

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 16 October 2008

The Council met at Three 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.

DR THE HONOURABLE MARGARET NG

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

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

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

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

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

THE HONOURABLE ALBERT CHAN WAI-YIP

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

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

THE HONOURABLE VINCENT FANG KANG, 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 CHAN TANYA

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.

PUBLIC OFFICERS ATTENDING:

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

THE HONOURABLE JOHN TSANG CHUN-WAH, J.P.
THE FINANCIAL SECRETARY

THE HONOURABLE WONG YAN-LUNG, S.C., J.P.
THE SECRETARY FOR JUSTICE

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

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

THE HONOURABLE DENISE YUE CHUNG-YEE, G.B.S., J.P.
SECRETARY FOR THE CIVIL SERVICE

THE HONOURABLE TSANG TAK-SING, J.P.
SECRETARY FOR HOME AFFAIRS

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

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

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

THE HONOURABLE EVA CHENG, J.P.
SECRETARY FOR TRANSPORT AND HOUSING

THE HONOURABLE MRS RITA LAU NG WAI-LAN, J.P.
SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT

PROF LAU SIU-KAI, J.P.
HEAD, CENTRAL POLICY UNIT

CLERK IN ATTENDANCE:

MS PAULINE NG MAN-WAH, SECRETARY GENERAL

THE CHIEF EXECUTIVE, THE HONOURABLE DONALD TSANG YAM-KUEN, TO ADDRESS THE COUNCIL UNDER RULE 8 OF THE RULES OF PROCEDURE, AND TO ANSWER QUESTIONS PUT BY MEMBERS ON THE POLICY ADDRESS PRESENTED TO THE COUNCIL AT THE MEETING HELD ON 15 OCTOBER 2008.

THE CHIEF EXECUTIVE'S QUESTION AND ANSWER SESSION

PRESIDENT (in Cantonese): Members will please remain standing for the Chief Executive.

PRESIDENT (in Cantonese): The Chief Executive will first address the Council.

CHIEF EXECUTIVE (in Cantonese): President, Honourable Members, today is the first Chief Executive's Question and Answer Session of this new term. Here, I congratulate all the newly elected Members, and hope that the executive and the legislature will work closely together to take real actions for the public.

The title of this year's policy address is "Embracing New Challenges". We are all aware of the damage of the recent financial tsunami to global economy, so my initial focus was placed on high inflation and relief measures for the people when preparing this policy address. However, the spate of incidents that happened in the past month, including the Lehman Brothers Holdings filing for bankruptcy and the American International Group running into serious financial difficulties, had triggered a financial tsunami which rapidly swept across the European economies. The entire world then plunged into a financial crisis.

Compared with the Asian financial turmoil in 1997, this crisis is far more destructive both in terms of depth and breadth. So, the time required for recovery will be much longer. Therefore, the policy address this year has to respond to the impact of this once-in-a-century global crisis on Hong Kong. Since the financial tsunami is still developing, it is difficult to accurately predict its damage to our economy. I had once worried that if we were too pessimistic about the future of our economy, economic recession might set in earlier than expected when internal consumption shrinks. Meanwhile, the Government is duty-bound to give members of the public a clear account of the situation so that they can take the necessary precautions.

The truth is, I feel that the worst has yet to come. Financial sectors around the world were first hit by this financial tsunami, followed by problems relating to enterprise financing and the industries. Worse still, mainland export

would decline, thereby seriously affecting such local industries as logistics and tourism, and the small and medium enterprises (SMEs) in particular.

It is, however, important to recognize our own situation in this crisis, and we must not throw ourselves into confusion.

In this global financial turmoil, Hong Kong did not see the collapse of major financial institutions like that in Europe and the United States, or the need for the Government to rescue with equity injection. This is attributable to the continuous effort made to improve our supervisory system for the financial sector since the Asian financial crisis in 1997, which has enabled us to see Hong Kong withstand this turmoil today and remain relatively stable than other financial centres.

While different financial centres around the world are pinched, we must further improve our system to better prepare ourselves for the next challenge. Only by so doing can Hong Kong stand out and turn a crisis around into an opportunity.

We must be psychologically prepared to live under the shadow of a recession, but there is no need to be overly pessimistic. Most of the 10 major infrastructure projects proposed by me last year have made satisfactory progress, and will be launched in the next two years. Promoting economic development through infrastructure projects is the direction of development drawn up by me during the campaign for re-election. Despite the external changes, this direction will remain unchanged, and the importance of promoting economic development through major infrastructure projects will become more apparent at times of difficulties.

Another established development strategy is the integration with the Mainland. Over the past year, significant progress has been made in the co-operation between Hong Kong and Guangdong, and greater efforts will be made to enhance co-operation in the service sector in the future. Meanwhile, we will maintain the proven Application List System, under which land supply is determined by market demand to assure the stability of the property market. All in all, the situation in Hong Kong is stable.

Although no one can accurately assess the adverse effects brought by the financial tsunami to the global and local economies, we should nonetheless seize

the initiative. Therefore, I will chair a committee called the Task Force on Economic Challenges to assess the impact of the financial tsunami on our economy and major industries, and put forward concrete measures to meet the challenges while grasping new opportunities to enhance our competitiveness. The Government will liaise with the Legislative Council, and will definitely consult it and its Members on any concrete policy proposals.

With regard to livelihood issues, the focus of this year's policy address is combating long-term thorny issues rather than introducing short-term relief measures for the people. Since the relief measures proposed in this year's budget and those announced in July have reached the grassroots, it is believed that the pressure of living on them should be alleviated. In the policy address, I proposed the introduction of an across-the-board minimum wage and the establishment of a committee to study the minimum wage level. This demonstrates our determination. In my view, efforts should be made to balance the protection of workers against exploitation and forestalling the loss of low-paid jobs.

Another concern of Members is Old Age Allowance (OAA). I agree that setting the OAA at \$1,000 is fair enough, but consideration should also be given to the sustainability of welfare policies. All new measures should not undermine our simple tax regime, nor impose a heavy burden on our public finance in the long run because 25 years later, there will be one elderly person among every four Hong Kong people as a result of the aggravating ageing problem. In that case, the increase in "fruit grant" must go hand-in-hand with a proper means test mechanism. I know this will attract criticisms, but this is what a responsible government is bound to explain and put forward.

Honourable Members, Hong Kong is facing an enormous challenge and all we need at this moment is confidence, including confidence in the system and in the Government. Above all, Hong Kong people should have confidence in themselves. Over the past decade since the Asian financial turmoil in 1997, we have been building up our confidence bit by bit. But if we throw ourselves into confusion at this moment, our confidence will shatter in a blink of an eye. I promise to work closely with Members of the Legislative Council, so as to join hands to turn the crisis around into an opportunity and overcome all challenges before us.

Thank you, President. Thank you, Members.

PRESIDENT (in Cantonese): The Chief Executive will now answer questions put by Members on the policy address. Members who wish to ask questions will please press the "Request to speak" button to indicate their wish, and wait for their turn. Members will please stand when asking questions.

PRESIDENT (in Cantonese): After the Chief Executive has answered the question put by a Member, the Member may forthwith ask a short supplementary question on his/her question. The Member concerned only needs to raise his/her hand to indicate. There is no need to press the "Request to speak" button again.

MR ANDREW LEUNG (in Cantonese): *President, in delivering the policy address yesterday, the Chief Executive devoted great lengths to discussing how the financial crisis should be dealt with so as to convince members of the public that the SAR Government has the ability to overcome this crisis of the century. In these rough days, however, the banks have begun to tighten their credit policies to protect and save themselves. As a result, the SMEs are now subject to a credit crunch. Between now and the next few years, the SMEs will be facing a global recession with fewer orders and a rapidly deteriorating business environment. Given that those 270 000 SMEs in Hong Kong have already accounted for 98% of our local enterprises, will the Chief Executive undertake to offer the SMEs a helping hand as strong as that for rescuing the financial market in this financial tsunami, so that they can tide over these rough days? What policy can be launched immediately?*

CHIEF EXECUTIVE (in Cantonese): The target of the strategy adopted to strengthen the banking system in this financial crisis, as well as its financing and lending abilities in particular, is the local business sector, especially the SMEs that help to maintain Hong Kong's economic vitality. I therefore strongly believe that we have done all we can to safeguard their deposits. Special mechanisms and measures have also been put in place to provide guarantee when capital is needed by them. It is our ultimate goal to relieve the credit crunch faced by them and, in particular enable banks to continue extending credit to loyal customers with potentials. I am confident that should interbank rates drop in this period of time, the money market will not be so tight and the problem currently faced by SMEs in borrowing money will gradually be resolved.

However, as you may be aware, the ceiling of the SME funding schemes launched early this year has been raised in the hope of helping some SMEs. If they are able to leverage on this mechanism, they would receive more assistance. Furthermore, you should know that insofar as the Mainland is concerned — particularly the Pearl River Delta where the SMEs have built their plants — best efforts have been made to co-operate with Guangdong Province to ameliorate the impact of the new mainland policy on them. Therefore, Mr LEUNG, I can assure you that SMEs being the mainstay of Hong Kong will certainly continue to have our support. Let me tell you, our ultimate goal in rendering support to the banks is to make them continue to adopt a more rational attitude in dealing with their existing business clients in relation to extending credit.

