.1 billion, or less than 0.4%, were spent by commercial and industrial organizations on research and development. The remaining \$6.3 billion were subsidies provided by the Government to tertiary institutes, government departments and individual development funds for launching research and development work in Hong Kong. In 2007, the Hong Kong Government

introduced a lot of proposals to stimulate the economy of Hong Kong as well as research and development work. Regrettably, the latest statistics from the Census and Statistics Department are not yet available. Hence, we can only estimate that only less than 1% of the GDP of Hong Kong is spent on research and development. Hong Kong is a cosmopolitan city, but the resource spent on research and development work is only meagre. As such, how can Hong Kong increase its competitiveness?

President, in view of the problem, what factors should we pay attention to? My colleagues have indeed surprised me by putting forth several dozens, if not a hundred, of proposals today. Quite a lot, really. President, I am not saying that the proposals put forth by colleagues are useless, but upon careful examination, there are only three fundamental principles. I hope the Government will uphold these three principles.

First, it should create the incentives for investment in research and development. Second, the Government should spare no effort in assisting the business sector to invest in and carry out research and development work. Third, it should enhance scientific research work, particularly researches done by tertiary institutes. I very much agree that investment in education is of great importance, as mentioned by Mrs Regina IP and "Long Hair" earlier. I will give my views on this later.

President, on the first point, I think it is most important to note that the economy of Hong Kong is different from that of other places. In the United Kingdom and the United States, the markets are much wider and the competition environment is healthier. But regarding the competition environment in Hong Kong, honestly, it is really undesirable. Since the competition environment is undesirable, many industries are monopolized by big stakeholders. Once these big stakeholders monopolized the market, they will not endeavour to invest in technological research and development and enhance their competitiveness. On the contrary, they will only focus on reaping hefty profit expeditiously to fatten their businesses.

Under such circumstances, the business sector will hardly consider it essential to invest in scientific research and development. More often than not, many large companies in Hong Kong would rather bring in successful researches and technologies from overseas than make investment in this aspect themselves. Hence, to enhance the competitiveness of Hong Kong, a fair competition

environment should first be created. It is extremely important. I hope the Under Secretary here will hear this and understand what I mean. The relevant bill must be submitted this year.

President, the second point I would like to make is that the authorities must do its level best to assist the business sector to invest adequate resources in research and development work. President, if we deduct the existing funding for technological research allocated for government departments and tertiary institutes, we can see that the remaining funds for the four or six major industries are minimal. The so-called research and development work is supported by the scarce resources of certain funds and creativity offices. How can this facilitate the development of the six major industries where Hong Kong has enjoyed the so-called clear advantage? Naturally, the results will not be significant.

It is true that the Government has invested in individual industries to promote their research and development work. The development of the film industry, which we have been discussing recently, is a case in point. However, the industry still encounters all kinds of difficulties. I think I need not state them one by one, for Members know that already, and these problems have been subject to criticism for a long time. Investment return is used by officials as the criterion for approving subsidies, and this has made the industry extremely disappointed.

I wonder if the President has read a very heart-breaking news report recently. It is reported that a Hong Kong company, which has successfully developed a computer software, called the Government for assistance, but the company has received no reply, not even an email from the Government. As a result, that company has to pretend to be an overseas company and then successfully win the commendation and subsidies from other countries via the Internet. What a shame! President, we are spending hours here talking about the importance of research and development and adequate investment, but research achievements made by Hong Kong companies are rejected by the Government. I think this is heartrending.

Let me cite another example which is even more ironic. These days, the Government has kept saying that environmental-friendly electric vehicles should be introduced, and that it will purchase several dozens of electric vehicles from Japan. However, we learn from newspapers that The Hong Kong Polytechnic University has successfully developed a type of environmentally-friendly electric

vehicle, which has already been introduced to the market of the United Kingdom. The vehicle is suitable for use in Hong Kong in terms of its performance or practicability. If so, why does the Government not first provide assistance to organizations engaging in technological research in Hong Kong?

President, I now come to the final point and that is, the third point which I mentioned earlier and which may be the most important point. The situation overseas is different from that of Hong Kong. In overseas, a lot of academic research funds are offered to university professors or research academics for them to carry out research. This will benefit the business sector and stimulate the interests of students in conducting technological research. However, as we look around what happens at present, we will notice that many students consider professional training and business management more trendy, but not many of them have great interests in taking degree courses or subjects related to technological research, and President, I wonder if this is due to the Government's focus or social norms. This also has to do with the atmosphere of teaching. Hence, I hope the Government will step up its efforts in public education in promoting technological research, so that more of the younger generation will engage in research work. It should also provide more subsidies for the establishment of research funds in universities. Thank you, President.

**MR PAUL CHAN** (in Cantonese): President, in February this year, during the debate of the Legislative Council on the motion on "Promoting the development of local creative industries" proposed by Dr Samson TAM, I proposed an amendment to grant tax concession to "expenditure on research and development".

The economy of Hong Kong runs on a high-cost track. To maintain its competitiveness, enterprises always have to be innovative in order to enhance the quality of their products and upgrade their services, as well as increase their asset value. Moreover, this will provide more employment opportunities. Hence, it is necessary for enterprises to constantly invest resources in research and development. In the face of the globalization of world economy and free flow of information worldwide, everywhere around the world is their market. Even if an enterprise adopts a close-door policy, competition will still come from everywhere around the world. In this connection, I think the Government should adopt a more active approach in supporting and encouraging enterprises to engage in research and development activities.



In mainland China, enterprises are allowed to apply for tax deduction up to 150% of the expenditure on research and development. In Singapore, in addition to the deduction of up to 150%, research activities carried out in Singapore, whether or not the result is related to the business of the enterprise concerned, are also entitled to tax deduction. What is the purpose of so doing? The purpose is to encourage enterprises to conduct more researches and be innovative. Though the research projects may not necessarily bring about tangible return in the short run, they are still worthy of encouragement and support.

Though the existing legislation in Hong Kong also allows enterprises to claim tax deduction for expenditure on research and development, the deduction only covers the actual expenses involved. I think for the sake of expediting and enhancing the involvement of local enterprises in technological research, it is necessary for the Hong Kong Government to increase the deduction for actual expenditure from the existing 100% to 200%. Based on the existing profits tax rate of 16.5%, the only implication of my proposal on public coffers is that the Government will have to provide a subsidy amounting to \$165 indirect for every \$1,000 spent on research and development.

President, I would like to turn to the co-operation in research between universities in Hong Kong and the Mainland. Early this year, the Finance Committee of the Legislative Council approved the establishment of the \$18 billion Research Endowment Fund. The Fund will be used to subsidize researches of tertiary institutes, with a view to enhancing the research capacity and competitiveness of Hong Kong, and in turn attracting more talents in technological research to come to Hong Kong.

The pace of technological research in Hong Kong has all along been regarded by many academics as relatively slow and small in scale. Now that the Government is willing to invest more resources in this aspect to catch up with others, and it is surely better than just turning a blind eye to the problem and remains indifferent.

However, I think the resources invested should be used properly, and must not administer remedies carelessly. The future development of Hong Kong will inevitably become inseparable from the integration with the Pearl River Delta Region. Hence, I think we should also co-operate closely with the Mainland in technological research. Hong Kong does not only have an edge because of its

high academic standard, but also because of easy access to information, which enables it to understand the direction of international development and commercialize technological research results. On the other hand, the strength of the Mainland lies in technological research, for it has more talents engaging in technological research, supported by a large industrial base.

If the universities of Hong Kong and the Mainland can co-operate in technological researches and complement each other's inadequacies, it will not only avoid unnecessary wastage of resources resulted from the overlap of research efforts, but will also spare the two places from unnecessary competition. More importantly, by combining the strengths of Hong Kong and the Mainland in technological research and their competitive edges, the pace of technological research will be expedited, which will enable research projects to achieve substantive results. I think the Government may as well provide support in respect of the scope of funding under the Research Endowment Fund and other policies, which I believe will promote mutually beneficial development between Hong Kong and the Mainland.

President, in respect of the original motion and the amendments, I support all of them, except that I have reservation about Ms LI Fung-ying's amendment. Thank you, President.

**MR KAM NAI-WAI** (in Cantonese): President, the subject of today's motion is "Promoting research and development". Earlier on, the Under Secretary has also spoken on the promotion of research and development. Innovation and research can also promote the development and progress of society. But insofar as technological research and studies are concerned, if Hong Kong is not a free and open society, and if it fails to accommodate different opinions, we will surely lag behind in research and development.

Many friends around me just now discussed this miniature of the new "Pillar of Shame". The creator of the sculpture is denied entry to Hong Kong. Even when it is sent to the Legislative Council, Members have to hold detailed discussion before deciding whether the Legislative Council can receive it. Will this affect Hong Kong which is a free society? Will it become a major obstacle in the promotion of research and development in Hong Kong? If our society fails to show the international community and the people of Hong Kong the room

of freedom in Hong Kong, it will indeed seriously affect the promotion of technological research in Hong Kong.

President, one major point I would like to make is about the environmental industry. What is the stance of the Hong Kong Government in this regard? Yesterday, I attended the "Energy Services Business" forum organized by the Friends of the Earth. At the forum, many speakers said that Hong Kong had also developed some environmental-friendly products which are results of technological research. Here, I have a leaflet which includes some simple information about an energy-saving multi-plug adaptor invented by Hong Kong. I asked whether the adaptor was available for sale in Hong Kong and learned that it was seldom sold in Hong Kong. However, the United Kingdom has recently purchased more than one million of this multi-plug adaptor. The adaptor is an automatic device designed to save electricity. For instance, when the computer is at the sleeping mode, which in fact wastes energy, the plug will be turned off. Hence, the adaptor can actually save energy. Some colleagues mentioned "MyCar" earlier as an example to say that the vehicle is designed by Hong Kong, but it is only available for sale overseas.

What has the Government done to promote technological research? Will Hong Kong society or the Government take the lead to utilize the technological research results achieved by Hong Kong? This is of great importance, which is also a prerequisite for promoting research and development. If even our Government does not take the lead to use the products we developed ..... Recently, I am quite disappointed to see the Chief Executive and the Secretary for the Environment using electric cars manufactured by Mitsubishi, which are imported from Japan. Why can vehicles developed by Hong Kong not used in Hong Kong? Why do we have to import overseas vehicles? Surely, we would emphasize the importance of exchanges. However, if we also have conducted our own researches, why does the Hong Kong Government not put in more effort in this area?

During a recent visit to the Pearl River Delta (PRD), we saw a hybrid car developed by certain companies in collaboration with the Mainland, as some colleagues have also mentioned earlier. The company told us that the cost of the hybrid car amounted to \$200,000 originally, but with the tens of thousands of subsidies from the Government, the car became more competitive in the market. This example illustrates that after a company conducts research and development work, subsidy from the Government is also required to make the product ..... we all know that the cost of the product of research and development will naturally

be on the high side at the initial stage. Without government subsidies, can those products of research and development, particularly environmental-friendly products, be put to actual use?

Every one is talking about green economy and attaches importance to the environment. In this connection, I would like to talk more about the environmental industry. I would like to discuss issues related to power generation. Members probably know some of the examples. Actually, Hong Kong has co-operated with some overseas companies, such as DuPont Apollo Limited of the United States, which is manufacturing some new solar energy generators in the Hong Kong Science Park. But how do we deal with those products? For instance, has the Hong Kong Government used those products in public housing estates in Hong Kong? Eventually, the application of those products is very low. Despite the research and development work conducted in Hong Kong, will the products of such research be available for application in Hong Kong? I hope the Secretary will make it clear later what efforts the Government can make in respect of research and development.

In the amendment proposed by the Democratic Party, we mention the collaboration with cities in the PRD Region, promotion of clean fuels (including electricity generation and transport), green construction, effluent treatment and solid waste treatment, and so on. If we can incorporate these into our daily lives, I think it will enhance the public's awareness of environmental protection and the situation will be greatly improved.

To conclude, I hope Hong Kong can become a free and open society that can accommodate different views. I hope this message will be passed on, and this new "Pillar of Shame" should no longer be denied access. The Hong Kong Government should no longer maintain a blacklist and deny the entry of certain overseas individuals. Moreover, the Government should more often take the lead to use products of research work conducted in Hong Kong. I believe only by doing so will the promotion of research and development in Hong Kong bear fruits. Thank you, President.

**MR ALAN LEONG** (in Cantonese): President, the Civic Party is glad to see that the Task Force on Economic Challenges intends to promote the development of the six economic areas, including innovation and technology, where Hong Kong has enjoyed clear advantages. Over the years, the development of Hong Kong

has been focused on the financial industry and the service sector. With regard to industries involving high technology, which are conducive to the development of the real economy, we seldom see the Government making much effort to support these industries.

President, technological research is a very special industry that requires enormous capital input and a longer time to yield return. Hence, to small and medium enterprises in general, it is a high risk investment. Without adequate support and guidance from the Government, the industry can hardly make rapid progress.

At present, technological research only accounts for less than 1% of the GDP of Hong Kong, which is in general lower than other places in Asia by more than 50%, for in Taiwan, the percentage is 2.58%; in Singapore, it is 2.39% and in the Mainland, it is 1.42%.

As early as in 1999, the Government allocated \$5 billion for the establishment of the Innovation and Technology Fund (ITF), with a view to promoting co-operation between the business sector and universities in technological research through the provision of subsidies out of public money. However, it has been a decade since the establishment of the Fund, and the effectiveness of the Fund is after all less than desirable. In the past 10 years, the Fund approved \$3.9 billion for more than 1 300 projects, which means an average of \$3 million for each project. With regard to technological research, \$3 million may not be enough for the purchase of a single machine. In the face of the shortage of funds, how can the vision of the Fund to "increase the added value, productivity and competitiveness of our economic activities" be fulfilled?

President, even if a company intends to apply for the ITF, the participating companies may not necessarily be given the intellectual property right of the project. If the investment made by the company is less than half of the total expenses of the entire technological research project, the result of the technological research has to be shared with other local companies. Many companies which intend to engage in technological research will hence be deterred.

President, I will now talk about the hardware. Though facilities like the science park and the Cyberport have been put in place, the supporting facilities there are extremely inadequate. In January this year, a tenant of the science park

criticized that "the science park is in no way scientific". The tenant concerned was engaged in biotechnology business, which is exactly one of the four major areas strongly promoted by the science park, but the biotechnology centre in the science park where the tenant's company was located do not even have such basic laboratory facilities as basins and gas pipes. Even though the company wished to install laboratory facilities at its own cost, it still had to wait and fight for it. The science park even asked the company concerned to wash their stuffs in a public pantry and the lavatories. Is this the right attitude for promoting research and development?

President, upon hearing these examples, it is not difficult for us to conclude that this is indicative of the typical mindset and practice adopted by the Government in governance. What I mean is that the Government depicts ambitious plans but does not have the ability to implement them. The Government often makes empty talk about vision, but when it comes to implementation, it lacks the frame of mind and resolve to "do something big". Eventually, the plans turn out to be all thunder but no rain.

We have often heard of the innovative scientific research achievements made by various universities and how well-received those achievements are in the international market. Actually, these examples abound. Many colleagues have mentioned these earlier and I believe government departments are aware of these. Members here should have heard a lot about these, so I will not cite those examples again. However, President, I must point out that if the Government is sincere in promoting the six new economic areas, it should abandon the mindset, attitude and practice that it has adopted. It should drum up the resolve to implement specific policies. For instance, the Government should take the lead in purchasing products developed from technological researches. Or, it may, as proposed in the original motion, introduce tax concession, reinforce the training of local talents in technological research and state clearly that investment in research and development should account for a specified percentage in the GDP. All these are good proposals.