MR ANDREW LEUNG (in Cantonese): *President, I wish to follow up. In fact, in the past few weeks, many SMEs have complained to me that the banks are tightening their credit. Of course, I am aware of the SME Loan Guarantee Scheme introduced this year, under which \$1 million was set aside for Accounts Receivable Loans whereas \$5 million was for installations and equipment. Will the Government consider allowing these \$6 million to be used as a lump sum in the short run so that the banks will be confident of throwing weight behind the SMEs continuously?*

CHIEF EXECUTIVE (in Cantonese): This proposal will certainly be considered. We will surely consider this option, and especially flexible measures that may facilitate better use of the scheme by SMEs. I believe this can be discussed.

MISS TANYA CHAN (in Cantonese): *Mr TSANG, I very much agree that national identity, rights and obligations are the "tripod" underpinning the quality of our nationals, and they are indispensable. I also agree that the young people of Hong Kong should gain a better understanding of the actual situation, state of national affairs and development of the Mainland, and receive comprehensive national education. Furthermore, I also notice from the policy address that you have devoted five paragraphs (from the 123rd to 127th paragraphs) to national education. And yet, insofar as Hong Kong's young people are concerned, I consider human rights and civic education equally important. Given that the SAR Government would commit considerable resources to promoting Hong Kong people's knowledge of the relevant plans and projects of national education, will resources also be provided for the organization of projects relating to human rights and civic education for either the youths or people from all walks of life?*

CHIEF EXECUTIVE (in Cantonese): Certainly, our education projects are pretty diversified at present, and human rights are always protected as reflected in our textbooks, curriculum, government practices and even all operations in the community. Also, sufficient safeguards have been put in place. I am confident that, given all these, we will certainly feel that our human rights are protected. However, if any school or institution considers it necessary to introduce some special plans to enhance the knowledge in this respect, and looks to the Government for help, we would be happy to consider the feasibility.

MISS TANYA CHAN (in Cantonese): *I hope that the Chief Executive would really inject more resources because I can see that the increase from 5 000 to 37 000 is pretty substantial. This policy address, however, has not devoted much coverage to other aspects of education, for instance, publicly-funded places in universities have not increased for nearly two decades. It is hoped that the Chief Executive will consider other respects as well.*

CHIEF EXECUTIVE (in Cantonese): Our resource input in education has never decreased. Rather, the spending on education and training accounts for about 25% of our annual recurrent expenditure, and the existing strategy will remain unchanged. At present, it is most important to deploy resources to implement the "3-3-4" academic structure. Meanwhile, post-secondary and tertiary level places have increased, so do associate degree places. So, more avenues are available now. And yet, I do appreciate Members' concern about the possibility of increasing university places. We can therefore discuss how our limited resources should be deployed.

MR CHAN HAK-KAN (in Cantonese): *President, Chief Executive, we all know that the financial tsunami has caused significant impact on our employment market, and we can see that the unemployment rate of youths aged 15 to 24, in particular, has now reached 8.3%, where nearly 30 000 people are unemployed. Compared to the territory-wide unemployment rate of 3.2%, this percentage is pretty high. Recently, I have heard many personnel consultancies say that the number of new jobs for graduates of tertiary institutions would reduce in the coming year, so would the salary. However, in the Chief Executive's policy address released yesterday, I can hardly find any paragraph that suggested ways to help the young people get a job. Is our Government really powerless to do anything or being so helpless about this problem?*

CHIEF EXECUTIVE (in Cantonese): First of all, the relevant part in this year's policy address is sufficient to respond to the issues raised by the different sectors during the consultation period. A response has been given to each of them as far as possible, and that is why this year's policy address is pretty lengthy. And yet, since there are minor items under major issues, it is impossible for us to be exhaustive. Maybe it is correct to say that this problem was not highlighted in the course of consultation because the job market is in a good position at the moment. Earlier, you mentioned the unemployment rate of fresh university graduates, that is, young people aged 18 to 24. All along, it is comparatively higher than average in any open society. The rate is definitely higher. Is it necessary to lower it? The rate is higher simply because they all flock to the market upon graduation. The most important point is therefore how long they would have to wait to get a job. The job market is still favourable to them for the time being. I do not think their job-seeking time is too long. However, I am not saying that they are not affected by the financial crisis. I believe the whole job market will be affected. Difficult times are ahead, and perhaps this is the challenge that the young people must face. After all, the employment of young people and graduates of tertiary institutions in particular, is of particular concern to the SAR Government. We will certainly do anything to help them to join the workforce as early as possible.

MR CHAN HAK-KAN (in Cantonese): *President, the Chief Executive just now said that the employment rate of our young people is pretty satisfactory. I, however, do not quite agree with him. We can see that there are only two measures used by the Government to resolve the unemployment problem of young people, namely the Youth Work Experience and Training Scheme and the Youth Pre-employment Training Programme. It is true that more than 80% of the young people were able to get a job after completing these programmes, but their income is comparatively lower. May I ask the Chief Executive, as a follow-up, if he will consider helping these low-income working young people by providing cross-district transport allowance to them?*

CHIEF EXECUTIVE (in Cantonese): I think that it is most important for them to keep on pursuing further studies. If a person wants to be promoted to a higher echelon, he must pursue further studies and work hard. I think that transport allowance has been made available. We are now formulating a plan which is designed for the job-seekers. This is our proposal. Any plan to expand the proposal warrants discussion to examine our affordability.

MR LEUNG YIU-CHUNG (in Cantonese): *President, the Chief Executive's policy address released yesterday highlights "Embracing New Challenges". But most unfortunately, I wonder if the Chief Executive has deliberately turned a blind eye or a deaf ear to the old challenges, or simply wish to sweep them under the carpet. Among these are the problems of wealth disparity, soaring commodity prices and rising inflation. What is more, the old age retirement issue has yet to be dealt with. Millions of employees have suffered very badly in this financial tsunami. They have not only lost a sum of money, the worst thing is that even their pension has gone. In 2000, they were forced by the SAR Government to contribute to the Mandatory Provident Fund (MPF) schemes, hoping to accumulate up to tens of thousands of dollars as pension for use on retirement. However, even this sum of money has been washed away by this financial turmoil. Recently, a member of the public told me that he planned to retire within two years when his MPF would have accumulated up to tens of thousands of dollars. He has, however, checked his bank account recently, and found that the balance was only some \$10,000 to \$20,000 or less. Chief Executive, may I ask how you are going to help with their retirement? You mentioned the "fruit grant", but the recipients are required to pass a means test and not all elderly people are eligible. In view of the heavy burden of the retirees, how are you going to help them?*

CHIEF EXECUTIVE (in Cantonese): Regarding the implementation of the MPF System, it was the outcome of an extended¹ public discussion during which a number of proposals had been considered. If Members may recall, apart from the MPF System, there was also the universal provident fund scheme. At that time, consideration had been given to this option, but it was not accepted by the community. Neither did the Legislative Council. We therefore established the existing system. With regard to the fact that our savings were affected by the overall economic environment, this is inevitable. No provident fund scheme can be spared, and there must be some effects any way. Furthermore, since our MPF System is still immature, not all MPF scheme members could live on those savings if they started making contributions not long ago. They may have to resort to other means. And yet, as you can see, safety nets are put in place in Hong Kong.

MR LEUNG YIU-CHUNG (in Cantonese): *President, we are all aware of the safety nets. But what about those who fall outside the safety nets? That is why*

¹ The Chief Executive meant to say "冗長" (meaning an extended period of time), but he said "匡長" instead.

I asked the Chief Executive how he is going to relieve the heavy burden of living of the retirees. Chief Executive, do you know that there were different proposals at that time? Of course, it is the MPF System that is in operation. However, a universal retirement protection scheme was also mooted at that time, which might pre-empt the consequence of people's savings being washed away by this financial tsunami. Will you think carefully whether this financial tsunami will prompt you to draw a lesson from the bitter experience and introduce a universal retirement protection scheme to help us cope with the heavy burden of retirement life?

CHIEF EXECUTIVE (in Cantonese): When the universal retirement protection system was debated, it was one of the major proposals. However, it was not supported by Hong Kong people at large. It did not receive much support. Any suggestion to introduce a brand new scheme which again requires the working population to make contributions can be put forward for discussion. This is an enlightened and open society which welcomes discussion. Provided that it has adequate support, consideration can be given to it.

MR LEUNG YIU-CHUNG (in Cantonese): *President, just now the Chief Executive said that, among all others, the old age retirement protection scheme was not accepted. In fact, at that time*

PRESIDENT (in Cantonese): Mr LEUNG, this is the Chief Executive's Question and Answer Session, and I do not wish to see it turned into a debate session.

MR LEUNG YIU-CHUNG (in Cantonese): *I see, but I am not debating. I just wish to clarify the remarks made by him earlier. At that time, the British Government put forward an old age pension scheme, but it was turned down by the Central Government on the ground that this would be a car crash resulting in fatalities. What he said just now was not true and that is why I wish to clarify, President.*

PRESIDENT (in Cantonese): Please be seated first. Chief Executive, do you have anything to add?

CHIEF EXECUTIVE (in Cantonese): No, there is no need for a debate, especially because the proposal was neither supported by the community nor endorsed by the Legislative Council, which is true.

DR PRISCILLA LEUNG (in Cantonese): *Chief Executive, first of all, I welcome the legislation on minimum wage and the implementation of projects to help the elderly households in public rental housing as proposed in the policy address. However, I am disappointed that there was no mention of how the interest of the middle class would be taken care of. Many friends from the middle class have reflected to me that while they are obligated to pay tax, they do not have the right to enjoy any benefits. For many years, I have requested the Government to relax, for instance, the eligibility criteria of the middle class for legal aid so that more people would benefit. Concerning the recent Lehman Brothers saga, I am helping a large number of victims who are unable to get back their entitled interests through the justice of law as they can neither afford to employ a lawyer nor are eligible to apply for legal aid. They could only resort to more radical means. After this Lehman Brothers saga, will the Chief Executive instruct the Home Affairs Bureau to conduct a review of relaxing the eligibility criteria for legal aid? How can he help the victims effectively?*

CHIEF EXECUTIVE (in Cantonese): For the litigation concerning the Lehman Brothers saga, as you may be aware, our strategy is as follows. All investments certainly bear risks, investment in derivatives in particular, and this is a fact we must all accept. Insofar as the Lehman Brothers saga is concerned, our latest findings show that it may involve some unusual and irregular sales practices which warrant special investigation. I think that if these are substantiated, the victims may resort to legal proceedings through the established channel of the Consumer Council in addition to the Legal Aid Department. Furthermore, just as I said yesterday, should the Consumer Council consider it necessary to take legal actions but funding is lacking, an injection of funding is possible.

DR PRISCILLA LEUNG (in Cantonese): *Chief Executive, apart from the Lehman Brothers saga, we have actually seen that the middle class encountered great difficulties in access to justice over the past years. Therefore, this situation is not unique to the Lehman Brothers saga. Insofar as the interest of the middle class is concerned, there was an absence of a holistic policy in previous policy addresses for, say, other welfare issues, the levy on foreign*

domestic helpers, lowering of the fuel tax and education for children. I therefore hope that the Chief Executive will not only focus on the Lehman Brothers saga, but will instruct the Home Affairs Bureau to review the legal aid system in a holistic manner.

CHIEF EXECUTIVE (in Cantonese): The middle class is indeed the mainstay of our economy. All policy decisions should take into account the interests of all Hong Kong people at large, particularly those of the middle-class people. Under a small government, the input of resources into education and health care is meant for the benefit of all — including the poor and also the middle class. The same goes for legal aid, but a ceiling will certainly be imposed. Regular reviews will be conducted, but there is no fixed policy at all. Provided that such a need arises and resources are available, further discussions can be held on this issue. I think that matters relating to the provision of legal aid and the necessary resources are subject to review on a yearly basis, and that more could possibly be done.

MR CHEUNG MAN-KWONG (in Cantonese): *In the Chief Executive's policy address of this year, only three paragraphs were devoted to investment on education. While the three years' subsidized secondary education and site allocation for international schools were only rehashed proposals from last year, the proposed electronic textbook is still at a very rudimentary stage. The so-called education investment is nothing but a rehash of stale ideas without any new money. What new investment is this?*

Despite the financial tsunami, parents and teachers still have very high hopes for education as this is an investment that affects their children. However, in this year's policy address, no new resources are earmarked for education. This is the so-called education investment. Does it live up to its name?

CHIEF EXECUTIVE (in Cantonese): Our investment on education has never been reduced. Regarding the existing education policy, I understand that there are views denouncing the drastic changes in policy over the past few years. The relevant policies have been introduced one after another, such as the "3-3-4" academic structure, and Mr CHEUNG should be well aware of its introduction. In addition, there is the curriculum reform. Many things are now underway.

This year's resource input in education is definitely more than that of last year. Every year, our provision for education accounts for one fourth of the total expenditure. I strongly believe that this policy has proved the SAR Government's commitment to education.

MR CHEUNG MAN-KWONG (in Cantonese): *President, in this year's policy address, resources devoted to national education is the most substantial. In Hong Kong, views submitted by the education sector on educational matters were often not attended to. However, criticism made by President HU Jintao on the lack of national education in Hong Kong has attracted extraordinary attention from both the Chief Executive and his policy address. Simply for the number exchange students with the Mainland alone, it has significantly increased from 5 000 to 37 000, an increase of more than sevenfold. Even primary students are going to visit the Mainland, which is considered as national education. This is my question. While the Government responded to President HU Jintao's criticism with a more than sevenfold increase, is it not giving a single dime to answer the aspiration of Hong Kong people for education, such as increasing university places or implementing small-class teaching, in the face of the financial tsunami?*

CHIEF EXECUTIVE (in Cantonese): Just as I have reiterated, our resource input for various universities and education has not been reduced. We have merely done something to make up for the previous shortfall. For instance, all Hong Kong people consider our national education inadequate since 1997 as a result of a lack of attention in this regard, which has therefore resulted in comparatively little resource input. The current spending actually accounts for a tiny portion of the overall expenditure on education.

Let me say this once again. The SAR Government has maintained the resource input in education every year. The importance attached to and the amount of resources devoted to education has never decreased, and all the proposals mentioned by you would be put in place. It is not necessary to introduce new policy every year. The most important initiatives relating to education, just as I stated in last year's policy agenda, include the implementation of the "3-3-4" academic structure, subsidies for pre-primary and secondary education, as well as the 12-year free education. These are the promises I made to Hong Kong people during the re-election campaign. It is impossible to introduce new policies every year for this requires not only

resources, and the education sector would, in my opinion, find it too much to accept. Is this bearable?

The national education being promoted this year aims to make up for the previous shortfall. The resource input in this regard represents — let me repeat — only a very tiny portion of the overall resource input in education.

MS MIRIAM LAU (in Cantonese): *President, Chief Executive, oil companies have often been accused of being quick in raising and slow in reducing oil prices. While international oil prices have dropped 50% over the past three months, the pump prices at the petrol filling stations in Hong Kong have only dropped about 10%. The situation is the same in the United Kingdom. Therefore, a few days ago, the British Prime Minister Gordon BROWN commanded the oil companies in a high profile that they should not be quick in raising but slow in reducing oil prices, but should promptly passing on the benefit of the lowered international prices to the consumers.*

In contrast to Gordon BROWN, the Chief Executive said he was unaware of the situation that oil companies are quick in raising and slow in reducing oil prices in this morning's radio programme. Proposals have been set out in the policy address for consideration or negotiation with the oil companies.

In contrast to Gordon BROWN's strong and determined attitude, will the Chief Executive's remarks not give people an impression that he is afraid of the oil companies?

CHIEF EXECUTIVE (in Cantonese): At present, our oil price is benchmarked against the Singapore free-on-board (FOB) prices. I have compared the import and retail oil prices of Hong Kong with my colleagues, but no significant discrepancy has been found.

I hope that the relevant information can be made public as early as possible, so that all Hong Kong people will be aware of the Singapore FOB prices and can then keep track of the price trend to see if the oil companies are quick in raising and slow in reducing oil prices. I have nonetheless said that other actions would be taken if the case is substantiated. Not only consideration will be given, but actions have either been taken or are underway. Regarding the liquefied petroleum gas (LPG) and LPG filling stations, measures have been

put in place to cap the LPG price. Similar actions can be taken. However, in view of the flaws of these measures, Members should discuss if this is the best and most effective approach.

MS MIRIAM LAU (in Cantonese): *Chief Executive, oil is indeed the life of the sector which I represent. It constitutes not only a part of their costs, but is also of paramount importance to the general public. They are now living in an abyss of sufferings and tolerating high oil prices.*

The Chief Executive will definitely implement such measures as the provision of more information, but this is meaningless either to our sector or the public at large. Does the Chief Executive have any instant measures to bring down the oil prices so as to help the trade and members of the public?

CHIEF EXECUTIVE (in Cantonese): Take the duty on diesel for commercial use as an example. You should know very well that relief in this regard cannot go any further. The key lies in how we can make the fuel market more competitive by enhancing the transparency of our system in respect of the existing importers. Efforts are being made in this regard.

I strongly believe that should oil prices continue to drop, especially the Singapore FOB prices, retail prices in Hong Kong will definitely move downward. All of us, Secretary Edward YAU in particular, are very concerned about this issue. He is keeping a close watch on the import prices daily, and compares them with Hong Kong's retail prices. As far as I am aware, the prices have dropped in these days.

The issue cannot be resolved simply by making a command. No matter his surname is BROWN or BLACK, consideration should be given to the actual situation and the justifications.

MR FREDERICK FUNG (in Cantonese): *President, in the 12th paragraph of the policy address, the Chief Executive stated that, " continue to uphold the principle of 'Big Market, Small Government' in promoting economic development. The Government's role is to formulate policies conducive to market competition. When the market fails, however, the Government should be prepared to intervene in a timely and decisive manner."*

I consider it appropriate to conduct the review in this direction. And yet, I do not agree that the principle of "big market, small government" should only be reviewed in the context of market or economic competition. The Subcommittee to Study the Subject of Combating Poverty of the previous term visited the United Kingdom, Spain and Ireland, and saw how they merged social economy into market economy and how they co-existed in one country. In other words, these countries discovered that market economy alone cannot achieve all objectives, the problem of poverty in particular.

What is my question then? As noted from the Chief Executive's policy address, the Government would only intervene in the market but not attend to the problems of the poor people, who are under pressure in good days and bad days. President, please allow me to illustrate the situation with an example. In the policy address, the Chief Executive stated that the Government would expedite the development of the 10 major infrastructure projects. I fully agree that these projects will help boost economic development. However, will the Government consider shortening the necessary lead time of these 10 infrastructure projects from two years to one and a half year if consideration is to be given to relieving the problem of the poor? Is it possible to produce the components largely in Hong Kong but not the Mainland or anywhere else? Is it possible to shift the reliance of economic development on finance and real estate to labour-intensive trades? Only by so doing can the Government resolve this problem.