President, if the Government is willing to listen to the views of the industry and implement measures which are of genuine help to them, coupled with the support of the Shenzhen-Hong Kong Innovation Circle, which can achieve complementarity of edge with the Mainland, research and development in Hong Kong will surely make good progress.

President, the financial tsunami has brought to light the importance of developing diversified pillar industries in maintaining a stable economy. In respect of research and development, we are lagging behind some neighbouring regions in Asia. Whether or not this Pearl of the Orient will continue to glow depends on the Government's willingness to take the lead to show the industry the way forward, because only in this way would they dare to invest and innovate.

President, I so submit.

**PROF PATRICK LAU** (in Cantonese): President, to promote the six economic areas where Hong Kong has enjoyed clear advantage as advocated by the Task Force on Economic Challenges, I think we should first start from research in universities. The distance between universities and society should be narrowed, so that knowledge and technology will provide a sound foundation for the industries to support their business development.

Universities are undoubtedly the best place for promoting research. At present, research funding for universities is overseen by the Research Grants Council (RGC) under the University Grants Committee (UGC). However, the present mode of funding only focuses on encouraging universities to conduct general research. Emphasis is put on the number of times a research report is being quoted in reports published by those so-called world publishers, which is used as a yardstick for assessing research results. Since research on local topics in Hong Kong will hardly be quoted by international academics, more often than not, in order to obtain funding successfully, academics will focus on non-local researches, which are mainly related to concepts in European and American countries.

Another problem is that research funding must be approved by the Panels, and the impartiality of decisions made by members of the Panels is thus of great importance. The existing problem is that members appointed to the Panels usually may not have thorough understanding in academic research. But on the other hand, those who have thorough understanding of academic research will usually have a conflict of interest because of their academic background and their close relationship with universities. Hence, we must act cautiously in establishing a suitable mechanism for selecting and appointing the capable persons. For this reason, many members in the industry and I have all along

been advocating that research projects and designs should be selected by open competition.

President, I guess that many research projects now conducted by universities do not focus on themes related to Hong Kong. The UGC will only approve the special grant to Hong Kong universities for research on public policies carried out in collaboration with universities in other regions. I think we should make a research funding arrangement for Hong Kong-based research to encourage academics to conduct research on topics relating to Hong Kong, focusing on the applicability of the results. This can on the one promote the development of various industries while reinforcing the social functions of universities on the other, which will take forward the development of society.

Also, we have to step up the support for the Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) and the science park, for applied research is the strength of Hong Kong. The ASTRI is responsible for nurturing outstanding talents in technology. More importantly, for the benefits of the industry, it has to perform the function of transferring technological research results into products. By means of technology transfer, research results will be put to practical use, providing new techniques and knowledge to the industry concerned. So, this area of work should be promoted.

The nurturing of talents is definitely of great importance to our future society, particularly when it comes to research on creativity and innovative business. More opportunities should be provided in this respect. For instance, the authorities may increase research funding and provide greater support for research institutes, and so on. This will create an environment and atmosphere favourable to research in Hong Kong, and thus attract more people aspiring to engage in research to join the field. Many colleagues said earlier that research funds in Hong Kong are inadequate.

President, the construction sector is in great need of new technology. Architecture is a subject that requires creativity. I used to be the Head of the Department of Architecture of the University of Hong Kong. In fact, our students had won 40 awards from worldwide student architecture competitions in four years. Regrettably, the Hong Kong Government has not attached importance and given due recognition to these achievements. Hence, I think we must step up our promotion efforts in creating the atmosphere for conducting



technological research in Hong Kong, and also developing the milieu and culture for innovation and technological research.

President, seven years ago in 2002, the Professional Green Building Council (PGBC) was set up by a professional institute in our field. I am the founding Chairman of the PGBC. Its objectives are to promote research and develop more green building concepts, apply research results in building construction and minimize the impact of construction on local and neighbouring districts, as well as the community, in order to build a community with sustainable development. I wish to use this as an example to show to members of the six economic areas to be developed that they may establish a council in their own industry to conduct research studies related to their industry, so that the quality of service of their industry will be enhanced and sustainable development be made possible.

President, I agree that negotiation platforms should be established with mainland cities to achieve complementarity of edge. I think with the abundance of resources of the State, the mainland cities have the comparative advantage of being able to focus on large-scale or nationwide research, while Hong Kong enjoys greater advantages in its flexibility and benefits of having an international environment. It is evident that the two places have their own competitive edge and should thus complement each other. For instance, the State may launch more large-scale research projects while Hong Kong may concentrate on high-quality research projects focusing on applicability.

President, sites located in Lok Ma Chau Loop region will soon be allocated for technological research and education purposes. Given the location of this proposed development, which is near the border, certain measures can be introduced to remove the barriers between Hong Kong and Shenzhen. The authorities should examine the feasibility of allowing free access by talents between the two places. It should lift the border control between Hong Kong and Shenzhen to allow the Loop to be developed into the first pilot point allowing free access by talents between Hong Kong and Shenzhen, thereby encouraging their integrated development.

Hong Kong has a sound legal system, which has made good achievements in protecting intellectual property right. As such, application for patent or

safeguards of research results should be processed in Hong Kong. In short, Hong Kong does have certain advantages.

Thank you, President.

**MS MIRIAM LAU** (in Cantonese): President, the technological industry is now crucial to global economic development. Many overseas countries and regions attach great importance to technological research and development. Take the experience of Korea as an example. The Asian financial crisis in 1998 dealt a severe blow to Korea. The Korean Government then decided to promote the development of its technological industry. As a result, the economy of Korea experienced a speedy recovery.

But what happens in Hong Kong is quite the opposite. While the Government has kept on saying that it attaches importance to the development of technological research, it fails to provide adequate support. The Economist Intelligence Unit issued a report on the world's most innovative countries this year, which is based on the percentage of research and development expenditure in the GDP and the number of patent products. According to the report, the innovation capacity of Hong Kong was the 21st in global innovation ranking for the years from 2004 to 2008, lower than Singapore, which ranked the 16th; Korea, which ranked the 11th, and also Taiwan, which ranked the seventh. In view of this, the SAR Government must make every effort to catch up.

At present, there are a number of departments and organizations in Hong Kong performing functions relating to technological research or research and development work, which include the Innovation and Technology Commission (ITC), the Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) and the Hong Kong Productivity Council (HKPC). However, the performance of some organizations is far from satisfactory. For instance, in Report No. 48 of the Director of Audit issued by the Audit Commission in 2007, it was pointed out that the operating expenses of the ASTRI for the years 2004-2005 and 2006-2007 accounted for 45% of its total expenditures. As a technological research institute, it spent \$180,000 of public money on fung-shui consultation and carried out a number of projects which exceeded the budget considerably. Nonetheless, the technological research results of the ASTRI, when compared with the exorbitant administrative

expenditure it incurred, were quite disappointing indeed. Among the 21 projects conducted, the financial returns of 11 of them were 5% or less.

As for the HKPC, scandals about corruption, abuse of power and the management fattening the top at the expense of the bottom have been revealed in succession in recent years. It is reported recently that the series of scandals have prompted the Audit Commission to deploy an audit team to station in the HKPC to conduct investigation. With regard to the Hong Kong Science and Technology Park that provides technological research facilities, it has been criticized by certain biotechnology companies for failing to provide the basic laboratory facilities, such as basins, gas pipes, ventilation pipes, and so on. Mr Alan LEONG has already mentioned this earlier. It shows that these organizations and departments engaging in technological research have inadequacies in various degrees. They do not only waste a lot of public resources but will also hinder the development of technological research in Hong Kong.

President, Prof XU Yan of the Business School of The Hong Kong University of Science and Technology completed a research report titled "Innovated by Hong Kong" last year. Valuable opinions were put forth in the report on ways to enhance the consolidation of technological research organizations and resources. For instance, on technological infrastructure, the report proposed that the Hong Kong Science and Technology Parks Corporation and the Hong Kong Cyberport Management Company Limited should be merged to achieve structural simplification and enable the concentration of resources on technological development. With regard to innovation and technological research and commercialization, the report proposed the merger of the HKPC, the Hong Kong Design Centre and the ASTRI. I think these proposals are worthy of reference and proper examination by the Government.

Actually, money and talents are indispensable to the effective promotion of the development of an industry. In comparison with developed countries with a similar scale of economy, the resources invested in technology in Hong Kong are seriously inadequate. In 2007, investment on technological research and development accounted for only about 0.75% of the GDP, which was much lower than the 2.1% of Singapore, and even lower than the 1.5% of Ireland, where the investment ratio in this respect is already on the low side. So, Hong Kong is lagging far behind.

The Government must thus work out how it can encourage more investment in research and development work in order to catch up with other regions or countries. Take the expenditures spent on technological research by enterprises as an example. At present, enterprises are only subject to 100% tax deduction for such expenditure, but the Liberal Party considers that if the concession can be increased to a 200% tax deduction, it will surely attract more enterprises to invest more resources in research and development work. Mr Paul CHAN has already mentioned this point earlier in his speech.

President, regarding the proposals in the original motion urging the Government to increase its research and development expenditure, and to state explicitly the proportion such expenditure should represent in the GDP, we agree with the proposals. However, we at the same time hope that the Government will set the performance targets in this respect, averting possible waste of funds which would otherwise prevent such work from achieving expected results. In this connection, Prof Patrick LAU mentioned the University Grants Committee (UGC) earlier, and I would like to express my views on this too. I think that in approving funding for university research work, the UGC should not only focus on general research. It should instead attach importance to the practicability and economic value of those research projects, and it would be most desirable if the research can be industry-specific, so that the research work of universities can achieve better results.

Take the logistics industry as an example. The R&D Centre for Logistics and Supply Chain Management Enabling Technology is set up by the ITC in collaboration with universities, focusing more on electronic labelling research. I am not saying that the arrangement is unreasonable, but I think that given a diversity of problems encountered by the logistics industry, there should be more practical researches on other important areas of the transport and logistics industries, in order to cater for the needs of the industries in a more focused manner.

Moreover, we agree that the Government should further simplify the application procedure for the Admission Scheme for Mainland Talents and Professionals, and relax the requirement on the points-based test of the Quality Migrant Admission Scheme, to attract more talents to come and work in Hong Kong.

Finally, I think that the Government is obliged to do its level best to encourage small and medium enterprises in Hong Kong to develop technological

research work. For instance, when the Government invites tender for technological products, it may consider lowering the threshold for tender submission, or even accord priority to local technological companies, so that projects put out to tender will not often end up in the hands of large corporations or multinational enterprises.

With these remarks, President, I support the motion.

**MS AUDREY EU** (in Cantonese): President, concerning today's motion debate on "Promoting research and development", I wish to talk specifically about green technological research, particularly in view of the fact that the Task Force on Economic Challenges has identified six economic areas where Hong Kong enjoys advantages and one of them is the environmental industry, so I believe green technological research will be increasingly important.

President, if we look in retrospect at the civil society in Hong Kong, in fact, since 1968, there has already been concern about environmental problems and such concern has spanned four decades. In the first two decades, what we were most concerned about was pollution control and regulation. In the second phase, that is, from 1988, we could see such people as Simon CHAU, CHEN Guan-zhong, Dr YEUNG Sum, who is our former colleague, and Ms Emily LAU forming the Green Power and the emphasis was mainly on raising awareness of environmental protection. We have now come to 2009 and in fact, we should go to another level by promoting a society with sustainable development, so that environmental protection, greening, conservation and a low-carbon lifestyle can become the mainstream in society. To this end, President, we have to rely on such innovative technological products as more energy-saving lighting systems, more environmentally-friendly means of transport and more efficient and lower-cost facilities for generating energy from renewable energy sources.

In fact, many environmentally-friendly products can come into being only by dint of the creativity of researchers. For example, the Applied Science and Technology Research Institute and a local analog integrated circuits design company have jointly developed a noise cancellation chip to cancel low frequency signals by means of a digital signal processing device. It can reduce the noise spectrum by 28 dB. Therefore, although on the face of it, digital technology and noise appear to be completely unrelated, the two can be combined using high technology to create environmentally-friendly products.

The second example has to do with wind energy, and when it comes to wind energy, we would often associate with large wind turbines and say that it is not possible to build them in Hong Kong. However, a Hong Kong businessman created an electricity-generating wind turbine by grouping some small and round plastic wind turbines of about 1 ft in diameter together. Moreover, these wind turbines can be painted with different colours and put together to form various letters and patterns, so apart from generating electricity, they can also become signboards. It can be seen that a lot of creativity has been injected into this invention.

Another example shows that it is also necessary to conduct further technological research into solar energy. This is because the dark-coloured film on photovoltaic boards currently available in the market can only absorb about two thirds of the light energy and this means that a considerable amount of light energy is wasted as it cannot be absorbed. At present, many technological researchers throughout the world are studying the use of nano-technology to raise the light-absorbing capability of the film on photovoltaic boards to over 90%. If this can be done, not only will it be possible to raise the efficiency of electricity generation, this will also help lower the high cost of electricity generation using solar energy.

In the past, many people think that environmental protection is at odds with development, and environmental protection means not using, doing or building anything and regressing to the agrarian society before the invention of the steam engine. In fact, President, the development of environmental protection that we talk about now should combine with innovative technology and green technological research to give us a better quality of life without damaging the environment of the earth. To achieve this end, green technological research is indispensable.

This is a long-term investment requiring a large amount of capital and time. Of course, the Government can establish a fund but more importantly, it has to encourage private enterprises to become involved in the development of technological research because a government fund using public funds must be marked by a fair process and a stringent procedure for vetting applications. Moreover, since government officials are often not professionals from the technological field, if they are responsible for vetting applications, often, they cannot truly and effectively promote technological development.

Therefore, we have to foster the formation of such a culture among private companies through tax concessions and the revision of the existing Capital Investment Entrant Scheme and induce private companies and civil society to become fully involved, as some Members pointed out. In fact, these effective measures can all promote green technological research.

The original motion mentions "fostering an atmosphere that emphasizes technological research and innovation" and I think all of us agree with this. However, how can this atmosphere be fostered? President, we can look at the example of John LENNON. How did he become the lead singer of the famous music band, the Beatles? Because he watched a film starring Elvis PRESLEY when he was young and found that being a singer could be so glamorous, so he began to study music.

In fact, if we want to attract young people to do something, it is necessary to have a role model to serve as an example for them to follow. However, if we want to embark on technological research, which scientist or inventor can become our model? Does the Hong Kong society or Government respect these people?

President, if we take a look at the many medals or Bauhinia medals awarded by the Government each year, frankly speaking, how many of them were awarded to talents in the field of technological research? Or was the majority of them intended as political rewards? Even the name "Grand Bauhinia Medal" is unscientific because the Chinese name of "Bauhinia" in "Grand Bauhinia" should be "洋紫荊" instead of "紫荊". I wonder if it was because the Government was apprehensive of the character "洋 (foreign)" in the Chinese term "洋紫荊 (Bauhinia)" that it deleted the character, so that it becomes "紫荊" instead. In fact, this is a different thing altogether but it can thus be seen whether or not the Government really attaches importance to objective science.

Another example is that a lot of roads are named Chong San Road, Fo Shing Road, Fo King Road, Science Park East Avenue, Science Park West Avenue, and so on, but they are rarely named after scientists whom we truly respect, such as Charles KAO or Daniel Chee TSUI. In view of this, if the Government wants to promote technology, I hope it will make greater effort in showing respect to talents. Thank you, President.

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

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): Dr PAN Pey-chyou, you may now speak on the five amendments. You may speak up to five minutes.

**DR PAN PEY-CHYOU** (in Cantonese): President, the motion moved by me this time is related to the promotion of technological research. A total of five Members have proposed amendments. In addition, 13 Members have voiced their valuable views on this motion, so it can be seen that this subject has aroused widespread attention among Honourable colleagues. I wish to put forward some views on the five amendments. In fact, Mrs Regina IP has already done this for me because she has also expressed her views on various amendments. However, I still wish to make my views clear.