Take such countries as the United Kingdom and Spain as examples, heavy emphasis has been put on the operation of social enterprises with government assistance. It is impossible to get things done by merely providing a subsidy of just tens of millions of dollars through the Enhancing Self-Reliance Through District Partnership Programme or some \$1 million funding. There are presently 100-odd social enterprises only. Assuming that each of them employs 10 to 30 people, 100 such enterprises will only employ 3 000 people.

My question is: Will the Chief Executive admit that the Government would fail to help those 1.2 million poor people with its review of the principle of "big market, small government"? Please consider this at the same time and try not to think that the principle of "big market, small government" alone can tackle the problem of wealth disparity and that of poverty?

CHIEF EXECUTIVE (in Cantonese): I have all along adhered to the principle of "big market, small government", which will not be changed. In the 12th

paragraph, there was no mention of any change to this policy or principle. I merely stated the role of the Government under this principle. Insofar as community service is concerned, engagement of the SAR Government can be found in many respects, including the building of public housing. Furthermore, we have also established the Comprehensive Social Security Assistance Scheme. These are tasks beyond the ability of the market, and we are doing our best to accomplish them. Public services like water service are provided by the Government, so are certain transportation systems, such as the mass carrier system. Government involvement is required in order to get the job done. All the fruits made available for people in the community involve government participation, and this approach will continue.

With regard to the social enterprises mentioned by Mr FUNG just now, I also agree that more should be done. We consider that, however, the principle of "big market, small government" should not be changed and must be upheld. Notwithstanding this, the role of the Government should nonetheless change to keep abreast of the times and market changes.

MR FREDERICK FUNG (in Cantonese): *President, not only market economies, even American economists consider that the market alone cannot cope with the internal problems of a country or society, especially the problem of poverty and poverty alleviation mentioned just now. Therefore, I do not consider it sufficient for the Chief Executive to rule Hong Kong solely on the most fundamental principle of "big market, small government". Has the Chief Executive considered plugging this loophole by implementing other policies? If not, the problem of poverty will prevail and grow around you, and can never be discarded.*

CHIEF EXECUTIVE (in Cantonese): The problem of poverty cannot be tackled by the Government alone. In the end, it could only be resolved through education, the mobilization of other resources and the enhancement of social mobility. Meanwhile, mainlanders are coming to Hong Kong for reunion every day and they will become part of our community. However, most of them are, in general, workers of the extremely low echelon. Being a financial centre, people with strong earning power can make a lot of money in Hong Kong. In that case, the problem of the disparity between the rich and the poor will certainly arise. The gravest concern is the mobility of the community. Will people who are poor today see their lot improved within five years? Have we

tried to enhance their abilities for job promotion and competition through such aspects as housing, health care and education? These are the questions that we must look into squarely.

Furthermore, Mr FUNG, please do not belittle the Government's resource input in infrastructure or accuse us of working too slowly. We have procedures to follow. As Members may be aware, all projects must be approved by the Legislative Council. What is more, there are advance statutory formalities to complete. Yet, whatever project it is, efforts have been made to expedite the process by all means in the face of the present economic situation — when private investments have probably reduced. We would expeditiously take the projects forward to fill the gap. Here, I have some figures showing that in this year and the corresponding period last year, a total of 179 projects have been approved by the Legislative Council by virtue of the vested power. Apart from the West Kowloon Cultural District project, more than \$60 billion was injected over the past two years for projects of different scale. Some of them have already started. I think that Hong Kong's employment situation should improve with the implementation of these projects at this juncture. At a mature stage, these projects would raise our GDP by about 6% to 7% and create as many as 250 000 job opportunities. I am confident that these works would definitely bring us new outlooks, and make up for the loss resulted from a sluggish economy caused by the financial tsunami.

MR CHIM PUI-CHUNG (in Cantonese): *Chief Executive, globally the financial tsunami has happened, and in Hong Kong, just as you said earlier, we have the minibonds issue. In the policy address, you mentioned that a task force chaired by you would be established, and yesterday in front of the media, you even urged the banks to expeditiously make a decision. Chief Executive, you should know that the problem cannot be immediately resolved even if those two things were accomplished. Meanwhile, I strongly support your administrative initiative of establishing the Accountability System for Principal Officials. My question therefore contains three sub-questions. Firstly, what action will you take if it is proved in the future that one of the Principal Officials has to be held responsible for the minibonds issue? I have actually put this question to a Secretary of Department before, but I would like you to give a fairer response to all Hong Kong people and the victims.*

If it is proved that the case involves criminality, will you instruct other departments to employ tougher means so that the perpetrators would no longer make Hong Kong a teller machine?

Thirdly, which is the most important point, will you consider setting up a special court? We all know that legal proceedings may take as long as three to five years, after which the problem may remain unresolved. This will deal a serious blow to Hong Kong as a financial centre. Three questions have been raised, but they can actually be summarized into one. Now, the floor is yours.

(Observers on the public gallery applauded after Mr CHIM Pui-chung had finished with his question)

PRESIDENT (in Cantonese): Will people on the public gallery remain silent please.

CHIEF EXECUTIVE (in Cantonese): We are now busy combating the financial tsunami, Mr CHIM, and I am confident that our Government is a responsible one. And yet, this is not the right moment to punish any official. Nor is this the appropriate time to hold anyone responsible. For the time being, we should all stick to our positions and overcome the difficulties. I think that justice is in the hearts of the people. When the issue dies down, Members will naturally see who has done wrong or what mistakes we have made in this financial quagmire in comparison with other regions. In the face of the crisis, I believe it is more important to pool all our manpower and resources and this is what is expected of us by Hong Kong people.

If criminal acts are disclosed after the investigation, Mr CHIM, I can assure you that I will follow it up seriously. I will definitely do so. Yesterday, I also mentioned that should a victim found that the case involved civil rather than criminal acts and considered it unfair, whereas the Hong Kong Monetary Authority (HKMA) also noticed some unfair acts of the institutions concerned, he might turn to the Consumer Council for assistance under a special litigation mechanism. Money will be injected by the SAR Government when this litigation mechanism lacks funds, hence enabling the victims to initiate proceedings. This is the way to tackle it through the civil avenue. As for criminality, follow-up actions would surely be taken.

Regarding the special court proposed by you, the Courts are always full and many Judges are occupied with cases. If the Judges are made to take up this case, how long will the hearing last? I believe the hearing will be excessively long and may even affect other cases. I hope that the case will not

be brought before the Court as reputation and goodwill is very important to the intermediaries concerned (including the banks). Should we find anything wrong or flaws are discovered after the HKMA investigation, I am confident that those responsible banking institutions would immediately resort to reconciliation and consider making compensation without bringing the case before the Court, which is considered to be too humiliating and troublesome.

MR CHIM PUI-CHUNG (in Cantonese): *President, members of the public should have heard the three answers given by the Chief Executive. The point is we all know that legal proceedings in Hong Kong may probably take as long as three to five years. It is therefore my opinion and wish that the Government could set up a special court to make an ultimate arbitration where no appeal is allowed and is final. The decision certainly rests with the Secretary for Justice. With the availability of arbitration in Hong Kong, a lot of time can be saved. We are allowed to resort to this course in case of emergency. It is all up to you.*

CHIEF EXECUTIVE (in Cantonese): I dare not say if it works in the absence of an appeal channel. What is more, "Uncle CHIM" — I used to call him in this way — according to legal advice, arbitration requires the consent of the two parties concerned. In case either party does not agree, the case will be brought before the Court and no one can be forced into arbitration. Should either party refuse to give consent, nothing can be done. Legal proceedings are therefore necessary for some cases. But I do agree with you that if a large number of cases (civil cases in particular) are involved, hence the Court may probably take a very long time to handle them, but if the bank concerned still refuses to reconcile or do something about it when the elderly victims seek help, we will then resort to other courses of action. I will consider all your proposals and discuss with the Chief Justice how these special cases could be dealt with.

MS EMILY LAU (in Cantonese): *President, in the policy address, the Chief Executive mentioned the emergence of a financial crisis. But how he is going to tackle it, and whether it can be properly handled, in fact, members of the public do not have much confidence in him. This is, on the other hand, a governance crisis in Hong Kong. President, in the policy address, the Chief Executive almost recognized the presence of these problems in saying that the public's trust in the Government had changed. He asked if the core values of the Government had changed, whether it is fair and impartial, whether it still adheres to the*

principle of meritocracy or takes account of public opinion in formulating policies. And yet, President, he has not provided an answer. Does the fact that these questions are not answered imply that they are not problems at all? Or has he apologized to the public by admitting his wrongdoings and explored new solutions? If not, despite his low popularity rating, why would he insist that there was not any problem and he has not done anything wrong after talking for so long? President, why did his policy address fail to address the grievances of the public?

CHIEF EXECUTIVE (in Cantonese): I am always ready to receive any criticisms of me and my colleagues with full humbleness. As to the questions raised earlier about whether there is deviation in our administration and whether we are impartial or highly efficient, I believe words alone are not the best answer. We had better prove with actions. I am determined, so are my colleagues. We will demonstrate with action to members of the public that our core values have not changed and we adhere to the principle of meritocracy. Our established practice has not changed. Comparing with the past, our efficiency has not dropped. I think this is the best way to do it. Simply saying what is to be done today or tomorrow is not enough. Surely, we might not be perfect in doing our job and there will always be flaws. But I think many colleagues have done all they can and exerted their best to combat all previous crises, and this financial crisis in particular.