First, Dr Samson TAM said that the existing rotation system of administrative officers is actually one of the factors that stifles the development of technological research, so he hopes that this system can be improved to nurture a group of administrative officers with expertise in technological research. I absolutely agree with this point. Dr TAM also mentioned the establishment of more state partner laboratories and I think this is conducive to raising the standard and status of local technological research, so this is also a very good proposal. In addition, he also proposes bringing in multinational enterprises to set up technological research centres in Hong Kong. We know that recently, the Government is also actively involved in this area of work and this can indeed drive the development of local technological research.

Mr Fred LI mentioned in particular the six economic areas that enjoy advantages and this coincides with what I said in the speech that I delivered on the original motion. In addition, he also said that apart from tax concessions, there should also be various kinds of concessionary measures. Since my speaking time is limited, I did not mention other concessionary measures but I agree very much with the measures mentioned by Mr LI. He also mentioned collaboration with the PRD Region, particularly in R&D in environmental protection. In fact, this is a very good idea because even as we develop new economic areas and create business opportunities, we can also solve the major



problems relating to the local ecology and environment together with other areas in the PRD, so I agree very much with this.

As regards Mr Andrew LEUNG's proposal to establish a "Patent Trademark Authority", I also agree with it because this will be conducive to establishing Hong Kong as the intellectual property rights service centre in the region and developing R&D and brand-name new products in this region. I also agree very much with this proposal. As regards the establishment of inter-departmental committees, this precisely highlights the present problem of various government departments acting according to their own practices, thus making it impossible for technological research to make any significant progress. Of course, I also agree with this idea.

Mr LEUNG Kwok-hung reminded us that "local ginger" had the strongest and hottest bite and he also mentioned Prof YAU Shing-tung and other famous scholars in Hong Kong. I also think that the Government has neglected local outstanding talents in technological research. He talked about increasing the education funding for R&D to a level comparable to that of developed countries and this also coincided with my thinking. As regards changing the current education system in which instilment is the means and elimination is the goal and implementing small-class teaching, I believe that in principle, these several points are the general consensus of society and I can also see that in fact, the Government is trying very hard to find ways to make improvements. However, to some extent, the instilment of knowledge is inevitable because ultimately, some kinds of knowledge have to be absorbed and committed to memory. Given the finite resources, sometimes, elimination cannot be completely avoided either. For this reason, although I agree that improvements should be made to this situation continually, I have some reservation about coming to this conclusion before conducting any review.

Ms LI Fung-ying reminded us that we have to avoid affecting the services provided to the public while undertaking R&D and we have to pay attention to the public services used by the public. This is a very important point. However, she also proposed that the Commission on Strategic Development be tasked with promoting R&D. As a number of Honourable colleagues pointed out just now, we have reservation about her proposal in this regard because the functions of the Commission on Strategic Development should cover many areas

and domains in Hong Kong and it should be concerned about all social issues instead of focusing on technological research alone.

The foregoing is my view on the various amendments.

**SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT** (in Cantonese): President, today, Members have expressed a lot of valuable views on the promotion of research and development (R&D) in Hong Kong through the co-operation between the Government and various sectors and we are very grateful to them. We will reflect their views to the Task Force on Economic Challenges (TFEC) to assist the TFEC in formulating new measures.

The Government understands the importance of R&D. In the 1950s, Hong Kong was just a small entrepôt. Today, it has turned into an international financial, tourism and logistics centre. The major driving force behind Hong Kong's success is the incessant hard work and innovative spirit of Hong Kong people. This innovative spirit did not come easy. Results can be obtained only after unrelenting efforts in R&D and innumerable attempts, failures and improvements. As such, innovation holds the key to the success of our economic restructuring and R&D is the basic element supporting innovation.

I am very grateful to Dr PAN Pey-chyou for sponsoring this motion today. He pointed out clearly that establishing a solid R&D foundation holds the key to promoting economic growth and the development of various industries. The TFEC is currently studying how to develop the six economic areas where Hong Kong enjoys advantages and formulate a development strategy.

In fact, when formulating a strategy, the Government also attaches great importance to research activities. The Central Policy Unit will from time to time conduct social, political and economic policy research, in particular, inter-bureau policy research. Various Bureaux and departments will make ongoing efforts in conducting research to assist in the formulation of policy, enhancement of management and improvement of service.

Take the Commerce and Economic Development Bureau as an example. One of our tasks is to make Hong Kong a knowledge-based world-class economy through innovation and technological development. R&D is the foundation for innovation and technological development. However, the process is very long

and complicated, involving upstream academic research as well as midstream and downstream applied research. We must gain a clear understanding and make proper use of the synergy generated by these three kinds of research before Hong Kong can benefit from them.

The Steering Committee on Innovation and Technology (the Steering Committee) is chaired by the Secretary for Commerce and Economic Development and is responsible for formulating and reviewing policies and plans for innovation and technology, including policies that support applied technology, to ensure greater co-ordination among various sectors and maximize the synergy. The Steering Committee comprises members from universities, technological research institutions and leading members of the industry.

Regarding the promotion of academic research, the majority of R&D is actually conducted by higher education institutions in Hong Kong. Our higher education institutions enjoy a good international reputation. In the Asian University Rankings published last month, three Hong Kong universities are among the top five positions. We should really be proud of this.

The technological research activities undertaken by local universities are primarily supported by public funds. The Research Grants Council (RGC) is established under the aegis of the University Grants Committee (UGC) and is responsible for establishing a bidding mechanism to allocate the Earmarked Research Grant (ERG) to promote a research culture in higher education institutions. In 2008-2009, the RGC has approved allocations in the sum of \$512.5 million to higher education institutions to fund 888 technological research projects. In addition, about \$60 million has been allocated to 12 technological research projects requiring special equipment or facilities. From 2005-2006 onwards, the Central Policy Unit allocates \$20 million each year to support public policy research by higher education institutions.

To further support academic research, the Government has established an \$18 billion Research Endowment Fund in January this year. The return on the investment of the Research Endowment Fund will be injected into the ERG to fund theme-based research. It is hoped that this measure can enhance Hong Kong's research capacity and attract technological research personnel and talents to study or engage in technological research activities in Hong Kong. It is estimated that from the 2010-2011 academic year onwards, the Research

Endowment Fund can provide subsidies of about \$700 million to various types of technological research projects each year.

President, although technological research activities in universities are primarily academic in nature and cannot directly meet the needs of the market, this kind of basic research can enhance the technological research capacity of an economy, train scientists and engineers, as well as achieve R&D results with great commercial potential. However, it is no easy task for academic research to make direct contributions to economic development.

I hope Members can understand that although technological research is the basis for innovation, countries throughout the world all share a common experience, that is, R&D is a protracted process requiring the commitment of a great deal of manpower and resources. However, only a small number of projects can achieve breakthroughs. Therefore, risks and uncertainties are definitely involved in R&D.

Even if R&D projects are successful, they still have to go through the hurdle of technological transfer and commercialization before they can be introduced into the commercial market and become part of our life. Although examples of success are few, R&D projects yielding results that can be commercialized may offer huge commercial opportunities. In making these points, it does not mean that we will reduce our investment in R&D for these reasons, rather, it is hoped that Members and the public will have a fuller understanding of the characteristics of and resource commitments required by R&D and the effects of these projects on economic development.

Dr Samson TAM hopes that apart from academic research, the Government can also give an account of its efforts to promote the application of R&D results. In the past few years, Hong Kong has achieved remarkable success in innovation and technology and perhaps the most well-known achievement being the Octopus system. The Octopus system is one of the world's earliest Radio Frequency Identification-enabled systems. It started off with the public transport system and its application was subsequently extended to such areas as cash payment, property management and school administration. At present, more than 18 million Octopus cards are in circulation. The technology has won widespread recognition and many overseas cities, such as London, Amsterdam and Dubai, have also developed similar systems.

The commercialization of ideas is in fact the task of entrepreneurs. However, the Government has also done a lot to support and promote the development of innovation and technology behind the scene through four channels, which are: First, to develop world-class technological infrastructure; second, to fund applied R&D projects; third, to promote a culture of innovation and fourth, to strengthen technological co-operation with the Mainland. Dr Samson TAM also hopes that we can explain these applied R&D activities in detail, so President, allow me to introduce our work in these four areas now.

The first one is to develop world-class technological infrastructure. In order to narrow the gap between academic research and applied research, the first step is to set up technological research institutions. In 2001, we set up the Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI). At present, the ASTRI employs over 400 scientists to undertake research in information and communication technology. In 2006, the Government also set up four Research and Development Centres responsible for research and commercialization in such areas as automotive parts and accessory systems, logistics and supply chain management enabling technologies, textiles and apparel, nanotechnology, and so on. These centres are a bridge between the academia and industries, assisting the relevant industries in developing the required technology. All the R&D projects of these Centres require sponsorship from the relevant industries to ensure that the projects have good market potential. As at the end of 2008, these Centres have launched over 300 projects. Since most of these projects will be completed in stages in the coming two years, these Centres will commit more resources to technological transfer.

The second step is to establish the Science Park. Mr Alan LEONG should be aware that apart from being equipped with modern facilities, the Hong Kong Science Park also provides advanced laboratories and technological research facilities, providing opportunities in marketing and establishing connections and networks to tenants and assisting in the promotion of innovation and technology. At present, about 260 local and overseas technological research institutions and technological companies have become tenants in the Science Park and their annual turnover is between \$60 billion and \$70 billion. They also provide over 6 000 local jobs in the technological field. To tie in with its long-term development, we are actively exploring the feasibility of developing the third phase of the Science Park, so as to seize new opportunities.

At present, the Hong Kong Science and Technology Parks Corporation has three industrial estates located at Tai Po, Yuen Long and Tseung Kwan O providing factory sites to technology-intensive manufacturing industries and service industries. In order to make optimal use of the land in these industrial estates and increase their economic benefits, the Hong Kong Science and Technology Parks Corporation is now studying the revitalization and repositioning of these industrial estates, so that they can perform more functions. The relevant study will be completed at the end of this year.

The second aspect of promoting the application of R&D results is to fund applied R&D projects. A number of Members have pointed out the importance of capital to R&D. We understand that it is in fact not easy for technological research institutions to obtain financial support from private companies. In view of this, the Government established the \$5 billion Innovation and Technology Fund (ITF) in 1999 with a view to solving this problem. The ITF has provided funds to over 1 400 applied R&D projects and assisted universities, technological research institutions and the industry in carrying out R&D in a number of technological areas. The total amount of funding has reached almost \$4 billion. Of this sum, about \$300 million was used to fund about 300 projects under the Small Entrepreneur Research Assistance Programme to assist small companies in raising their technology level.

On another front, the ITF also creates jobs in R&D. The Internship Programme provides additional funding to R&D projects already approved by the ITF to enable each project to hire a maximum of two interns to undertake R&D. This year, we will expand the scope of this scheme, extend the internship period and raise the remuneration of interns, so as to attract more local graduates to undertake R&D.

The third area of work is to promote a culture of innovation. In order to facilitate the continual development of technology, we must raise the interest of the public, in particular, of young people, in technology. The Government has launched a number of publicity and promotional activities, such as organizing a series of exhibitions, roadshows, seminars and workshops in the Science Park and at a number of locations in Hong Kong during the Innovation Festival to let the public experience first-hand the charm of innovation and technology. Last year, close to 100 000 people participated in these activities.

In addition, we also co-hosted a number of activities with other organizations to nurture young talents with creativity. Last October, a television series, "TechnoFrontier" with 10 episodes was launched to highlight the importance of innovation, technology and design in our daily lives and to the future development of Hong Kong. This TV series was well received by the community with an average viewership of close to 1 million. We also conducted TechnoFrontier Science Lectures from March to July this year to enable young people to explore science topics face to face with experts.

On education, the Education Bureau attaches great importance to promoting education on technology. The school curriculum in Hong Kong, apart from helping students build a solid foundation for science, also gives students ample opportunities to explore technology and nurture their creativity and innovative spirit through various local and international learning activities.

The fourth area of work is to strengthen collaboration with the Mainland. Both Mr CHAN Kam-lam and Mr Paul CHAN are very concerned about how the Government will promote collaboration with the Mainland in innovation and technology. The Mainland has abundant human resources and robust research capabilities. Together with Hong Kong's rich experience in applied technological research and commercialization, the two economies can surely undergo prosperous development.

The Mainland-Hong Kong Science and Technology Co-operation Committee that we have jointly established with the Ministry of Science and Technology is the highest-level organization responsible for studying technological exchanges and collaboration initiatives between Hong Kong and the Mainland.

Furthermore, through the Guangdong-Hong Kong Expert Group on Cooperation in Innovation and Technology, the Government has established a close working relationship with Guangdong. In 2004, we launched the Guangdong-Hong Kong Technology Co-operation Funding Scheme (the Scheme) to encourage greater collaboration between technological research institutions and enterprises in Guangdong and in Hong Kong. Since the launch of the Scheme, both sides have funded more than 850 projects and the total sum of funds is about \$1.91 billion. These projects cover a wide range of technological areas, including information and communication technologies, nanotechnology and

advanced materials, biotechnology, environmental technology and modern agricultural technology.

In 2007, the governments of Hong Kong and Shenzhen set up the "Shenzhen-Hong Kong Innovation Circle" to assist both parties in sharing talents and resources and foster co-operation between the technological research institutions in both places. In March this year, the DuPont, a United States enterprise, which many Members have also mentioned just now, established its global photovoltaic business headquarters and research centre in the Hong Kong Science Park and its manufacturing base in Shenzhen. This is the first major project under the "Shenzhen-Hong Kong Innovation Circle". This project will help promote research into and application of solar energy in the Pearl River Delta. We hope that this kind of collaboration between Shenzhen and Hong Kong can attract more quality overseas enterprises to come here to conduct technological research and production activities.

In order to further consolidate the advantages in resources enjoyed by Shenzhen and Hong Kong, the two governments agreed on the "Shenzhen-Hong Kong Three Year Action Plan" in March this year. The Action Plan comprises 24 co-operation projects in various fields, including biomedicine, integrated circuit, Radio Frequency Identification Devices (RFID) technology, solar energy and industrial design. This will enable Shenzhen and Hong Kong to have more in-depth and comprehensive technology co-operation and exchanges.

In order to enable Hong Kong's universities to participate in the State Key R&D projects, we actively assist the laboratories of local universities in forming Partner State Key Laboratories together with the laboratories of universities on the Mainland. At present, five local university laboratories have had their applications approved. We are currently working with the Ministry of Science and Technology in processing a new batch of applications and the results of the applications will hopefully be announced shortly.

On assisting in the formulation of national standards, the Government and the Ministry of Industry and Information Technology (MIIT) encourage Hong Kong enterprises and technological research institutions to take part in the formulation of national standards, so that experts in Hong Kong can have a better grasp on the technological development of our country and help the industry expand in the mainland market. We are now having discussions with the MIIT on the ways to encourage participation by the industry.



President, the foregoing is some of the developments in academic R&D and applied R&D. Members have also put forward many other proposals on strengthening R&D and supporting technological development. In fact, the Government has put into practice most of these proposals and I also wish to respond to some of the new proposals here.

Mr Andrew LEUNG and Mr Jeffrey LAM are both very concerned about attracting talents. On the nurture of talents in R&D, under the overriding principle of giving priority to training local talents, we also welcome talents from the Mainland and overseas, so as to boost the ranks of the technological research team in Hong Kong. Whether overseas talents in R&D want to remain in Hong Kong for short or long periods of time for career development, the immigration policy in Hong Kong can always meet their needs. The Admission Scheme for Mainland Talents and Professionals is the major channel for Hong Kong to absorb mainland elites and if non-local university graduates possess special skills, knowledge or experience not available in Hong Kong, they can apply to stay and work in Hong Kong under the general employment policy.

Mr Jeffrey LAM and Prof Patrick LAU are very concerned about the development of Lok Ma Chau Loop (the Loop). In this regard, both Shenzhen and Hong Kong agree that higher education will be the leading land use of the Loop, with high technology research facilities and creative industries incorporated into it. Both Shenzhen and Hong Kong will launch their work in planning and engineering studies as soon as possible. As regards the New Development Areas in Yuen Long and the North District, the Planning Department and the Civil Engineering and Development Department began to study the development potential and the land use in June last year. The studies will be completed by the end of 2010 and we will watch the results closely.

A number of Members have also proposed that the Government should introduce tax concessions and land or financial concessions to encourage private companies to invest in R&D in Hong Kong. In fact, the Government has all along maintained a simple and low tax regime to provide a level playing field to various trades and industries. In view of this, the Government must consider any proposal to provide tax or financial concessions to specific industries prudently. In fact, Hong Kong is a highly internationalized city with a business-friendly environment, first-rate infrastructure and communication facilities, and a working population with high education standards. All these are the advantages that can attract overseas technological research institutions to

develop in Hong Kong. This also answers the question raised by Dr Samson TAM on how we can attract overseas companies to carry out R&D in Hong Kong. The Government will reinforce and develop these advantages to enhance Hong Kong's competitiveness. Early this year, as Members also mentioned just now, the DuPont has established its research base for solar energy in Hong Kong and this is a very good example.

We pay great attention to the organization and work of technological institutions to ensure that they can provide first-rate support to the R&D sector in Hong Kong. In 2001, we merged the Hong Kong Science Park, the Hong Kong Industrial Estates Corporation and the Hong Kong Industrial Technology Centre Corporation into the Hong Kong Science and Technology Parks Corporation to provide one-stop support in infrastructure facilities to technological companies. Recently, we have also completed the interim review of the operation of the five R&D Centres and we will further examine the organizational structure of these R&D Centres, with a view to streamlining their structure to enhance cost-effectiveness.

On the expenditure for technological research, all along, the expenditure for R&D in Hong Kong has been lower than that of other developed economies. Some Members proposed that the Government should set a target on the expenditure in this area. I wish to share with Members my view in this regard.

The expenditure for R&D in Hong Kong in 2007 totalled \$12.4 billion and half of it was expenditure for the Government and higher education institutions. The increase was about 23% compared to that in 2002. The expenditure was mainly met by allocations from the UGC and the ITF.

We understand that the overall expenditure for R&D in Hong Kong is rather low. In 2007, the expenditure in this area accounted for only 0.77% of the GDP. In order to make improvements to this situation, the Government will continue to actively encourage private companies to make investments in R&D. On applied research, the ITF will continue to provide funding. In fact, we have never turned down any application on the ground of insufficient funds. Quite the reverse, we have been encouraging various sectors to make use of the funds offered by the ITF as far as possible. In fact, the amounts of funding provided by the ITF in the past three years have been on the increase, from \$386 million in 2006-2007 to \$483 million in 2007-2008 and \$659 million in 2008-2009. We do not think that the Government should set a rigid target in respect of the

funding for R&D because this is not desirable to taxpayers and the technological research sector. We should provide funding having regard to the needs of the technological research sector.

Dr Samson TAM proposes that the existing rotation system of Administrative Officers be improved to nurture a batch of talents with technological R&D mindset. I believe Members all know that the Administrative Officer grade is a team of generalist administrators in the Government. Administrative Officers will be posted to various Policy Bureaux or government departments at regular intervals to assist in the formulation of policies and the co-ordination and supervision of various administrative programmes.

Administrative Officers working in the Commerce and Economic Development Bureau and the departments under its charge will communicate and liaise closely with members of the industry and relevant professional bodies in the course of their daily work, so as to assess the needs of the industry and the market and formulate policies to promote technological development in Hong Kong. The generalist training of Administrative Officers can help them consider the policy on technological development from a macro perspective and strike a balance among the interests of various parties. Most importantly, there are also professionals of various grades in various Policy Bureaux and departments to assist Administrative Officers in formulating policies and carrying out their work.

Mr LEUNG Kwok-hung makes the claim in his amendment that at present, the primary and secondary school curricula adopt an approach under which instilment is the means and elimination is the goal. We do not subscribe to such a view. Just now, Mrs Regina IP also mentioned that ..... she may have misunderstood what my colleagues in the Commerce and Economic Development said. Of course, we understand the important relationship between education and technological research. The current curricula designed by the Education Bureau for primary and secondary schools are based on a flexible and open curriculum structure that has the main goal of learning to learn and whole-person development. To develop creative thinking and acquire the ability to learn independently is one aspect of the school curricula.

To take the General Studies in primary school as an example, teachers can adopt the inquiry-based learning approach to develop in students the interest and ability to explore social and science subjects through their learning experience.

The Liberal Studies at the Senior Secondary level also emphasizes multiple-perspective training to encourage students to study social issues of interest to them and expand their horizons.

I also wish to stress solemnly to Members that elimination is not the goal of the school curricula. In conducting assessments on students, schools aim to let students understand their strengths and weaknesses in learning and how they can make improvements step by step. Through assessments, teachers can guide students in taking the right path in learning.

On the implementation of small-class teaching, in 2009-2010, 302 public schools, that is, 65% of all public schools, will begin to implement small-class teaching from Primary One and in 2014-2015, small-class teaching will be extended to Primary Six. When implementing small-class teaching, the Education Bureau will adopt a pragmatic and flexible approach.

The teaching environment and subject choices in secondary schools are not entirely the same as those in primary schools. All along, the Government has been providing additional teachers to secondary schools for the purpose of conducting split class teaching, so that students can take lessons in specific subjects in groups. In fact, the ratio of secondary school teachers to students has gradually improved from 1:20 in 1997-1998 to 1:16.4 in 2008-2009.

Mr Andrew LEUNG proposes that the Government should study the establishment of a "Patent Trademark Authority" to promote Hong Kong as an intellectual property rights service centre in the region. We fully understand the importance of a well-established system for the protection of intellectual property rights in attracting local and overseas institutions to undertake R&D. Hong Kong has over 100 years of history in protecting trade marks and patents. The Intellectual Property Department and the Patents Registry and Trade Marks Registry established in accordance with the Patents Ordinance and the Trade Marks Ordinance have worked with the objective of establishing a good intellectual property rights regime. The enforcement of the Trade Descriptions Ordinance by the Customs and Excise Department against forged trade marks has also been highly effective. We believe that the operation of the present regime is proven, so there is no need to establish a new body immediately. However, the Government will actively study how to make use of the well-established intellectual property rights protection regime in Hong Kong to attract more

overseas investors to establish R&D bases in Hong Kong and provide better service to such enterprises.

Mr Fred LI proposes that the Government should strengthen collaboration with the Pearl River Delta (PRD) Region in technological research for the environmental industry. This is precisely the direction of the efforts undertaken by the Government. Guangdong and Hong Kong have all along collaborated in technological research and conducted technological exchanges to improve the quality of the environment in the region, as well as implementing co-operation projects through the Hong Kong-Guangdong Joint Working Group on Sustainable Development and Environmental Protection.

On improving regional air quality, the environmental protection departments of the two places have conducted joint studies and established a PRD Regional Air Quality Monitoring Network. Since 2005, it has been releasing the air quality indices of the PRD Region daily. In order to further study the characteristics of the industrial sources of pollution in the PRD Region and understand the causes of the formation of photochemical smog in the region, the two sides launched two studies in 2007, which are expected to be completed in 2010. On the protection of the aquatic environment, in 2008, the environmental protection departments of Guangdong and Hong Kong have jointly developed the Pearl River Estuary water quality mathematical model in conjunction with the South China Institute of Environmental Science. These are our collaborative initiatives in the area of the environmental industry.

As regards the TFEC and the Commission on Strategic Development, the TFEC is now studying how to further develop the six economic areas where Hong Kong enjoys advantages, so that the potentials of these economic areas can be fully realized. In order to further explore the room for development in these economic areas where Hong Kong enjoys advantages as well as the relevant measures, the Central Policy Unit organized a series of focus group discussions from April to May this year to collect the views and suggestions of sector representatives, academics, researchers and members of the TFEC. Today, Members have voiced their views on developing the economic areas where Hong Kong enjoys advantages. In the future, the Government will take appropriate follow-up actions having regard to the discussions and recommendations of the TFEC, as Mr WONG Kwok-hing has suggested. Since the Government is now studying the development strategy for the six major economic areas, at this stage,

it is not possible to provide full information on the financial expenditure. However, I am grateful to Mr WONG for saying that if support for funding is required, he would lend his support. I also wish to say that the Commerce and Economic Development Bureau will make an application to the Finance Committee to seek its continued support for the work of the five R&D centres, so I hope Members can lend us their support.

Ms LI Fung-ying proposes that the Commission on Strategic Development should review its functions to tie in with the R&D in the economic areas where Hong Kong enjoys competitive edge. In this regard, I wish to tell Members that in fact, the existing functions of the Commission on Strategic Development already include conducting reviews of and studies on subjects related to Hong Kong's long-term strategic development, so as to enhance Hong Kong's competitiveness in the international arena and promote social and economic development in Hong Kong.

President, on promoting R&D and the development of the technological sector, Members have voiced many views and proposals. I wish to express my deep gratitude to them. These views are very important in that they can help us enhance our economic strength, vanquish the financial tsunami and overcome future challenges. The Government and the TFEC will definitely give them careful consideration. Here, I assure Members that we will continuously endeavour to develop Hong Kong into a centre for innovation and technology. Thank you, President.

**PRESIDENT** (in Cantonese): I now call upon Dr Samson TAM to move his amendment to the motion.

**DR SAMSON TAM** (in Cantonese): President, I move that Dr PAN Pey-chyau's motion be amended.

**Dr Samson TAM moved the following amendment: (Translation)**

"To add ", in order to meet the challenges of globalization," after "That"; to add "improve the existing rotation system of administrative officers to

nurture a batch of talents with technological R&D mindset, so that long-term technological research strategies can be implemented effectively; (d)" after "(c)"; to delete the original "(d)" and substitute with "(e)"; to delete the original "(e)" and substitute with "(f)"; to delete the original "(f)" and substitute with "(g) strive for setting up more state partner laboratories in Hong Kong so that Hong Kong may directly participate in more technological research projects at the state level, and assist the relevant industries to strive for participation in formulating the standards for state products; (h)"; to delete "local" after "nurturing"; to delete "systematically" after "in R&D and" and substitute with "strategically"; to delete the original "(g)" and substitute with "(i)"; to add ", and at the same time bring in multinational enterprises to set up R&D centres in Hong Kong to promote the integration of local and overseas technological research capabilities" after "work in Hong Kong"; and to delete the original "(h)" and substitute with "(j)"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Dr Samson TAM to Dr PAN Pey-chyou'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 LEUNG Kwok-hung and Ms LI Fung-ying will withdraw their amendments if Dr Samson TAM's amendment is passed. As this is the case now, Mr LEUNG Kwok-hung and Ms LI Fung-ying have therefore withdrawn their amendments.

**PRESIDENT** (in Cantonese): Mr Fred LI, as Dr Samson TAM's amendment has been passed, I have given leave for you to revise the terms of your amendment, as set out in the paper which has been circularized to Members. When you move your revised amendment, you may speak up to three minutes to explain the revised terms in your amendment. You may now move your revised amendment.

**MR FRED LI** (in Cantonese): President, I move that Dr PAN Pey-chyou's motion as amended by Dr Samson TAM be further amended by my revised amendment. Actually, I have only added to the original motion concessionary land premium, concessionary loans and the enhancement of collaboration with the Pearl River Delta to promote clean fuels, which should be able to gain the support of Members. I so submit.

**Mr Fred LI moved the following further amendment to the motion as amended by Dr Samson TAM: (Translation)**

"To add "; (k) introduce concessionary land premium and concessionary loans to encourage private organizations to operate in the above six economic areas; and (l) collaborate with the cities in the Pearl River Delta region to enhance the promotion of technological research projects on clean fuels (including electricity generation and transport), green construction, effluent treatment and solid waste treatment etc, which can facilitate the transformation of industries and upgrade the quality of life in the region" immediately before the full stop."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That Mr Fred LI's amendment to Dr PAN Pey-chyou's motion as amended by Dr Samson TAM be passed.



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

(Members raised their hands)

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

(No hands raised)

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

**PRESIDENT** (in Cantonese): Mr Andrew LEUNG, as the amendments by Dr Samson TAM and Mr Fred LI have been passed, I have given leave for you to revise the terms of your amendment, as set out in the paper which has been circularized to Members. When you move your revised amendment, you may speak up to three minutes to explain the revised terms in your amendment. You may now move your revised amendment.

**MR ANDREW LEUNG** (in Cantonese): President, I move that Dr PAN Pey-chyou's motion as amended by Dr Samson TAM and Mr Fred LI be further amended by my revised amendment. Actually, I have simply retained the second point of my original amendment, adding the part on the protection of intellectual property rights to the motion, and making minor textual changes to the other parts. Thank you, President.

**Mr Andrew LEUNG moved the following further amendment to the motion as amended by Dr Samson TAM and Mr Fred LI: (Translation)**

"To add "; and (m) make optimal use of Hong Kong's comprehensive and effective protection regime for intellectual property rights ('IPR') and

consider establishing a 'Patent Trademark Authority' to promote Hong Kong as the IPR service centre in the region, so as to attract local and overseas organizations to allocate more resources to R&D work" immediately before the full stop."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That Mr Andrew LEUNG's amendment to Dr PAN Pey-chyou's motion as amended by Dr Samson TAM and Mr Fred LI 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): Dr PAN Pey-chyou, you may now reply and you have only 14 seconds.

**DR PAN PEY-CHYOU** (in Cantonese): President, I am a bit disappointed that the Secretary has not attended today's debate. I hope this is not a reflection of the Government's attitude towards research and development. However, I am glad that the Under Secretary has given an in-depth and positive speech. Thank you, President.

**PRESIDENT** (in Cantonese): Dr PAN, Mr Gregory SO is attending today's meeting in the capacity as the Secretary for Commerce and Economic Development.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Dr PAN Pey-chyou, as amended by Dr Samson TAM, Mr Fred LI and Mr Andrew LEUNG, be passed.

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

Under Rule 16(6) and (7) of the Rules of Procedure, I determine that if at the expiration of 75 minutes from the moving of this motion, there are still Members who wish to speak, I shall extend the period of the debate until all Members who wish to speak have spoken, and the designated public officer has given his reply.

As regards the speaking time, each Member may speak for up to five minutes, and the designated public officer making a reply may speak for up to 15 minutes.

**PRESIDENT** (in Cantonese): It is now 7.36 pm, the debate shall now proceed.

Members who wish to speak will please press the "Request to speak" button.

I now call upon Mr Ronny TONG to speak and move his motion.

### **MOTION FOR THE ADJOURNMENT OF THE COUNCIL**

**MR RONNY TONG** (in Cantonese): President, I move that this Council do now adjourn for the purpose of debating the selection of candidates for the post of Chief Executive of the Hong Kong Monetary Authority (HKMA).

President, I propose this adjournment debate because I wish to urge the Government to give a detailed and clear explanation to the public about the appointment and selection of the new Chief Executive of the HKMA, as well as conduct a comprehensive review of the mechanism for the appointment of the Chief Executive of the HKMA and detailed terms of employment, so that the HKMA, an independent and yet mysterious kingdom, will be subject to comprehensive and effective public supervision.