MS EMILY LAU (in Cantonese): *President, the Chief Executive said that the problems raised in the policy address were not problems at all. Rather, they were ridiculous points raised by members of the public, which he would not accept. He thought that his administration is in the best interest of the people and would never take public opinion as a cloud. If this is true, why would the popularity rating of the Chief Executive keep falling? Why are there serious public grievances? Hundreds of thousands of people will soon take to the streets to protest against issues like "fruit grant" and minimum wage. Does the Chief Executive know that? He still insists to not admit his fault. Did he really have no idea of the public discontents with his administration?*

CHIEF EXECUTIVE (in Cantonese): Earlier, I said that I would certainly listen to public criticisms and what you said just now wholeheartedly and with full humbleness. But I think that it would be best for us to respond practically

with working hard. If you take a closer look at my speech, you will notice that very often I would say serious consideration has to be made and lessons have to be learnt, and that there is plenty of room for improvement before satisfying different requirements. We may not do perfectly in some cases, and should therefore assume the responsibilities. We should also demand of ourselves. After all, the best reward is that I continue to worker harder and do better.

PRESIDENT (in Cantonese): Mr WONG Kwok-hing.

(Mr LEUNG Kwok-hung raised his hand after the President had called upon Mr WONG Kwok-hing to ask his question)

PRESIDENT (in Cantonese): Mr WONG Kwok-hing, please sit down first.

MR LEUNG KWOK-HUNG (in Cantonese): *The Chief Executive kept saying "匡長"*

MR WONG YUK-MAN (in Cantonese): "冗長" (*which means an extended period of time*)

MR LEUNG KWOK-HUNG (in Cantonese): *It should be "冗長" instead. For "匡長"*

PRESIDENT (in Cantonese): Mr LEUNG, you have put your question.

MR LEUNG KWOK-HUNG (in Cantonese): *It is a serious matter that he pronounced a word wrongly in this Chamber. Given his low popularity rating*

PRESIDENT (in Cantonese): Mr LEUNG, you have put your question and please sit down.

MR LEUNG KWOK-HUNG (in Cantonese): *I wish to ask him whether*

PRESIDENT (in Cantonese): Please be seated.

MR LEUNG KWOK-HUNG (in Cantonese): *I do not understand "匡長".*

PRESIDENT (in Cantonese): Please sit down.

MR LEUNG KWOK-HUNG (in Cantonese): *Why none of the 59 Members noticed that?*

PRESIDENT (in Cantonese): Please sit down.

(Mr LEUNG Kwok-hung defied the President's instruction and remained standing)

MR LEUNG KWOK-HUNG (in Cantonese): *Does he know?*

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

MR LEUNG KWOK-HUNG (in Cantonese): *It should be "冗長", not "匡長".*

MR WONG YUK-MAN (in Cantonese): *You should ask him to correct it to "冗長".*

PRESIDENT (in Cantonese): You have to sit down after raising your question according to the Rules of Procedure.

(Mr LEUNG Kwok-hung sat down)

CHIEF EXECUTIVE (in Cantonese): Thanks to Mr LEUNG for his advice.

MR LEUNG KWOK-HUNG (in Cantonese): *Do you mean "冗長"?*

PRESIDENT (in Cantonese): Mr WONG Kwok-hing.

(Mr LEUNG Kwok-hung and Mr WONG Yuk-man were still discussing among themselves in their seats)

PRESIDENT (in Cantonese): Mr LEUNG, your

MR LEUNG KWOK-HUNG (in Cantonese): *National education teaches people to pronounce words accurately in order to speak with accurate pronunciation.*

PRESIDENT (in Cantonese): Mr LEUNG, you may put this question when it comes to your turn later on

MR LEUNG KWOK-HUNG (in Cantonese): *I asked if that is what he meant.*

PRESIDENT (in Cantonese): You may put a question when it comes to your turn. But please do not obstruct other Members when they are putting their questions, okay?

MR LEUNG KWOK-HUNG (in Cantonese): *I want to ask if he meant to say "冗長" or "匡長".*

PRESIDENT (in Cantonese): A Member expressed views on this yesterday. Will you stop obstructing other Members from putting questions to the Chief Executive? Please be seated.

MR LEUNG KWOK-HUNG (in Cantonese): *I am puzzled if he meant to say "匡長" or "冗長".*

PRESIDENT (in Cantonese): Mr WONG Kwok-hing.

MR WONG KWOK-HING (in Cantonese): *In this policy address, the Chief Executive has used four paragraphs to talk about the legislation on an across-the-board minimum wage. The labour sector and the Hong Kong Federation of Trade Unions (FTU) have been striving for the legislation on minimum wage for years. We welcome the proactive response given by the Chief Executive this time. We will support the Government in enacting the legislation expeditiously, hoping that the task of legislating on minimum wage will be completed in one go.*

However, regarding the remarks made by the Chief Executive about the legislation on minimum wage, I wish he can explain and clarify certain issues. For in the 66th paragraph of the policy address, he says, "the minimum wage may not be sufficient to cover family expenses of all employees". Does it imply that the minimum wage will be set at a level lower than that of Comprehensive Social Security Assistance (CSSA) in future? If the level of minimum wage is lower than that of CSSA, I think it will be meaningless, for such an approach does not encourage employment.

Moreover, this is related to the previous paragraph, that is, the 65th paragraph, for before the enactment of legislation, the Government has already assembled its own team and set up a committee on wages. Before the legislation is introduced, he has already given such remarks in the 66th paragraph. Is he trying to set the course for the direction and level of minimum wage? So, I hope the Chief Executive will explain whether or not he is setting the course and assembling his own team before enacting legislation with a view to setting the minimum wage at a level lower than that of CSSA.

CHIEF EXECUTIVE (in Cantonese): I do not mean that. Let me explain to you the meaning of the 66th paragraph. When we legislate on a minimum wage, a reasonable minimum wage level must be available. We should adopt a rational approach and balance the interest of all parties in setting this level, a point which I have explained in the 65th and 66th paragraphs. Therefore, a

committee must be set up before the introduction of the legislation to decide which is the best level to be adopted. However, the decision should not be made unilaterally, nor should it be decided by the SAR Government. I hope that this issue will be dealt with by representatives from the labour sector, employers and academics. Hong Kong is not the first place to introduce a minimum wage, certain advanced countries have successfully implemented a minimum wage and adopted this approach. This is what I mean.

Moreover, in the 66th paragraph, we mean to state that during this period of time, we will not be biased in saying which level is a correct level. We will remain open-minded and hope that all sectors will express their views, so that a reliable figure best suits the situation of Hong Kong can be worked out. We should not put the issue in a certain position high-handedly in conducting the studies. I think it is most important that a social consensus supported by the labour sector, employers and academics, which will not affect the overall economy of Hong Kong, can be reached. This is all I mean, and I have no other meanings.

MR WONG KWOK-HING (in Cantonese): *Chief Executive, thanks for the clarification. However, will the Chief Executive give a further explanation, that is, if the wage level is set by the committee before the drafting of legislation, will the wage level set by the committee lack legal basis? What is the legal basis for so doing?*

Moreover, as you said in the policy address that the minimum wage might not be sufficient to cover family expenses of all employees, is it not a preconception in itself? I hope the Chief Executive can consider the views of the FTU and the labour sector seriously.

CHIEF EXECUTIVE (in Cantonese): I can assure Mr WONG that I will definitely consider them. Certainly, in the course of work, the committee will surely consider the views of the labour sector and the FTU. As I said earlier, representatives of employees must be involved in the work. Proposals put forth by them are not subject to their decision. Perhaps I have not made it clear. The figure proposed by them must be put through legislation, which is part of the legislative process. In other words, the figure worked out by them is not regarded as a decision and then legislation will be enacted. We do not mean that. What is the level of minimum wage to be legislated? We wish to obtain

the recommendations of the committee and forge a consensus in society. After that, we will legislate on the relevant level.

However, I have to reiterate one point. The meaning of the 66th paragraph is: Concerning the level to be set, we should not have any presumption. We hope that via the committee and discussions, a consensus and a proposal acceptable to all parties can be reached. This level and the future review mechanism will be included as part of the legislation. These two tasks are carried out concurrently, for I do not wish to impede the progress. On the one hand, we will work on the draft legislation, and on the other, the draft will include other factors, including the level of minimum wage. I hope the committee will put forth proposals, so that the recommended level can be included as a factor.

Moreover, the statistics now available are not comprehensive. You also know that. You are an expert, so you know that the figures are incomplete, and that the figures for certain trades are incomplete. A comprehensive set of figures has to be compiled before we can accomplish the task satisfactorily this time. We hope that several tasks can be carried out in parallel.

MR PAUL CHAN (in Cantonese): *Chief Executive, in the policy address, you made rare reference to exchanges between Hong Kong and Taiwan, stating that closer co-operation in trade, investment, tourism and other areas will be fostered. Concerning this development direction, I think it is worthy of affirmation.*

In the 39th paragraph of the policy address, you mentioned the promotion of the establishment of a Hong Kong-Taiwan Business Co-operation Committee by Hong Kong industrial and business sectors and Taiwanese businessmen in Hong Kong with a view to enhancing trading, investment and co-operation between the two places via interactions at the non-government level.