President, over the past two weeks, the people of Hong Kong were left completely at a loss as to what happened in the replacement of the Chief Executive of the HKMA. Two weeks ago, the Financial Secretary, Mr John TSANG, announced the departure of the Chief Executive of the HKMA, Mr Joseph YAM, thus confirming a rumour that has been going around for a long time. On the next day, the Financial Secretary revealed that he had appointed a three-member selection team for the selection of the new Chief Executive of the HKMA. The Financial Secretary also explained to the Panel on Financial Affairs that the team's selection process had reached its final stage, and that it would make public the details of the terms of appointment and remuneration package of the new Chief Executive at a later stage.

The Financial Secretary suddenly acknowledged on the next day that the work of the selection team had completed as early as in December last year. Moreover, sources from the Government revealed that the decision had already been made on the appointment of the new Chief Executive of the HKMA, and the Government would appoint Mr Norman CHAN, the Director of Chief Executive's

Office, as the new Chief Executive of the HKMA this summer. A five-year contract would be offered to Mr Norman CHAN. President, the news of course had caused a huge public uproar. While the public were asking the Government to appoint the new Chief Executive of the HKMA in an open, transparent, systematic and accountable manner, the Government dealt with this matter so swiftly that it appointed the selection team in just one day and reached the final stage of work in one day, and what is more, the work was said to be completed in just one day.

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

Although the Government denied that a final outcome had been reached in the selection process, the incident had already aroused public suspicions. Since the HKMA is the organization which manages more than \$1.4 trillion foreign exchange reserves of Hong Kong, and at the same time, it is the financial institution which oversees and leads all banks in Hong Kong, the recruitment of its Chief Executive should therefore be a matter of great solemnity, and it should be done systematically in strict compliance with a set of clear and transparent regulations. However, in the appointment of the new Chief Executive this time around, rules were ignored, decisions were made arbitrarily, black-box operation was conducted, and the result may only reflect nepotism and manifest once again the further enhancement of the Chief Executive's principle of treating people differently according to their affinity with the Government. It should have been a simple matter, but perhaps because of the political considerations of the Chief Executive, it was turned into a political scandal.

Deputy President, concerning this incident, there is a need for the Financial Secretary to solve a myriad of enigmas for us; what are the initial considerations of the authorities? Why should it replace the key man in the heat of the financial crisis, that is, to remove the Chief Executive of the HKMA who has more than 10 years of experience? Has the Governance Sub-Committee of the Exchange Fund Advisory Committee made recommendations to the Financial Secretary on extending the term of office of the Chief Executive of HKMA as well as his staying or leaving? What recommendations have been made? Has the Administration adopted these recommendations? Why has it not adopted them? The existing legislation gives the Financial Secretary the absolute power to appoint the Chief Executive of the HKMA. When the Financial Secretary

exercises this power, has he consulted the Governance Sub-Committee? Has the selection process been initiated in accordance with the advice sought? When was the selection team formed? When did the selection process start? What were the procedures? What candidates had been shortlisted? When will the selection process be formally completed? Why was it said that the process had come to the final stage at one time, and it was said that the work had been completed at another time? Did the Financial Secretary lie to this Council or the general public?

Deputy President, a host of doubts will not only undermine public confidence in the governance of the SAR Government, but also bring further uncertainties to Hong Kong when the woes of the financial crisis are still lingering. This will also impact on the confidence of international investors in Hong Kong's image as an international financial centre.

Deputy President, some people criticized that as the HKMA had assumed the role of the central bank, it should have a certain degree of autonomy, and the Legislative Council should not find fault with it. However, I would like to point out that even in the case of the Chairman of the Federal Reserve of the United States, who is appointed by the President of the United States, his appointment has to be challenged and endorsed by the Congress, let alone the fact that the President of the United States is elected by the people, and there is a public mandate in the political decisions he makes, but the Hong Kong Government is not returned by election (*The buzzer sounded*) .....

**DEPUTY PRESIDENT** (in Cantonese): Speaking time is up.

**Mr Ronny TONG moved the following motion: (Translation)**

"That this Council do now adjourn for the purpose of debating the selection of candidates for the post of Chief Executive of the Hong Kong Monetary Authority."

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

**MR WONG KWOK-HING** (in Cantonese): Deputy President, I would like to make three points on this issue. First, the issue of the tenure of office should be straightened out through this replacement exercise, because the tenure of office should not be open-end, instead, it should be systematized. Second, the transparency of the recruitment exercise should be increased in order to win public credibility. Third, the pay should be drastically cut. I will now use the remaining time to elaborate my views on the third point relating to remuneration.

Deputy President, the fixed salary of Mr Joseph YAM of the HKMA for last year had reached \$7.78 million, while the variable remuneration amounted to more than 3.17 million. Comparing with the respective figures of \$7.18 million and \$2.74 million in 2007, the year-on-year increases in the fixed pay and variable remuneration were 8.4% and 15.9% respectively, while the fringe benefits had also increased by 1.35 times to \$974,000. Therefore, Mr Joseph YAM's total remunerations were \$11,933,000 last year; Mr YAM was indeed employed at a sky-high pay. This sky-high pay is especially shocking in the midst of layoffs and pay cuts. I consider that this is not only a twinge felt by the public, but also an agonizing pain which hurts deeply. The reason is that he is paid not out of the General Revenue Account, but the Exchange Fund, while the Hong Kong Exchange Fund is an asset of the people of Hong Kong, therefore I consider that the expenditure on remunerations should be rationalized.

If we compare Mr YAM's pay with that of his other colleagues in the HKMA, we can see that the average annual salary and other fringe benefits of a Deputy Chief Executive were roughly \$6 million, which means that Mr YAM's pay was doubled. Even if the newly recruited Chief Executive's salary is reduced to \$7 million, it is still 15% higher than that of a Deputy Chief Executive. In addition, if compared with the remuneration of accountability officials of the Government, the pay is as much as several times higher, thus it is very unreasonable, Secretary. Let us do some calculations. The fixed and variable pay of Mr YAM is about \$1 million monthly, or an average of more than \$30,000 per day. What is the concept of more than \$30,000 per day, Deputy President? It is equivalent to the total monthly salaries of four fresh university graduates who are lucky enough to have found a job in these days — according to the information released just today by the Government, their monthly salary is about \$6,000 to \$7,000. How can people be convinced that he should be paid at such a staggering price? To one's surprise, the pay level of a financial chief of the SAR Government is even higher than that of any central bank governor of other

countries in this world, as none of them is remunerated at a level as high as his, I therefore consider that very unreasonable.

I wish to quote the words of a former accountability official, Mr Joseph WONG, who worked in the Civil Service Bureau and is now a part-time professor of The Chinese University of Hong Kong. He said that regardless of the merits and demerits of Mr YAM, he has successfully obtained the highest pay of a public officer in the world, with half of his job being a central bank governor and the other half being a fund manager. He also pointed out that the rewards for these duties are only meant for capital preservation. As a financial regulator, the pay level of the management of the HKMA is unreasonably expensive. Therefore, I urge the Government to take the opportunity of this recruitment exercise to adjust the pay of the Chief Executive of the HKMA back to a reasonable level, in order to put things right. This is the only way to bring justice to the people of Hong Kong. I hope the Secretary will respond to my demand.

**MR LEUNG KWOK-HUNG** (in Cantonese): Deputy President, when I was a schoolboy, I heard that upon drinking the spring water from the "Spring of Greed", people would become very greedy. Joseph YAM has certainly been there and he must have drunk a big gulp of the spring water; he might even have filled up a few more bottles to enjoy back home at his leisure. This is why he is completely shameless regarding his pay rise request. Why? It can be said that his career went without a hitch in the past, but now he has made a mess in regulating the sales of structural products by banks. He said that he was a person of foresight, but in fact he is insensitive and numb, that is, he acts like an idiot. Now all these are exposed even more clearly upon his request for a pay rise. Nevertheless, if he shows his regret and says that he is unable to accept the pay rise and that there is no need for a pay rise, then I will not tell him off.

This is really unprecedented; as regards his job in overseeing the sale of these "toxic products", he was torn to pieces by us, he was grossly dismembered in this Chamber, and if he is still in the mood to accept the money, then I must ask: is the system so corrupt? What kind of system is this? Of course there are historical factors. Back then the Financial Secretary gave him the powers in one go, allowing him to run it as a private company and he is therefore made the Chief Executive. Then he could not be dismissed, unless he is hacked and



eliminated in one go. This is such a bad system — there is no tenure of office, and the pay rise is decided by their good selves. I have read out the list of members of the Governance Sub-Committee in a meeting of this Council. There are numerous bankers, and quite a number of entrepreneurs who are acquainted with bankers. Those so-called academics are solely for embellishment purpose. His remuneration is decided by this group of people — WONG Kwok-hing has just left the Chamber — of course this is unacceptable. He is the one who oversees them, and they will get together for a cup of tea and chit-chat in leisure time.

Mr CHIM Pui-chung was right. When the banks vied for business with securities firms, he had helped them. Then, some powers were seized by way of a memorandum, but he just did nothing, which has led to today's chaos. In other words, he considers that things can be sorted out by doing nothing at all; of course, things can be sorted out. He just acts like the central bank, as he needs not determine the interest rates through negotiation, for he only needs to follow the interest rates of the United States. When other people short sell Hong Kong dollar, he takes the money to carry out hedging. I also know how to do these. Then everything will be fine by adding up a few percent. K C CHAN, you are more capable than he is, so why have you not done the same? Why is your pay so low? It is just because there was this need at that time. Roughly speaking, Joseph YAM can be considered a capable person, but when a capable person like him assumes that post, he has performed poorly.

Now that someone's close ally is appointed to office without any attempt to avoid suspicion of cronyism, and the matter is intervened by the Chief Executive again. Joseph YAM, you have been holding the office for too long, you need to step down. Frankly speaking, Joseph YAM also knows that he has to step down because something has gone wrong, otherwise how will he leave the office? The Chief Executive then tells the person who is serving him, that is, Norman CHAN, to take over this dream job. Had we not criticized the level of remuneration, would he be willing to receive a pay of \$7 million only? He would take the \$1.1 million pay. Now that he comes to the "Spring of Greed" and drink the water, Joseph YAM's belly is swollen because he drinks too much, and on top of that, he also takes home two bottles of the spring water — he originally wishes to bring two bottles home, but now he can only take one bottle with him, because the time is up.

To deal with this problem, we have to reform the system. What is involved in this reform? In fact, only one thing should be done. That is, at least this should be discussed by this Council (even if this Council is a malformed legislature, we still need to debate the matter), buddy, and after we have had more discussion on this issue, the authorities will have a sense of shame, thus some reforms will be carried out. But this is not the case for the time being — the decision is made behind closed door, and no one knows when the selection is done. Today you have performed a show, that is, you play the blind, the deaf and the dumb. Today we raise questions to the Financial Secretary; today you are the Financial Secretary, my brother, not the Secretary; the Financial Secretary is your immediate boss. Even if I ask you how the next selection exercise will be done, you still do not know, for there is no procedure. Therefore, the best reform is to empower this Council to do the weighing, to have a hand in it and to do the measuring, or else all that have been done are superfluous. Norman CHAN gave me a very poor impression. We met with Donald TSANG the other day to discuss some issues, and Norman CHAN arranged for a hidden camera to film the scenes when Donald TSANG sermonized us, but none of our remarks criticizing Donald TSANG was broadcast. This guy only allowed the live broadcast of what Donald TSANG had said to give us a "lecture" in front of all Hong Kong people. This wicked guy is in fact a scoundrel; he can find favour with his boss only in doing so, he can climb up to this position only in doing so.

**DEPUTY PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, your speaking time is up. Please sit down.

**DR PRISCILLA LEUNG** (in Cantonese): Deputy President, the salary of the Chief Executive of the HKMA, Joseph YAM, has always been a topic of public discussion. The reason is very simple, because many people do not even know that those who hold public office are so handsomely paid.

Since the establishment of the HKMA in 1993, Joseph YAM has been serving as the Chief Executive. Because of his rich experience and he has been in office for 16 years, the HKMA is considered, and is in fact, an independent kingdom. It is not subject to the supervision of government officials and the Legislative Council, and it is not accountable to the public.

Last year, the financial market has experienced a great disaster. We have repeatedly questioned Mr YAM in the meetings of the Subcommittee set up to study the Lehman Brothers saga, and I still remember that Mr YAM said that he had warned investors in an article he wrote in June last year, so he considered that he had performed the important responsibilities required of him. I consider that he really had disappointed everybody by making such a remark, as we all hope the Chief Executive of the HKMA can play a gate-keeper role for Hong Kong.

After the incident, the public started to concern about what kind of organization the HKMA is. Last month, there was the bonus incident. Hong Kong is still facing the pressure of the financial tsunami and yet, the HKMA still offered bonus to its management. I consider that the whole mechanism is really facing a great challenge. The fact that the pay of Mr YAM is higher than that of the Chairman of the Board of Governors of the United States Federal Reserve or the President of the European Central Bank will certainly be criticized by the public. Some people pointed out that the pay level of Mr YAM was set after making reference to the market value. I have also heard fans of Mr YAM say in radio programmes that he deserved the generous benefits because he was holding a very important position.

However, I must point out that many public offices are actually vested with the decision-making power, and the remunerations of the original jobs of these people who assumed these posts are perhaps even higher. I am not targeting criticism at any person, but I think that perhaps there is a great disparity between the current pay of the Secretary for Justice, the Financial Secretary and judges of the Court of Final Appeal and their original remunerations. So, if we are to justify his pay by making reference to the market value, saying that the Monetary Authority's remuneration should be exceedingly generous, that is a totally untenable argument. The person who holds the public office should have the spirit of serving the community, and job satisfaction, a sense of achievement and respect from members of the public are also very important considerations.

According to section 5A of the Exchange Fund Ordinance (Cap. 66), "The Financial Secretary shall appoint a person to be the Monetary Authority on such terms and conditions as he thinks fit." In view of this provision, I think what we need to consider now is whether the HKMA should become a statutory body. I think that at this point, we should consider seriously because since the HKMA

has so much power, how can we prevent the past and present problems which are criticized severely by the public from recurring in future?

The Exchange Fund Ordinance has not set down the tenure of office of the Monetary Authority, but the holder of this post can remain in office for 16 years. At present, the Financial Secretary is an accountability official, whose tenure is also limited to a certain period. I consider that since the Monetary Authority is appointed by the Financial Secretary, should his tenure of office be also limited to a certain period? It has been said that frequent replacement may affect the financial stability of Hong Kong. But in any case, I think the public will not accept a mechanism which does not set out the tenure of office. A 16-year tenure is too long indeed; it is so long that the whole mechanism has begun to fossilize, coupled with the lack of transparency, lack of oversight, and lack of checks and balances. I think it is now time that the Government, the HKMA and the Legislative Council should face squarely to the current remuneration system, operational transparency, its accountability and division of labour with the Government, and how it can justify its actions to the public in respect of the HKMA, the organization which decides the lifeline of Hong Kong's economy.

Thank you, Deputy President.

**MR JEFFREY LAM** (in Cantonese): Deputy President, I have heard a lot of people ask: What does the HKMA do? In fact, the HKMA is equivalent to the central bank of Hong Kong, responsible for maintaining the stability of the exchange value of the Hong Kong dollar, managing the investment of the Exchange Fund, promoting the safety of Hong Kong's banking system in a sound and effective way, as well as developing Hong Kong's financial infrastructure and so on. The post of the Chief Executive of the HKMA is equivalent to the central bank governor of some countries or regions, which is closely related to the stability and security of Hong Kong's financial system, thus the post carries great weight and significance. His successor should possess abundant professional knowledge, a great deal of experience in market operation as well as a vast personal network. In addition, as the Chief Executive has to deal with huge reserves and financial secrets, he must win the trust of the Government before he can perform his role effectively.