I think the co-operation between Taiwan and Hong Kong cannot be achieved by the subjective wishes held unilaterally by Hong Kong, nor the endeavour of interactions at the non-government level, for the exchanges and development between Hong Kong and Taiwan are, more often than not, subject to instant and swift changes in cross-strait relation and the international scene. Therefore, the SAR Government must maintain good communication with the Central Government and the authorities of Taiwan to keep abreast of the fast changing political landscape.

Chief Executive, you have appointed the Financial Secretary to set up an inter-departmental steering committee. In addition to this, will you invite experts, instead of businessmen alone, from the Mainland and Taiwan in particular, to set up a think-tank to assist the SAR Government in gaining a better grasp of the situation of the two places and responding swiftly to changes, and to offer timely advice and proposals?

CHIEF EXECUTIVE (in Cantonese): Certainly, the establishment of a good business relationship with Taiwan is not something that can be fully accomplished by the two places, Hong Kong and Taiwan. One issue you said earlier is quite correct in particular, Mr CHAN, that is, cross-strait relation is a direct factor. In this connection, we have had adequate communication with the Central Authorities, fully aware of the views held by the Central Authorities at present on this issue. When we consider expanding our activities in Taiwan, we must know that the Central Authorities can rest assured in letting us proceed with the work in this respect, for it is not simply and purely commercial issues.

Therefore, you do not have to worry, for we have already had adequate communication. If it is necessary to set up an organization at the non-government level to examine issues related to the Mainland, Hong Kong and even Taiwan, we may consider it. However, the issue may be quite complicated.

At present, the most important issue is the expeditious establishment of this business organization to reinforce the relationship between both sides. We have obtained the understanding of the Central Authorities before proceeding with it, and we hope that this can be accomplished as soon as possible.

MR PAUL CHAN (in Cantonese): *Concerning the co-operation between Taiwan and Hong Kong, may I ask the Chief Executive of the achievements and breakthroughs he expects to make?*

CHIEF EXECUTIVE (in Cantonese): *I think this can be put in several perspectives. The most important one is commerce. We are now concerned that at times of good cross-strait relation, the commodity trade we are doing will be transferred to other places. Will it affect the existing logistics industry? Will the shipping and air service industries be affected? We must acquire a full*

understanding of these issues. After that, we have to draw up a comprehensive strategy.

Moreover, we have to capitalize on the current cross-strait relation by stepping up our efforts to attract more goods and commercial activities to be transacted via Hong Kong. Hong Kong is a large service venue after all. I strongly believe that Taiwanese conducting business on the Mainland will, and have to, made use of the platforms in Hong Kong — the legal platform, professional platform and other platforms. In this connection, when we know that the trade between Taiwan and the Mainland will increase, it means there will be opportunities for the service industries in Hong Kong. I hope that the newly established business organization will help us promote our strengths and expertise on these fronts.

MR WONG YUK-MAN (in Cantonese): *Regarding your policy address, as I said yesterday, it includes nothing new but false, grandiose and empty comments. However, after I read it again, and my view changed. (Laughter) In the 134th paragraph, you said, "International politics have evolved considerably since the ideological confrontations in the 1960s and 1970s. Both left-wing and right-wing political parties are searching for a middle ground, the so-called Third Way. People have turned their back on political, economic and social extremes (but I have 153 000 votes). I firmly believe in justice, equality and liberty. We should steer the middle course in the best interest of the community. We should adopt a moderate approach to balance the various interests of society, and seek collaboration and consensus in the political, economic and social arenas rather than resort to confrontation, struggle and conflict." May I ask the Chief Executive whether his colleagues had given him a briefing before they wrote this paragraph? May I ask all of you what the Third Way is? Does any one up there know? Raymond TAM or*

PRESIDENT (in Cantonese): Mr WONG, when you speak in this Chamber, please face the President.

MR WONG YUK-MAN (in Cantonese): *OK, President, I am sorry. The Third Way was introduced in 1998 by Tony BLAIR, the Labour Prime Minister of the United Kingdom at the time. However, in recent years, that saying has caused "big trouble". The Third Way has started fading away, and the majority*

of social democratic parties in Europe have stepped down in succession, am I right? Capitalism has undergone another round of adjustment. However, I will save the trouble of teaching you.

However, I find the other part of this paragraph ridiculous. You said you would "adopt a moderate approach to balance the various interests of society, and seek collaboration and consensus rather than resort to confrontation, struggle and conflict". But how is it related to the Third Way? This is a complete non sequitur. Uncle Kai, I think you really have some problems, am I right? I tell you, you have really brought him into disrepute.

*Therefore, to show my kindness, I will give you several books. One of which is *The Modern Social Democracy and the Third Way* (《當代社會民主主義與第三條道路》), and the other one is *The Origin and Development of European Social Democracy* (《歐洲社會民主主義的源起與發展》). These two books talk about the Third Way, as well as the development of social democracy in the past century. Will you please go back and read these books and stop talking gibberish here. Here is another one, which is much more authoritative. It is "To go all out to help the underprivileged and assist the disadvantaged" — the manifesto of our party, the League of Social Democrats (LSD). This manifesto is several times thicker than your policy address, and all the issues you mentioned are covered here. You may refer to it. But if you have time, you may come and take some classes with us.....*

PRESIDENT (in Cantonese): Mr WONG, please come to your question direct.

MR WONG YUK-MAN (in Cantonese): *I have already asked my question: Will he come and take some classes? Here is a student card. I may give it to him.*

(Mr WONG Yuk-man, holding a card, left his seat and walked towards the Chief Executive)

PRESIDENT (in Cantonese): Mr WONG

MR WONG YUK-MAN (in Cantonese): *This is a student card issued by the LSD for a student, Donald TSANG*

PRESIDENT (in Cantonese): Mr WONG, you should not leave your seat.

(Mr WONG Yuk-man was facing the Chief Executive and holding a card in his hand)

MR WONG YUK-MAN (in Cantonese): *I give this to him.*

(Mr WONG Yuk-man put the card on the President's table)

PRESIDENT (in Cantonese): Clerk.

MR WONG YUK-MAN (in Cantonese): *OK, OK, this is the student card, so he may come and have classes.*

(Mr WONG Yuk-man returned to his seat)

PRESIDENT (in Cantonese): Mr WONG, you should finish your remarks as soon as possible and put your question.

MR WONG YUK-MAN (in Cantonese): *I have dropped my microphone. What should I do? (facing Mr LEUNG Kwok-hung) Lend me yours.*

As for another paragraph, that is, the 133rd paragraph: "Building a democratic system on a shared sense of national identity is where our future lies." Since you mentioned the future of Hong Kong, I became anxious about it. On the contrary, it is on the foundation of a democratic system that

PRESIDENT (in Cantonese): *Mr WONG Yuk-man*

MR WONG YUK-MAN (in Cantonese): *..... a shared sense of national identity should be promoted.*

PRESIDENT (in Cantonese): Mr WONG Yuk-man, Members will have the opportunity to debate the policy address, and you may express your opinions during the discussion on the policy address.

MR WONG YUK-MAN (in Cantonese): *Debate, I do not have I do not have my turn to ask question, for I lost in drawing lots, Buddy?*

PRESIDENT (in Cantonese): It is now the time for questions

MR WONG YUK-MAN (in Cantonese): *Indeed, I have already fixed the title: "A study on and an examination of lackeys: Who should be the lackey?" I had drafted this question, but I failed to get a time slot in drawing lots. What should I do?*

PRESIDENT (in Cantonese): Mr WONG Yuk-man, we will have three days to debate the content of the policy address, and you can express your opinions at that time.

MR WONG YUK-MAN (in Cantonese): *Will I have the opportunity to speak?*

PRESIDENT (in Cantonese): You will surely have the opportunity to speak.

MR WONG YUK-MAN (in Cantonese): *OK, fine, you will not kick me out at that time, will you?*

PRESIDENT (in Cantonese): If you observe the Rules of Procedure.

MR WONG YUK-MAN (in Cantonese): *May I ask the Chief Executive whether anyone had briefed him when he wrote those lines?*

PRESIDENT (in Cantonese): You

MR WONG YUK-MAN (in Cantonese): *Has Prof LAU Siu-kai briefed him?*

PRESIDENT (in Cantonese): Have you finished asking your question?

MR WONG YUK-MAN (in Cantonese): In what way is the "Third Way" related to "confrontation, struggle and conflict"?

PRESIDENT (in Cantonese): Mr WONG Yuk-man, you have asked your question, please take your seat and let the Chief Executive answer the question.

MR WONG YUK-MAN (in Cantonese): *Fine, he has to give me an answer, Buddy. The meaning of the "Third Way" is not as he said, but should be interpreted in these ways. Let me tell you, these books are published in the Mainland*

PRESIDENT (in Cantonese): Mr WONG, you are taking up the question time of other Members.

MR WONG YUK-MAN (in Cantonese): *Now, our country, the greatest socialist nation, is thinking about the way forward every day. How to go along the "Third Way"*

PRESIDENT (in Cantonese): Please be seated.

MR WONG YUK-MAN (in Cantonese): *Does socialist market economy mean socialist democracy? Is it the approach taken by us? So, the LSD is seeking a way out for the future of China*

PRESIDENT (in Cantonese): Please stop speaking and sit down. Chief Executive, please reply.

CHIEF EXECUTIVE (in Cantonese): I am saying that my way may not be the way you desire. The direction I want to take is not extreme left, nor extreme right, but one that represents our middle-class majority — that is my way. I do not know whether or not you are with me on the same path.

PRESIDENT (in Cantonese): Mrs Regina IP.

(Mr WONG Yuk-man raised his hand)

MR WONG YUK-MAN (in Cantonese): I have to follow up, may I, Buddy?

PRESIDENT (in Cantonese): Mr WONG, you have taken up much of the question time just now. We should by all means avoid turning the Question and Answer Session into a debate. Moreover, we should give more Members the opportunity to ask questions.

MR WONG YUK-MAN (in Cantonese): What should I do with these books?

(Mr WONG Yuk-man stood up holding three books and intended to leave his seat again)

PRESIDENT (in Cantonese): You should put down the books, staff members will later give them to the Chief Executive.

MR WONG YUK-MAN (in Cantonese): *There are three books.*

PRESIDENT (in Cantonese): Please be seated.

MRS REGINA IP (in Cantonese): *Chief Executive, yesterday when you delivered the policy address, I heard you say that the development of the river loop area would incline towards higher education, hi-tech research and development, and so on. I was glad to see the Chief Executive turn to*

technology at last. However, when I read the newspaper this morning, I came to learn that when you answered questions from the media last night, you said to the effect that success hinged on finance and failure was due to manufacturing. I was really shocked to learn that. (Laughter) This is because I think, and I am sure that those Members who are sitting behind us and who owe their success to manufacturing would agree, that Hong Kong can be so successful now is because of the emergence of light industries during the 1960s. Now that many of our manufacturing industries have relocated to the Pearl River Delta, but still, they are closely related to our developments in the logistics industry and trade, that is, those pillar industries that you talk about so often. So incidentally, like Mr WONG Yuk-man, I would also like to present a book to you (laughter and some Members also tapped the table), because I know that the Chief Executive is not a gambler and so he would not mind my presenting him a book, right? The title of this book is Manufacturing Matters. It is a bit old because it was published in 1987, but nevertheless we can make reference to some of the arguments in it.

My question is: Since the Chief Executive has said to the effect that failure is due to manufacturing, then would it be true to say that you would not pay any attention to manufacturing industries from now on and you would not help those people who engage in manufacturing industries in the PRD and who are struggling so hard to survive? Actually, they have made a great contribution to our economy.

CHIEF EXECUTIVE (in Cantonese): What I said yesterday was to the effect that "failure is due to finance while success also hinges on finance". I have never mentioned the manufacturing industries. I have no idea that reports in the newspaper today say that "failure is due to manufacturing". If you have heard what I say yesterday as recorded on the tape, you will find that actually I was saying to this effect: "failure is due to finance while success also hinges on finance". In the financial turmoil this time, it is the financial industry that has caused problems all over the world. However, it is also the financial industry that is so important to keeping a place advanced and high value-added. This is what I meant.

MRS REGINA IP (in Cantonese): *I am very grateful to the Chief Executive for making this clarification. Then it is the media which are mistaken. Right? May I ask the Chief Executive, in the Task Force on Economic Challenges which you have set up, apart from the four pillar industries, whether consideration*

would also be given to adding some other new industries such as the manufacturing industries and the innovative industries which you have mentioned, as well as those technology-based industries? Or perhaps let me say a few words more. At this time and age, the mainstream opinion in the academic circle is that the distinction between the manufacturing industries and the service industries is becoming more and more blurred. Many products can be called products of the service industries and also manufacturing industries. Your classification is therefore outdated. Then, can your Task Force on Economic Challenges reflect your new thinking on this and add in some new industries?

CHIEF EXECUTIVE (in Cantonese): What I have said is not confined to any particular trade only. The financial tsunami this time has caused reverberations in all areas. However, the scope of opportunities and challenges it brings is also very wide, including many other things. The industries which I refer to are not only those so-called fixed industries, but also the real estate sector and also the manufacturing industries. When opportunities arise, I will certainly look into them. The most important thing is we should examine what outcomes of this financial tsunami will affect our fundamentals and what new opportunities have emerged. These are the things we should look for. We will consider not only those trades that we are familiar with, but also those which are affected or those which can have opportunities, including those innovative technologies or creative industries which you refer to. We can also see what can be done about the traditional industries as well.

MS AUDREY EU (in Cantonese): *President, this morning when the Chief Executive attended a radio programme, he said to this effect, "It was a pity that the Lehman Brothers used the word 'bonds' because the product is not a kind of bond but a derivative. The term 'bonds' was used when the product was offered. Maybe some people might think that it is a kind of bonds. From the structure of the product, I do not think that it is a kind of bonds. It was a rather complicated kind of derivative really." This is the meaning of the verbatim record of the interview which I looked up. I wish to ask the Chief Executive especially about the remark that he made to the effect that "some people might think that it is a kind of bonds I do not think that it is a kind of bonds." This is because I believe and the Chief Executive also knows it very well that there are laws regulating such matters in Hong Kong. Those who engage in the sale and marketing of these derivatives are subject to regulation. The relevant*

regulatory bodies are the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC). These products cannot be sold without the approval given by the SFC of the relevant papers and this applies especially to the retail sale of these products to the banks which in turn sell them to the small investors.

Hence may I ask the Chief Executive whether your remark to the effect that "some people might think that it is a kind of bonds I do not think that it is a kind of bonds" is sort of irresponsible and sarcastic? Or are you admitting directly or indirectly that the SFC has been irresponsible and has been in dereliction of duty of supervision when it gives approval to these papers to permit the retail sale of such complicated derivatives and high-risk products in the banks to the small investors?

CHIEF EXECUTIVE (in Cantonese): Ms EU, what I mean is that at that time my feeling was that this was not a kind of bonds. And what I said on the radio today was nothing more than my own feelings. I can see from its contents that it is obviously a derivative and not a bond. So if the form they adopt or the methods employed in selling these products in Hong Kong are permitted under the existing regulations, this is something we have to look into precisely. We know that the event has occurred and what they have used and the monitoring methods adopted are something that you perhaps know better. We use the disclosure method and all the related information is given to all the buyers and investors. On the other hand, we oversee the sale of these products so that they come under the regulatory scope of some rules and standard practice. In this regard, what we should look for after the occurrence of the Lehman Brothers event is whether or not these regulations are sufficient. This is something we need to explore and deal with. However, personally I do not think that this kind of so-called minibonds is a kind of bonds. It is not a kind of bonds.

MS AUDREY EU (in Cantonese): *President, the Chief Executive has not answered my question. I asked the Chief Executive that since he knows we have got a regulatory mechanism and had the SFC which is tasked with supervision not given approval to these papers, it could not be sold to small investors in the name of bonds at the retail level by the banks. Since the Chief Executive says that this is not a kind of bonds, the question I wish to ask is whether or not it was a sarcastic or irresponsible remark and whether or not the SFC will be held accountable for this event.*

I got a letter of reply from the Chief Executive today because I had written to him and suggested that a series of measures should be taken. You have only done part of it. You said yesterday that funding would be made to the Consumer Council as a kind of litigation fund and you also said that the HKMA would be asked to handle the matter and appoint some mediators. However, the problem now is that many people have lost their confidence in the banks because of this. The suggestion I made to you is unlike what Mr CHIM Pui-chung has said, not that a special court should be set up or there should be an arbitration mechanism which does not allow appeals. There is actually a mechanism for arbitration. I made a suggestion to you in my letter, that apart from the part which you have accepted earlier on, another part is to appoint independent arbitrators. This is because arbitration entails expenses. The Government should at least take up the responsibility and provide some resources and appoint some independent professionals tasked with arbitration. Should mediation fail, at least a fair arbitration procedure should be provided for each case.

CHIEF EXECUTIVE (in Cantonese): Ms EU, first of all, no one should be sarcastic with respect to the Lehman Brothers saga and no one should say anything sarcastic. I was only telling the truth about these problems. I said that they were not bonds and they are remarks I made from the bottom of my heart. After looking at the structure of these products, I am convinced that they are obviously derivatives. As I have just said, under our existing system, we rely on the disclosure method and the name used is permitted under this existing system. Under these circumstances, is this right or proper? Should any review be undertaken after this event? This is something we should explore and it is also something we should study in-depth.

On the suggestions you have made to me, they have been given careful consideration and you would know that we are now implementing some of them. As for the arbitration option you have mentioned, would arbitration be possible only when the two parties agree? As far as I know, arbitration cannot be carried out if any one party refuses to resort to arbitration. Right?

MS AUDREY EU (in Cantonese): *President, I wish to make a clarification of this part. My request is that at least the Government should provide resources and appoint some independent arbitrators. It is, of course, another question whether or not the two parties are willing to come to arbitration. But at least the Government should provide such resources and at least it should be responsible for this part. This is one of the questions I asked.*

CHIEF EXECUTIVE (in Cantonese): In the statement I made yesterday, I said that the HKMA had set aside resources to undertake mediation work in this incident. I would think that this should be of help to the people concerned in tackling the problem of settlement of accounts and undertaking mediation, and also in identifying better arrangements should such incidents happen again. We have allocated such resources and the HKMA will pay for the expenses in appointing some people to tackle the incident by way of mediation.