Since the post and responsibility of a central bank governor is of great importance, and as it is also closely related to the financial security and interest of

a region or a country, therefore, no open recruitment exercise will be conducted by these central banks in foreign countries. In fact, the governors of all central banks are appointed by the government. For example, the President of the European Central Bank (ECB) is appointed by the European Commission on the recommendation of the European Parliament and the ECB Governing Council with the unanimous agreement by heads of its member states. Governors of central banks in the United Kingdom, Singapore, Australia and Japan are appointed by the president or head of finance.

Does it mean that the selection procedure is not stringent enough without an open recruitment exercise? I think the two are not necessarily related. According to the powers conferred by the Exchange Fund Ordinance, the Financial Secretary may appoint a person to be the Chief Executive of the HKMA as he thinks fit without having to go through any procedure. This time around, the Government decided to set up a three-member team to carry out the selection and nomination procedures and from this, one can see that the Government is prudent about the selection. However, I consider that the crux of the matter is whether they have a set of good selection criteria, as well as whether the chosen candidate will meet the expectation of the public. I think the Government should make public its selection criteria, so that everyone will have a better understanding of the Government's justification for the appointment, and this can at the same time consolidate the public's confidence in the Chief Executive of the HKMA.

Deputy President, following the appointment of the successor of the Chief Executive of the HKMA, I consider that the Government should take this opportunity to develop a systematized set of rules for the pay and tenure of the Chief Executive of the HKMA. The present remunerations and tenure of the Chief Executive of the HKMA are decided in a flexible way by the Financial Secretary on recommendation of the Exchange Fund Advisory Committee, and there has been no mechanism to base on. Therefore, some controversies and unnecessary speculations have been aroused in the past. In fact, many countries and regions have provided for in law the tenure of their central bank governors, so I wonder if the Government can study and consider laying down the requirements about the length of tenure of the Chief Executive of the HKMA clearly in the relevant legislation. In addition, the Government may also formulate a clearer and more transparent mechanism to explain to the public the criteria for determining the pay of the Chief Executive of the HKMA.

Deputy President, the appointment of the Chief Executive of the HKMA must comply with the principle of executive-led governance and the principle of autonomy. However, the selection criteria for the Chief Executive of the HKMA, and the determination of the remuneration and tenure should be more transparent, so as to enhance public confidence in the governance of HKMA.

Deputy President, I so submit.

**MR CHAN KAM-LAM** (in Cantonese): Deputy President, according to section 5A of the Exchange Fund Ordinance (the Ordinance), the Financial Secretary is vested with the power of appointing a person to be the Monetary Authority, and specific provisions are made regarding the functions of the Monetary Authority. Hence, the appointment of the Chief Executive of the Hong Kong Monetary Authority (HKMA) by the Financial Secretary in accordance with the law is unquestionable.

Since its enactment in 1992, the Ordinance has been in force for over 17 years during which there has not been any change in the Chief Executive of the HKMA, as the post has been held by Mr Joseph YAM for 16 years all along since 1993. Hence, there is only one Chief Executive in these 16 years, in which remarkable performance has been attained by the HKMA in discharging its functions. Its management of the banking industry and the investment of the Exchange Fund and reserves have won international acclaims. The contribution made by the HKMA and Mr Joseph YAM towards the development of Hong Kong as an international financial centre is essential and irrefutable. However, his long term of office and his sky-high remuneration certainly have become issues that warrant a review in the eyes of the public.

The Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) is also very much concerned about the selection process of the Monetary Authority, his term of office and his remuneration level. While we have no objection to rational discussion on the system of the appointment of the Monetary Authority, regrettably, the discussion is more about the person rather than the issue, such as making wild guesses that the next Monetary Authority must necessarily be Mr Norman CHAN, that the Chief Executive has appointed his own man to take up a key position, and that Norman CHAN is a predetermined appointee.

Deputy President, if it has to be said that Norman CHAN is a predetermined appointee, I am of the view that it would be more appropriate to say that he is determined by outsiders. As early as two to three years ago, there had been a common acknowledgement in the market that Norman CHAN would be the best choice for the successor of the Monetary Authority. Even recent comments in the market or in society at large still acknowledged that Norman CHAN is surely the successor of Chief Executive Joseph YAM, reflecting that there is no such case as predetermined appointee. If he is indeed appointed, it can be said that his appointment has widespread public support.

Chief Executive Joseph YAM is due to retire, and the Government of the Hong Kong Special Administrative Region (SAR) is at its final stage of work in selecting and finalizing the appointment of the new Monetary Authority. The DAB is of the view that since the Monetary Authority is responsible for managing Hong Kong's huge foreign reserves of \$1,500 billion, maintaining the stability of Hong Kong dollar, and fostering the stable development of the banking system in Hong Kong, not only is he vested with special powers and financial management information that is highly sensitive, but more importantly, he is also in control of the lifeline of the development of this international financial centre, and he is tasked to establish unquestionable confidence for the protection of the safety of the public's assets. Therefore, the SAR Government undoubtedly has to be extra prudent in dealing with the issue of candidates for appointment. Certainly, to cater for the demand for transparency, there is a need for the Financial Secretary to make known to the public the process of selection of appropriate candidates so as to show that the appointment is made with prudence and impartiality, and on the principle of meritocracy.

Deputy President, to identify candidates for the new Chief Executive of the HKMA, a three-member selection team had been set up by the Government earlier on for recruitment to be conducted through arrangements with head-hunting agencies, which we reckon to be an appropriate approach. Nevertheless, we are of the view that though the management framework and system of the HKMA has been operating effectively during Mr Joseph YAM's term of office as the Chief Executive, in order to take stock of the situation and keep abreast of time, reviews on the appointment mechanism of the Chief Executive of the HKMA in fact need to be conducted by the SAR Government to enhance the credibility of the Monetary Authority.

I so submit.

**MRS REGINA IP** (in Cantonese): Deputy President, since the successor has not been announced by the Government, and up till now, all the reports on the candidates are only hearsay, I will only comment on the system but not the candidates. I will speak briefly on the candidates for the Chief Executive of the Hong Kong Monetary Authority (HKMA) in four aspects.

Firstly, earlier on today, the Secretary said that the proceedings for appointment are more or less the same as those in countries overseas, and that similarly, no open recruitment is conducted for this post in countries overseas; however, there is indeed something that he had missed out. Take the United Kingdom and the United States as examples. The Federal Reserve System and Bank of England are both statutory bodies, and the relevant tenure is stipulated in law. Besides, though appointments are made by the Prime Minister or the President as in the case of the United States, approval of the Parliament or Congress still has to be sought. Therefore, comparison could not be made in such a way, saying that there is similarly no open recruitment for all alike.

Public dissatisfaction with the post of the Chief Executive of the HKMA arises not only because the HKMA is not a statutory body, but the fixed tenure of its Chief Executive is also not made known to the public, thus making the whole scenario look like being under the control of one person. Further, not much effort was seen to be done by the incumbent Chief Executive in grooming his successor, though Mr YAM had once been said in a meeting of this Council that it was not that he had not cultivated his successor, just that his successor had refused to wait. Certainly, not every successor is willing to wait endlessly like Prince Charles who has but no choice. Other successors could choose to take up other jobs, and this is called opportunity cost in economics, right? Hence, it was unfair for Chief Executive YAM to make that remarks at that time. On this point, the Government should note that it should not depend on just one person and regard him as indispensable. In my decades of service in the Government, it had been my principle of management that "nobody is irreplaceable". That the Government's management over the HKMA has come to this stage is indeed a gross failure on its part.

Thirdly, in the aspect of remuneration, the message that we frequently receive is that talents could not be recruited or retained if remuneration is not on a par with private banks. But please take a look at the four major areas of work of



the HKMA. Should they be compared to private banks? These four areas are first, to keep the Hong Kong dollar stable; second, to maintain the stability of the banking and finance sectors; third, to develop the financial infrastructure; fourth, to manage the Exchange Fund. Which of them can be directly compared with private banks? If there is any, it would be management of the Exchange Fund, but people from the finance sector told me that work done by the HKMA in this aspect is indeed far easier than that performed by private banks or investment banks, for its job only involves the buying of services, but not the hard work of setting up of sovereign wealth funds to make investment on its own. Hence, it is inappropriate to draw comparisons with the private sector.

Further, the management framework of the HKMA has also aroused much dissatisfaction. The HKMA is not a statutory body but it is subject to the regulation of the Exchange Fund Ordinance and the Banking Ordinance. In the HKMA, there is a Chief Executive's Committee, and its management framework is known as the Exchange Fund Advisory Committee (EFAC). In fact, to manage the Exchange Fund is only part of the job of the HKMA; certainly, it could be said that the remuneration of the Chief Executive is decided by the Governance Sub-Committee under the EFAC. On the face of it, there is a system but we have to bear in mind that Hong Kong is only a small place in which there are countless, intricate ties between the business community and the senior officials. Those sitting on the Governance Sub-Committee are the tycoons and big wigs who would play golf or go to horse races or operas with the Chief Executive and Deputy Chief Executives of the HKMA, or bankers monitored by the HKMA. It is indeed very unsatisfactory for his remuneration to be set or his tenure to be proposed by such a framework.

Though the Government could make announcement of the candidates any time and does not have to be accountable to us in law, in fact, it should expeditiously take steps to ensure effective the management of political risk, so as to enhance the credibility of the HKMA on the whole and the prestige of its Chief Executive in particular. An objective and convincing system should be established as soon as possible and explanations should be made to this Council. Better still, if the candidate is smart enough, he can come to us to reply to our questions. It would only be more beneficial for him in taking forward his work in the future. Thank you, Deputy President.

**MR LEE WING-TAT** (in Cantonese): Deputy President, it is not without reason that the appointment of the new Chief Executive of the Hong Kong Monetary Authority (HKMA) has aroused such a huge uproar and so many queries from the public.

Everybody knows the course of development of this incident. The Financial Secretary said here that three persons have been appointed for the selection work. Next, it was reported by the press that the appointee has been determined, just that the remuneration was still under discussion. Such reports have certainly shocked the public. Though the Government, the Secretary or the Financial Secretary have indicated that the Financial Secretary is vested with this power under the law, it was raised by various Members that firstly, the power of our Government comes not from the people, but from the 800 members of the Election Committee, which means that there is no mandate from the people. Hence, Financial Secretary, you could not tell us that this could be done according to the law. This is indeed not correct, for your system is in fact different from others.

Secondly, it has been indicated by many Members that even though others' systems are the same as ours, certain appointments are examined and approved by the Parliament, or the House of Representatives and the Senate, which means that there is at least a consultation process. However, Financial Secretary, you dare not take even this step. This is why I was so angry this morning. Because when it pleases you, you would say that international standard and the law in other countries are like this, but why is it that you do not follow everything in these countries? Very often there is a separation of powers for the purpose of checks and balances according to international practices, whereby the power of appointment of the executive department is subject to checking by the legislature. But you do not follow this at all. Why did you not say that the appointment of this post has to be made in such a way? Frankly speaking, you would get sufficient votes even if it is done in such a way. What we want is a statutory proceeding and an opportunity for consultation conducted with a high degree of transparency.

Thirdly, Financial Secretary, you made me angry this morning because while you talked about international practices, you did not talk about the same when it comes to remuneration. The annual remuneration of the former Chairman, Alan GREENSPAN or incumbent Chairman, Ben BERNANKE, of the Federal Reserve Board of the United States is only some \$2 million. I do not

know how the Government can explain that the job of the Chief Executive of the HKMA is more difficult and challenging than that of his counterpart in the United States. In fact, the system in the United States is bigger than that in Hong Kong; and the storms and political risks they have to face are much more serious than those in Hong Kong.

Frankly speaking, the work that has to be dealt with by the Chief Executive of the HKMA is far less than theirs. Just now Members mentioned stabilizing the local currency, which is pegged to the US dollar. What work is there to be done then? As far as I can see it, the scope of work is only limited to these two currencies, such as selling US dollars and buying Hong Kong dollars, and that is all. The performance in respect of investment return of the Chief Executive has also been average but not particularly outstanding and yet, his annual remuneration is as high as \$10 million. Financial Secretary, why did you not mention this morning why this post is worth an annual remuneration of \$10 million?

Financial Secretary, you then said that comparison had to be made with the private market, which would be even more saddening for our political system, because it would mean that all would take a money-oriented attitude and nobody would take jobs which do not offer high remunerations. With this money-oriented mindset, many retired senior officials thus continued to take up money-oriented jobs that aroused public queries. Had the former Alan GREENSPAN or the incumbent Ben BERNANKE adopted the money-oriented mindset and said that they were not willing to take up the post because the annual remuneration was only \$2 million? Though the remuneration of Britain's Finance Minister, finance chiefs of their Monetary Authority, and the President of the European Central Bank is less than that of the Chief Executive of the HKMA, they are willing to take up the posts. In this aspect, why did the Secretary not talk about internationalization? The Secretary could not just talk about one point and ignore the rest.

Thirdly, CHAN Kam-lam just said that we should not raise such queries because there may not necessarily be problems in what other people have done. If no problem exists, the Financial Secretary might as well give us an account of what happened. Financial Secretary, this morning you dared not reply even to the question asked by Alan LEONG and Tanya CHAN as to when the three-member team was appointed. Hence, we have all the reasons to query that you are engaged in conspiracy. There are things which have not been revealed

by the Government, so we give you a chance to reply to questions in this Council, but you refused to answer them. How possibly could this not arouse queries from the public? We would give you two opportunities; Financial Secretary, you still have a chance later to reply as to when these three persons were appointed and when they started work, and whether Financial Secretary John TSANG had made a decision on the appointee several weeks ago, only with the level of remuneration to be settled. The more the queries from the public, the more the opportunities this Council would give you to answer questions. If you refuse to answer, then the public have the right to query that in fact, a family servant had been designated for the job with a private deal made behind closed doors. Why can the public not have queries? You have been given the opportunity to explain but you refused to explain this. Nobody could prevent you from explaining this.

Therefore, Deputy President, this is in fact a scandal, which the Democratic Party and the democrats could not easily let off. I think investigation should be conducted by this Council if the Chief Executive of the HKMA can be appointed in such a way and with an annual remuneration of \$10 million, or with a reduction of merely \$1 million or \$2 million in remuneration, thinking that the matter will simply disappear into obscurity.

Thank you, Deputy President.

**MISS TANYA CHAN** (in Cantonese): Deputy President, Chief Executive Joseph YAM of the Hong Kong Monetary Authority (HKMA) is due to step down. Before his successor is revealed, the whole city has been seething with indignation. In fact, as it is only fair that person with capability should assume the post, I would not mind at all who will fill the post of the new Chief Executive as long as he really has the calibre and is capable of protecting the stability of the Hong Kong dollar and managing our Exchange Fund well. That would be OK. What concerns me most is the process of appointment and its transparency as well as the standard of corporate governance.

As Mr LEE Wing-tat mentioned earlier, it had already been hard for him to ask for information on the date this morning, so I think I would not be able to get any answer at all if I were to ask about the nature and scope of work of the three-member selection team. What I would get is probably a reply that resembles the one made by the Financial Secretary today, who kept on saying that

he was vested with the power. Now, let me first speak on the approach adopted by the Government in announcing the retirement of Mr YAM and the selection exercise. Staff movement is extremely normal for any organization, but it appears to me that in dealing with this incident, the Government seemed to be exceptionally serious about this matter, conveying to the public an impression that it is acting stealthily and that there is an inside story. This is precisely why the community has cast doubts on the Financial Secretary.

On that day when the Government announced the retirement of Mr YAM, there was no mentioning whatsoever of the arrangement for his successor. Not to mention who the successor would be, even the process of the appointment process remained a mystery when the retirement of Chief Executive Joseph YAM was announced. As a result, rumors and discussions abounded in the community, with some people saying that a certain person is surely to hold the position, and others saying that the former Financial Secretary might take up the post.

It was only when an uproar emerged that the Government stepped forward to remedy the situation by pointing out that a three-member selection team had been appointed for selecting the new Chief Executive of the HKMA. If this three-member selection team did exist earlier, and the selection process had reached its final stage, I really do not understand why this three-member selection team was not mentioned at the time of the announcement of the retirement of Mr YAM. In fact, this point has been mentioned by many Members just now. If the Government made these clear at the outset, there would not be wild guesses or even criticisms of cronyism and ulterior motives on the part of the Government in the community as a result of not knowing the full picture.

Frankly speaking, sometimes I do have sympathy with members of the selection team who are experienced and have a high status in society. As they were invited to assist in the selection of the new Chief Executive, I believe there should not be any query of the judgment made by them. However, the Government has been acting surreptitiously and covering things up in this incident, making the three members become accomplices to the Government's cronyism, which is by no means fair to them.

I reckon that apart from enhancing the transparency of the appointment mechanism of the Chief Executive of the HKMA, fundamental amendments have to be made as well. Reference can indeed be made to the appointment procedure

of the Chairman of the Federal Reserve Board (FRB) of the United States, in order to improve the appointment mechanism of the Chief Executive of the HKMA. Though the Chairman of the FRB is appointed by the President, the Board Chairman-designate has to go to the Congress to answer questions from its Members. This had also been mentioned by Mrs Regina IP earlier on. Though the Congress has no authority to overrule the appointment of the Chairman of FRB, there is a chance that the appointment would abort if the Congress has strong queries about the appointment. On the contrary, in Hong Kong, the appointment of the Chief Executive of the HKMA is almost ..... in fact the decision rests with the Financial Secretary alone; it would be fine if he says it is fine. Hence, under a political system without universal suffrage, the acceptability of the Chief Executive of the HKMA is therefore open to question.

Having spoken on the appointment mechanism of the Chief Executive, I would like to speak on how the management of the HKMA can be reinforced. Following the retirement of Chief Executive Joseph YAM, there comes the questions of the remuneration and tenure of his successor, as well as whether there should be any restriction on his post-service employment. I think there should be discussion on these issues. Reference can be made to the experience of the FRB of the United States or the Central Banks of other countries.

As for the issue of remuneration, it has been clearly pointed out by the Government that the remuneration of the new Chief Executive would definitely be lower than the sky-high pay of Mr YAM. Given this, reference should be made by the Government to other major countries' remuneration system for their Central Bank governors, so as to make adjustments and put in place a mechanism. As for tenure, the FRB has stipulated that the term of office of its Chairman is 14 years, which can serve as a reference for the term of office for the Chief Executive of the HKMA. If we still very much hope that he will remain in office at the expiry of his 14 years of tenure, I believe this has to be handled seriously and further deliberated.

Deputy President, I hope that both the HKMA and the Government can take actions and respond to the demands of society and this Council as soon as possible by commencing a comprehensive review. It must not ignore the matter or regard the issue to be already settled on the ground that the selection of the new Chief Executive of the HKMA has been finalized.

I so submit. Thank you, Deputy President.

**MS EMILY LAU** (in Cantonese): Deputy President, as Miss Tanya CHAN said, we have to ask the Administration to act quickly and establish a framework on the regulation of the Hong Kong Monetary Authority (HKMA). Deputy President, I believe many Members know that this debate tonight is meant for this purpose. That said, it would be impossible for this purpose to be achieved.

On the subject of legislation, the Democratic Party has, for many years, suggested that powers and responsibilities of the HKMA be specified in law, but that is even harder to be realized. Even on the issue of setting the level of remuneration, we still do not know how that can be done. Deputy President, while no explanation is being offered by the Government at present, it is probable that an announcement would soon be made. So, I really do not know what use today's debate can serve. In fact, these views have been mentioned in this Council over the years, but the Administration has no intention to take any action.

As for the discussion tonight, it can be seen from previous debates that the views among a majority of Members are indeed consistent. Deputy President, while some Members may treasure the Government very much and give it a lot of latitude, others are keen to make it perform better. The views we present tonight again could in no way be realized, just as it is impossible for laws to be enacted. But the term of office certainly has to be specified. All posts in the world have a term of office. How could there be no tenure? Deputy President, there is no specification even of the retirement age for this post, which means that one can do whatever he likes. Several years ago, a backroom deal was made to let him remain in office for three to five years more, and that was just a casual talk, and no one has ever produced any document. Though a letter had been written by the Governance Subcommittee, some people said that in fact, the Governance Subcommittee had not discussed this, only that Joseph YAM requested the Chairman to write the letter, and so he wrote it. But that was rejected subsequently because five years were indeed too long, and it was finally reduced to three years after much bargaining. Such rumors had circulated in the finance sector but no one came forth to clarify, which has only made Hong Kong a laughing stock. There is no system even for such an important, fundamental issue. The HKMA is neither fish nor fowl. The Government says that it is a government institution, but all regulations governing civil servants do not apply to it.

Just now, Members mentioned the level of remuneration. Deputy President, this is the figure of 2008, and the remuneration was \$11.93 million, while that for the Chairman of the Federal Reserve Board (FRB) of the United States was \$1.49 million; that for the Governor of the Bank of England was \$4.18 million; that for the President of the European Central Bank was \$5.17 million; and that for Germany was \$4.35 million. I do not know what has gone wrong in Hong Kong, which is only a small tiny city but is offering this level of remuneration, which is much higher than these big countries. Most laughable is that while the remuneration in the United States was only over \$1.4 million, the holder of that post in Hong Kong was drawing over \$10 million.

Deputy President, how about the remuneration of his deputies? The remuneration and fringe benefits totalled \$7 million for a Deputy Chief Executive and \$4.2 million for an Executive Director. How on earth did that come about? The remuneration and fringe benefits totalled \$7 million for a Deputy Chief Executive, so how much could be reduced now? Is it that the Chief Executive is to be remunerated less than his deputies? Or would the Government pledge a salary reduction for all ranks? No salary reduction could possibly be made for the serving staff ..... but it is hoped that their terms of office can be specified; otherwise, the matter would be even more complicated. Could the remuneration be reduced with the signing of a new contract? This has to be dealt with by the Administration.

In fact, Hong Kong is most generous to staff of such institutions, and the HKMA is most awesome, for its Chief Executive, draws over \$11 million, compared to \$8.18 million in the Futures and Securities Commission, \$6.5 million in the Airport Authority, \$5.52 million in the Mandatory Provident Fund Schemes Authority, and \$4.1 million in the Hospital Authority. Wow! Deputy President, you and I would be rich — they are the ones to become rich. The money of the taxpayers has all been spent for an indiscernible cause.

There is no need for expenditure of the HKMA to be examined and approved by us. Deputy President, as you may remember, several years ago, \$3.7 billion had been used by the HKMA for purchasing flats, and this sum was said to be staff expenditure. It can thus be seen that transparency is lacking in its expenditure. No one knows anything about its expenditure. It is a black hole. Further, its tenure is also unknown, and no retirement age is specified for the post. Increase of remuneration is proposed by their own people, the same



outrageous practice also applies to expenditure in other areas. From a certain perspective, Members may consider that the performance of the HKMA is not very bad, but from the angle of management, the HKMA is indeed below par according to international standard, and has even reached the extent of being laughable; otherwise, how could his remuneration be over \$11 million, which is indeed scandalous! *(The buzzer sounded)*

**DEPUTY PRESIDENT** (in Cantonese): Speaking time is up.

**MR CHIM PUI-CHUNG** (in Cantonese): Deputy President, let me try to analyse this matter in some other ways ..... I will make an analysis of four persons, the first one being Mr Joseph YAM, who, as we all know, has been the Chief Executive of the Hong Kong Monetary Authority (HKMA) for 16 years. He is a Chinese who has attained remarkable success in Hong Kong after Mr David NENDICK. However, one has to feel contented with what he got, and to be aware of his shortcomings to avoid disgrace — since he does not have a chance to defend himself, it may be unfair for me to criticize him here; but we can have our own views on the issue — he has indeed been wrong, because in the last 16 years, the power that he has in Hong Kong has been overwhelming; and no matter who the Chief Executive or the Governor was, he still got certain representation and powers. His office is located at the highest level and was purchased at a cost of over \$3 billion, which was indeed an astronomical figure at that time, though he is now proved to be right.

A review of its overall operation will reveal that the previous system of the HKMA is not subject to any regulation, for he has great powers. He thinks that he is almost in control of the entire financial system in Hong Kong, so much so that the success of Hong Kong today, especially the pegging of the Hong Kong dollar to US dollar for 25 years, is the fruits of his efforts. This is due entirely to the inadequacies and faults in the system which warrants a review. He had made a request of serving the Government for five more years to the Governance Subcommittee under him, and the final result was that he would serve for another two years, and it has now become a fact. At that time, some Members even requested him to stay on, but they, of course, dare not even mention it now. This is all due to a different understanding of the whole issue, and in fact, it was already announced by the Government that he would step down on 1 October.

The second person is Prof K C CHAN. As I had expressed twice or thrice in this Council, he is the manager of Hong Kong's three-tier financial system. The first tier is the Secretary, the second tier is the Securities and Futures Commission (SFC), and the third tier is the Hong Kong Exchanges and Clearing Limited (HKEx), especially in respect of stocks. However, given his grade, how could he practically manage the SFC? As mentioned earlier, remuneration for the most senior post in the SFC is over \$8 million, which is a lot more than his remuneration. Several directors of the HKEx are Members of the Executive Council, so how would he dare to manage them? This is a problem with the system of the Government. Hence, there is in fact a need for review to be conducted by the Government. Today, he attends the meeting as a stand-in of the Financial Secretary, so he dares not sit in the front seat, for he understands it is not in any way easy to shoulder this responsibility.

The third person is Mr John TSANG, the Financial Secretary. According to section 5A of the Exchange Fund Ordinance, he is vested with absolute powers, but is duty-bound to provide a clear explanation to Members of this Council. We have to accept it even though it may not concord with our wish, but he would not be accused so severely if his explanation is accepted by us. Even though he had announced that three to four persons would be appointed for assessing other applicants — the Secretary can tell us the date later on behalf of the Financial Secretary — it does not matter, and it does not necessarily have to be the exact date; he can tell us that perhaps it was roughly three to four months ago. This is only to inspire more confidence in the public and this Council. What impropriety is there even if he has in mind an ideal candidate and this candidate is ultimately selected through this process? What secrets could there be?

The fourth person is Mr Norman CHAN. Right, I firmly believe that he would be the next Chief Executive of the HKMA, but this incident is indeed unfair to him. In any event, he had been a deputy Chief Executive of the HKMA and the CEO of the Standard Chartered Bank, and he has been maintaining a good relationship with the Government. Even if he is chosen to be the successor, we could not cast doubt on his integrity and credibility in the first instance, for that would indeed be unfair to him.

Nevertheless, I hope that the HKMA could review four aspects, namely, tenure, remuneration, degree of transparency and scope of powers of its Chief

Executive in due course. On the question of cronyism, one can do it but one must not reveal it. Further, affinity differentiation definitely exists. Could it be that a person who is totally unrelated should be appointed? This should not give cause for criticism.

**MR VINCENT FANG** (in Cantonese): Deputy President, it is widely acknowledged that the Hong Kong Monetary Authority (HKMA) is responsible for maintaining financial and monetary stability, as well as managing Hong Kong's foreign exchange reserves of \$1.5 trillion. Its role is comparable to that of a central bank and for that reason, any change in the top echelon of the HKMA is considered to be a piece of important information to the Hong Kong and even the international financial system. Therefore, the announcement made by the Financial Secretary last month that Mr Joseph YAM, the incumbent Chief Executive of the HKMA, would leave office effective from 1 October with no mentioning of his successor aroused immediately great public concern against the backdrop of financial upheavals.

(THE PRESIDENT resumed the Chair)

Two days later, when attending a meeting of the Panel on Financial Affairs, the Financial Secretary suddenly disclosed that a three-member selection team responsible for making recommendations to him on the candidates for the successor of the Chief Executive of the HKMA had been formed at an earlier time, adding that the selection exercise concerned was approaching the final stage and he would only give an account of the details of the selection exercise in conjunction with the announcement of the selected candidate for the successor.

That said, it was widely revealed by the press on the following day that the selection team had already been formed at the end of last year and that a decision on the candidate had already been made. As for the identity of the selected candidate, many Honourable colleagues have already mentioned this. However, since the selection team had already made a decision, for what reasons did the Government refuse to make the details known to the public in a frank and open manner in the meeting of the Panel on Financial Affairs, so as to avoid rumours and even the suggestion that the successor had been predetermined?

The Liberal Party holds that the furore revolving around this incident is unnecessary. Actually, the Exchange Fund Ordinance affords the Financial Secretary a great deal of flexibility in appointing the Monetary Authority in that he can make the appointment in accordance with the terms and conditions that are deemed appropriate in his view and there is no stipulation on the procedures to be adopted for determining the suitable candidate. On this occasion, the Financial Secretary unprecedentedly formed a three-member selection team and I believe his so doing was well-intentioned in that he wished to enhance the impartiality, independence and credibility of the selection exercise.

However, it is a great pity that the approach adopted by the Government displays an utter lack of transparency and is even tantamount to putting the cart before the horse because the Financial Secretary said that the details of the selection exercise would be announced only after a decision is made and this arrangement amounts to black-box operation. Why can the Government not enhance the transparency by making the details of the selection process known to the public? If no details are provided, how can members of the public be convinced of the outcome of the selection exercise?

Regarding this incident, the Liberal Party holds that Members should target the issue, not any individual, in advancing their views. We should call for institutionalization of the entire selection process to ensure stringency, fairness and impartiality. Moreover, the most appropriate successor of the Chief Executive of the HKMA should be selected on the principle of meritocracy.

As for the selection of candidates, is it necessary to conduct a global recruitment exercise? We do not opine that such an exercise is necessary because it is rare that in a country or region, the post of central bank governor or a financial official with the same duties and functions is taken up by a person from other places. The Liberal Party finds it acceptable that a Chinese national or even a local person is to assume office as Chief Executive of the HKMA. That said, the principle of identifying the most capable and suitable candidate must be observed and the selection process must be conducted in an open and transparent manner. The Government should not "hard sell" a candidate to us after conducting the selection process behind closed doors.

President, I so submit.

**MR JAMES TO** (in Cantonese): President, the views put forward by Mr Vincent FANG in his speech are actually very similar to mine. I wish to add that when he raised the second oral question, Mr Fred LI already asked whether or not the Government's selection team had already been formed at the end of last year. Moreover, a number of Members also raised follow-up questions of when this selection team was formed. What we are concerned about is the reasons why the Government has acted so furtively and why it lacks transparency in undertaking its work. In fact, there are reasons for this. Perhaps, let me give Members an elaboration.

If what has been reported by the press, that is, the selection team had really been formed at the end of last year, is correct, the reason will be simple. At that time, despite the economic adversity and the fact that all governments around the world were dealing with problems arising from the financial tsunami, which were like a bottomless abyss, our Government had already set its mind on eliminating some "eyesores", or at least getting rid of them as soon as possible, only that it had to wait for an appropriate opportunity, and for that reason, the selection exercise was conducted first. However, if the Government had formed the selection team really for this purpose, first, members of the public would challenge the Government for not doing what it should do. They would raise the question of whether or not it was necessary at that particular juncture to make up its mind to eliminate an experienced financial official who was able to maintain social stability amidst this adversity.

Second, in the course of conducting the recruitment exercise, even if the three members of the selection team were respectable, impartial and competent, how could they, in identifying suitable candidates, give the answer of "we do not know" in response to the candidates' question of when the appointment would take effect? In the midst of the economic adversity, there was no point for the Government in making an immediate announcement that Joseph YAM, the Chief Executive of the HKMA, would leave office, so the competent candidate might be asked to wait for 10 months or 18 months prior to assuming office. However, would the candidate agree to wait for a while because Joseph YAM would retire sooner or later? Is that possible?

Then, the competent candidate, having become aware of such a situation, might make the decision of declining the offer. Eventually, after a number of competent candidates have been approached, only those in the following

categories are able to take the offer. The first person is Norman CHAN because he is now working in the Chief Executive's Office and there will be no problem for him to accept the appointment, unless the Chief Executive suddenly steps down, in which case he will not know what he can do while waiting. If this happens and renders him out of employment, he will then have the need to seek another employment, because he just would not know when the Government would offer the appointment to him. For that reason, he must be able to assume office. Moreover, the present three Deputy Chief Executives of the HKMA may also be able to take up this office. They would have nothing to lose because they only have to wait until the incumbent Chief Executive of the HKMA has left office, and one of them can then take over the post. Serving civil servants or Administrative Officers may also be a possible option. Apart from these persons, I cannot think of anyone who has real talent, experience and exposure in this respect. On one hand, the remuneration remains unknown to them. On the other hand, they have no idea as to the date of assuming office and that of Joseph YAM leaving office.

In fact, the work undertaken by this three-member selection team is very simple. As LEUNG Chun-ying said, to his knowledge, no one is better than Norman CHAN. Frankly speaking, there are two reasons to explain his remark. First, anyone will find it impossible — any competent person will find it impossible to accept the offer of an employment with the date of assuming office not specified. Second, the Government has kept on "hinting" that the successor is Norman CHAN, and as a result, any competent person in society will consider it impossible to compete with him for the post.

If the recruitment exercise can really be conducted in an open manner and be institutionalized, at least some people may cherish the extravagant hope that the mechanism would be impartial and they would try to submit an application. He will not mind even if he is fooled by this mechanism because it is a good opportunity to serve the public as the HKMA is considered the central bank of a premier financial centre. However, given the approach taken by the Government, even if the Government handles the recruitment exercise in an impartial manner, as the date of assuming office is not specified in the recruitment, this will ..... On the contrary, even if the candidate is informed by the three-member selection team or Martin TANG that Joseph YAM will definitely leave office in October, does it mean that our Government really possesses a crystal ball? Will the economic situation definitely become more

stable in October? Can Joseph YAM be allowed to leave office in October? Does the Government have these projections? If it does not, that means the Government pays no heed to public interests in times of economic adversity and in order for a chamberlain who has close affinity with the Government can be promoted to leadership, it has designed a mechanism which has eventually landed the three-member selection team in injustice.

**MR ALAN LEONG** (in Cantonese): President, regarding the appointment of the Monetary Authority, I believe Hong Kong people and Honourable colleagues of this Council only wish to have a mechanism with objective criteria and clear rules and regulations. Although the candidate selected by this mechanism may be Norman CHAN, the crux of the matter lies in the establishment of such a mechanism.

President, I have conducted some research and originally prepared a script for my speech today, in a bid to explain to Members that be it in England, Australia or Canada, the respective terms of office, procedures for appointment and terms and conditions for their central bank governors are specified in law. However, I would like to put these aside for the time being because I really wish to spend the remaining four minutes to speak on today's — President, as you may recall, it is mentioned in the main reply given to the second oral question put by Mr Fred LI that the Financial Secretary had earlier decided to invite Mr Victor FUNG, Mr Marvin CHEUNG and Mr John BOND to recommend suitable candidates to him. At that time, I rose and asked a question that I consider to be simple and straightforward, that is, when was the invitation made? Were there any invitation letters? President, although I thought to myself that a straightforward answer would fall on my ears, who knows the Financial Secretary completely evaded my question and did not give a reply at all. I wished to give him a second chance and put the same question to him again in the time allotted to me to ask a follow-up question. However, he still failed to give an answer. President, I believe you still have a clear memory of this.

This kind of evasive behaviour is really baffling because this three-member selection team, together with a retired personnel consultant, rendered assistance — I hold that this arrangement was made for only one reason, President — that is, to serve as a convoy of the fact that Mr Norman CHAN had been chosen as the successor because the selection team was also of the view that a mechanism

independent of the Chief Executive should be put in place. However, if this is the logic, I would consider the judgment made by the person in charge totally incomprehensible. If this had been the case, a high-profile announcement should have been made regarding the establishment of this three-member selection team and the criteria for determining the successor. Only in this way can the abovementioned purpose be accomplished. However, the course of disclosure of information in this incident indeed has given rise to considerable skepticism, for example, for what reasons was the disclosure made in a manner comparable to, as a colloquial expression goes, "squeezing toothpaste out of a tube", that is, disclosing only a bit of information at a time, rather than making a one-off disclosure in a frank and open manner?

President, for that reason, I have doubts — reasonable doubts — that this is just a story made up afterwards. Will it be that as something undesirable had been identified as the incident developed, it was then decided to make up a story to explain things away, unlike the suggestion now being discussed in society that the selection process commenced in December last year? It is difficult to avoid this suspicion among members of the public because the disclosure was made in an evasive manner. President, after all, we are not recruiting a chauffeur or gardener for the Chief Executive — in fact, I should not have spoken of the Chief Executive — the situation is not one of an ordinary person recruiting a gardener, driver or housekeeper. The issue we face now is the appointment of such an important person as the Monetary Authority in accordance with section 5A(1) of the Exchange Fund Ordinance.

Therefore, an explanation must be given expeditiously to dispel the doubts. I hope the Financial Secretary can grasp the opportunity to offer an explanation later in this meeting. Otherwise, further procrastination will give rise to the suspicion that he is still unwilling to speak on this matter in a frank and open manner and that he is still finding ways to fix things up. Thank you, President.

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

**MR KAM NAI-WAI** (in Cantonese): President, during the Question Time, many Honourable colleagues referred to a remark made by Prof K C CHAN in the main reply given on behalf of the Financial Secretary, that is, to avoid any unnecessary



misunderstanding. In fact, his saying so means that he is aware of the prevalence of misunderstandings among members of the public.

As Members are aware, the approach taken by the Government in handling the appointment of the Chief Executive of the Hong Kong Monetary Authority (HKMA) has led to considerable misunderstandings. A Member said just now that the Chief Executive or the Financial Secretary of course practised cronyism in determining the successor, only that they had not put this in words. I do not think Hong Kong people would wish to see this, and all we wish to see is a sound system with a high degree of transparency.

Members of the public and Honourable colleagues are highly concerned about the remuneration offered to the Chief Executive of the HKMA. Victims of the Lehman Brothers Minibond incident certainly hold that the Chief Executive of the HKMA does not deserve a cent and wonder why he is entitled to an annual remuneration in excess of \$10 million. Many members of the public, including those from the financial sector, have also indicated to us their incomprehension of Joseph YAM's receipt of such a considerable remuneration. In the course of looking up at some information, we found that the Government commissioned a consultant in 2002 to conduct a pay survey in relation to 11 statutory bodies of this nature and related organizations. Many people may not recall this, but some of our former colleagues may still remember it. I would describe this survey as a "show" because from the information that I have gone through, there was a reduction in Mr Joseph YAM's remuneration subsequent to the completion of this survey. What was the percentage of the reduction? It was 5.24%, which means that his remuneration was reduced to \$6.49 million in 2003. In addition to this remuneration was a variable pay — the amount of which was increased by 15% then — these two sums made up a total of some \$8.7 million. Subsequent to this "show", despite the reduction in his remuneration in 2003, his annual salary for this year is still in excess of \$10 million, as Members may have learned from the annual report.

The commissioning of this consultancy is nothing but putting on a show, with an aim of whitewashing the reality. Our present discussion centres on the issues relating to the system, and as some Members said just now, according to the Government, open recruitment of central bank governors was currently not a common international practice. That said, many Members have also highlighted that even though open recruitment is not a common practice in many countries, in the course of appointing their central bank governors, candidates in various

democratic countries are required to attend congressional hearings and the power of appointment or dismissal of a central bank governor rests with the head of state. However, is there such a requirement in Hong Kong? No.

I am of the view that the same is also applicable to the determination of remuneration. What is the common international practice? Members have already cited a number of examples. Even when it comes to the Chairman of the United States Federal Reserve Board, his remuneration, which is even less than that of the Chief Executive of Hong Kong, is widely known to the public. For that reason, when Members refer to a common international practice, please do not just mention part of it, so as to avoid unnecessary misunderstanding.

Enhancing the transparency of the selection mechanism through open recruitment and making arrangements for candidates to answer questions in the Legislative Council are very, very important procedures to be adopted prior to making the appointment. I hope the remuneration offered to the new Chief Executive of the HKMA will not be determined in a "black box" as before. If the remuneration given to the new Chief Executive of the HKMA is still of such a considerable amount, I believe members of the public will definitely find it unacceptable. I hope the Financial Secretary can give a clear reply later in this meeting. Thank you, President.

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

**MR WONG KWOK-KIN** (in Cantonese): President, given that Hong Kong is an international financial centre, the monitoring of its financial system is very important. The Hong Kong Monetary Authority (HKMA), which is the organization responsible for managing Hong Kong's foreign exchange reserves of \$1.5 trillion and monitoring the banking industry, has a grip on the highly confidential information on Hong Kong's financial system. As such, the role performed by the Chief Executive of the HKMA is even more important.

In fact, I do not quite understand the reasons for not including this post in the list of the eight principal officials in the relevant article of the Basic Law to stipulate that approval must be obtained from the Central Authorities for appointment. In view of Members' current concern about the HKMA, the

Government should conduct a review of the selection, recruitment, term of office, remuneration package and terms of reference of the succeeding Chief Executive of the HKMA, that is, the Monetary Authority, so as to establish a clear, open and permanent mechanism, thereby allaying the present worries of members of the public.

President, to give the matter its fair deal, the work undertaken by the HKMA over the past years has borne fruit. Through its work, we have been able to maintain financial and monetary stability over all these years. In 1998, we succeeded in defeating international speculators in the battle against their attack on our financial system. Moreover, we have suffered a less serious impact in this international financial tsunami when compared with other neighbouring regions. All this bears witness to the effectiveness of the work undertaken by the HKMA.

In relation to the candidate for the succeeding Monetary Authority, we hold that in addition to possessing substantial financial knowledge and management experience, he should be able to work closely with the Government, so as to safeguard the financial security of Hong Kong. The success in defeating international speculators in 1998 as a result of the concerted efforts of the Monetary Authority and the Financial Secretary reveals to us the importance of such co-operation. Since the Monetary Authority holds the lifeline of our economy, the person occupying this post must have the trust of the Government and the Hong Kong public. The Hong Kong Federation of Trade Unions disagrees with the suggestion of conducting an open recruitment. The Financial Secretary should discharge his constitutional duty and appoint a person who is qualified to be the Monetary Authority with the power conferred on him by the Exchange Fund Ordinance. Of course, in case it is proven in the future that the Financial Secretary made a wrong decision in appointment which directly led to the occurrence of incidents in our financial system, the Financial Secretary himself should be held accountable.

The Legislative Council will also discharge its monitoring function by overseeing the work of the HKMA and the Monetary Authority. On the point that the selection team commenced its work without the public's knowledge at the end of last year, which has attracted heated discussions among Members, to my understanding, since this incident relates to the central core of our financial system and is highly sensitive, especially as Hong Kong is facing the

international financial tsunami, I opine that this move is understandable as it is in the overall interest to Hong Kong. However, most importantly, the candidate selected by this selection team must be truly competent, and this is our request.

President, I so submit.

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

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): Members have already spoken. I now call upon the Financial Secretary to reply.

**FINANCIAL SECRETARY** (in Cantonese): President, as the Financial Secretary is now on overseas duty visit, I am speaking on his behalf on the Motion for the adjournment of the Council. I wish to explain the legal basis and related issues with respect to the appointment of the Chief Executive of the Hong Kong Monetary Authority (HKMA).

The appointment of the Chief Executive of the HKMA is clear and unequivocal, and just now Members have also mentioned this point. Section 5A(1) of the Exchange Fund Ordinance provides the Financial Secretary with clear powers and responsibilities to appoint the Monetary Authority and draw up the terms of appointment. The Financial Secretary acts in accordance with the law. He will make the appointment in accordance with the powers vested in him. The Financial Secretary considers the present arrangement appropriate.

The work of the HKMA involves many areas, which include maintaining monetary and currency stability, regulating banking business, managing the Exchange Fund as well as developing Hong Kong's financial infrastructure, so as to support and implement the policy of maintaining Hong Kong's status as an international financial centre.

The HKMA has to shoulder heavy responsibilities, and as most of its work involves financial expertise and complicated technical details, we need to employ talents with the appropriate expertise and experience to perform the duties.

During the appointment of the Monetary Authority, the Financial Secretary will act in a fair and impartial manner according to law. At the same time, he will ensure that the appointee is fit and proper and that the appointment is in the best interests of Hong Kong.

As Members have mentioned just now, open recruitment of Chief Executive of the HKMA is not the most suitable approach. To my knowledge, open recruitment of governors of central banks is currently not a common international practice.

I would also like to take this opportunity to explain the existing roles and functions of the Exchange Fund Advisory Committee (EFAC) and the Governance Sub-Committee (GSC). The EFAC, and the GSC under it, are set up within the HKMA. Their major functions are to make recommendations to the Financial Secretary on investment policies and strategies for the Exchange Fund and on projects, such as the development of financial infrastructure, that are charged to the Fund, the HKMA's annual administration budget, as well as the remuneration and human resources policies of the HKMA and related matters.

In order to ensure that the next Chief Executive of the HKMA is a fit and proper person to hold this office, the Financial Secretary has earlier invited Mr Victor FUNG, Mr Marvin CHEUNG and Mr John BOND to recommend suitable candidates to him. At the same time, the Financial Secretary has also invited Mr Martin TANG, a retired personnel consultant, to assist in the recruitment work. All of them are providing assistance free of charge in their individual capacities. Members of the selection team do not only possess their own expertise, but also won the respect of all walks of life. The Financial Secretary considers this appropriate.

As explained by the Financial Secretary some time ago, the selection exercise has already reached the final stage. Upon completion of the exercise, he will announce the name of the successor of the Chief Executive of the HKMA and provide the relevant details.

Members have expressed many views during the adjournment debate on the Chief Executive of the HKMA. I will collate the comments and report them to the Financial Secretary.

President, I so submit.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That this Council do now adjourn. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

#### **NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 11.00 am on Wednesday, 10 June 2009.

*Adjourned accordingly at two minutes to Nine o'clock.*

**Appendix I****WRITTEN ANSWER****Written answer by the Secretary for Security to Mr LEE Wing-tat's supplementary question to Question 4**

As regards information on whether the 21 wanted leaders of student movement had ever been to Hong Kong, based on the information from media reports and public websites, the Immigration Department is unable to ascertain the 21 persons as mentioned by the Member. Furthermore, immigration records are confidential information protected by the Personal Data (Privacy) Ordinance and shall not be disclosed publicly. As such, we cannot provide the relevant information.

## Appendix II

## WRITTEN ANSWER

**Written answer by the Secretary for Financial Services and the Treasury to Mr LEUNG Kwok-hung's supplementary question to Question 6**

As regards "Contraband and Counterfeit Cigarettes", the reply is as follows:

	<i>2007</i>	<i>2008</i>	<i>2009</i> <i>(January to August)</i>
No. of arrest for possession of illicit cigarettes	188	217	327
No. of arrest for smuggling, distributing and selling of illicit cigarettes	1 258	990	1 100