MR TAM YIU-CHUNG (in Cantonese): *Chief Executive, 30 years ago, if you were given a red packet of \$5, you would be overjoyed. Now, 30 years down the line, red packets with coins in them are rarely seen. This is because the times are different.*

The same goes to respect for the elderly and this has to be updated. Should the amount used to show respect for the elderly 10 years ago be changed 10 years later? Yesterday and a while ago when you spoke on the Old Age Allowance (OAA), you actually broke the hearts of tens of thousand old people. They hope very much that this OAA can be increased to \$1,000. But you have proposed to introduce a means test. In doing so, you have distorted the meaning of the OAA. Does this show that you do not understand the demands of the elderly good enough, turning the clock back? Chief Executive, many of the old folks I know are very supportive of you, but what you have done today will certainly disappoint them. Are you trying to take them to task?

CHIEF EXECUTIVE (in Cantonese): Mr TAM, I hope you would agree that since I am now 64 years old, I am emotionally attached to the elderly. Let us first look at the situation we are in. First, we do show support for the elderly. Government spending on the elderly has been increasing every year and they will certainly not go down. With respect to the OAA, I can promise you that resource input will increase from year to year and it will not drop.

However, we must address a number of problems and they are related to the nature of the OAA itself. What you have said earlier is somewhat out of tune. First, you said that by its nature and from its inception, the OAA was meant to show respect for the elderly. But we find out that what you are demanding is more than a token of respect to the elderly, it is meant to be spent on their subsistence. If the OAA is used for subsistence, the case would be different. If this is simply to show respect for the elderly, the amount is

nominal and there is no need to adjust it each year and there is no need to adjust it in keeping with the inflation. This is what is meant by token.

Having said that, I also understand that many elderly persons now need to use this OAA to live. That is why I agree completely with the demand that it should be raised to \$1,000. This is justified. I would support it. At the same time, I also pointed out that those who are receiving the OAA now should not be affected by any policy change. This is the basic direction and I have talked about it already.

However, we cannot help but face the fact that the nature of the OAA has changed and if that is changed, what should we do? Should the old practice be maintained? If no change has taken place, then there would be no need to make any adjustment. If there is a need for adjustment, that is because its nature has changed. It has ceased to be a token of respect for the elderly, but a kind of subsistence assistance. In these circumstances, I think I have to think carefully about how the matter is to be handled. I would think that for those elderly in need, we have already a CSSA safety net in place. As for the demand to adjust the OAA, we should consider the consequences of doing so. If we are to make any policy change, we must take into account the sustainability of the policy itself. For if not, we will only be posing obstacles and we are not fulfilling our duty as executive authorities and you and other Members are not fulfilling your duty as Members of the Legislative Council.

What then is the situation we are facing? The actuarians tell us that if Hong Kong is to go on like this, and given the degree of population ageing we have, within 25 years, that is, in 2033, which is also the time of our children and grandchildren, there will be one elderly person in every four persons in Hong Kong. Moreover, one in four will still be in school, that is, including those who are aged below 22 and studying in a university. The other two will take care of matters like raising the children, provide them with schooling and caring for the elderly. If on top of that, we are to launch this new policy and insist that \$1,000 be given to the elderly, then these two persons out of each four persons in Hong Kong will have to pay \$500 each month before this policy can be maintained. According to this argument, should we not consider how to address this consequence? Do we have other more desirable options?

I agree completely that we should offer assistance to the elderly persons in need. But should this be seen as the only option available, such that our next generation, that is, both your children and mine, will have to bear this

responsibility? Should we not give our resources which are limited to other elderly persons in greater need of help? We are conducting a review right now. What I have said are only some kind of parameters and the remarks I made come right from the bottom of my heart. The easiest thing to do is simply to have the Government of this term, that is our colleagues, to make a pledge to Members that we will do it. No problems will arise during this term and the money spent will not be too much. But is this effective? Is this something that a responsible government should do? I think we should lay the facts bare before the eyes of Hong Kong people and together we should study how the issue is to be addressed.

In my opinion, the problem we have to cope with, and assuming that the actuarians are correct, is that in 2033 which is 25 years from now, when every two persons in Hong Kong will have to take care of one elderly person and one child, should we ask them to shoulder the burden of this policy? To keep this policy going, they have each to pay an extra \$500 a month specifically for this policy regardless of the need of the elderly persons. I think that we should consider other proposals as well. That is all I have said and nothing else. This is what is said in my policy address.

I hope very much that you will not break the hearts of the elderly, and please do not say that I wish to break the hearts of the elderly, for it is the last thing in the world that I want. We all want to see the elderly persons in Hong Kong well-cared for. They have given so much for Hong Kong and they have done a lot. But when it comes to really caring for the elderly, what is in fact the best option? Should we give money to those elderly persons who do not need it? If money is to be given to elderly persons who do not need it, does the sum they receive have to be raised to \$1,000? I think we should all sit down and talk about these matters in a frank and open manner. I think that this is the best way to handle the problem.

MR TAM YIU-CHUNG (in Cantonese): *President, I am now 59 years old and compared with the Chief Executive who is 64, I am no less concerned about the elderly than he is. Just now the Chief Executive has kept on talking about what will happen 25 years from now, but I am sure that within 25 years, Hong Kong will have seen greater developments then and work in caring for the elderly should be many times better than what is being done now. So we do not have to worry so much, for people should be much smarter than us 25 years from now and they will be far more competent.*

CHIEF EXECUTIVE (in Cantonese): But people 25 years from now will also need to raise children and take care of the elderly. What I have said are things that Members often raise with the Government and that is, we must plan for the future. We cannot focus on the present, we have to look farther ahead and devise long-term policies. What we are talking about are no stop-gap policies and they are not what we do when we have extra money, like the additional sum of money we handed out to the elderly persons this July, or what we do when we have a larger amount of public revenue. What we are talking about is a permanent policy and if that is permanent, we are bound to consider the long-term consequences. We cannot just say what will happen one or two years from now. Even if we do not talk about the situation 25 years later, and even if we just talk about 10 or 15 years in future, you will find that our burden is getting heavier. In such circumstances, should we not consider more options? Now our consultation and studies are still ongoing and I am sure my colleagues will conduct a careful review of the matter so that more people can be taken care of. Having said this, doubtless no government can at any time afford to resort to simply printing bank notes and collecting tax recklessly or forcing people to accept any policy that they find it hard to accept.

We should not just make allowances for ourselves but also for our children and our next generation. Do they have to bear this responsibility? Their responsibility will certainly be much heavier than ours, for population ageing has appeared. But the most important thing is that they do not need this policy. Is this policy the best move to take? Are no other options available? I would urge Mr TAM, the people of Hong Kong and all political parties to discuss and study this issue.

MR WONG SING-CHI (in Cantonese): *President, the Chief Executive said in response to a question raised by Mr LEUNG Yiu-chung earlier that the universal retirement scheme failed to obtain unanimous approval from the Legislative Council. However, with respect to the Old Age Allowance (OAA), I do not know if the Chief Executive has ever noticed that on 16 January 2008, the Legislative Council passed a motion to adjust the OAA upwards to \$1,000. This view is shared not only by Members of this Council but also by all the elderly persons in Hong Kong and many civil organizations. I do not know why you want to abolish the OAA, of course, you do not say that it is to be abolished, but we know that you have abolished the OAA.*

You have also said that there should be a new outlook in the relationship between the executive authorities and the legislature and that public participation

should be promoted. If you really wish to show your sincerity in this respect, why is it that when a proposal to increase the OAA has been passed by Members of this Council, supported by the public and endorsed by the civil organizations, you will want to abolish the OAA? What in fact are you doing? Are you heartless to the elderly persons? Are you incompetent when you cannot do anything about the long-term retirement life of the elderly persons? You have said that you will do the work well but in the end you cannot do it, is this not shameless?

CHIEF EXECUTIVE (in Cantonese): I have said very clearly earlier and I also made it clear in the speech I made yesterday that with respect to the OAA, not only did I not say that it was to be abolished but I also said that it was reasonable to raise it to \$1,000.

MR WONG SING-CHI (in Cantonese): *This is really a most shameless way of putting it. We have all along been saying that the purpose of the OAA is to show respect for the elderly, but on what occasion was it said that the OAA is a means which the elderly can rely on to support their life? On what grounds can you say that once a red packet of \$5 is given to the elderly for them to buy some fruit, you will say that it is not permitted if they buy some candy or a cup of coffee instead? Is it because the meaning is now different that a means test is necessary? Buddy, what you are doing is in complete disregard of such a good policy that Mr TUNG had formulated and which was passed by the Legislative Council in the past.*

I have a feeling that very often when you say that the OAA will be raised to \$1,000, you are in fact opposing the existence of the OAA itself.

Chief Executive, let me ask you, as you try to abolish it — or rather, in the process of your making the decision to abolish it, if the Legislative Council opposes and if Members of this Council insist that the OAA should continue to be paid out without a means test, would you retract your decision? Will you ask Secretary Matthew CHEUNG to continue to implement this policy?

CHIEF EXECUTIVE (in Cantonese): I have already explained my stand on the issue when I made a reply to Mr TAM earlier. I have nothing to add.

I only think that in everything we do, we have to rely on reason and facts. I respect the views of the Legislative Council and this is not to be doubted. That is why I have discussed the issue of OAA at great lengths. In the policy address on this occasion, the method I proposed to tackle the issue cannot be considered unsatisfactory. I only think that in a responsible government and with all my respect, a Legislative Council that is responsible, there should be comprehensive consideration of every policy in every aspect before implementation. We should also consider the long-term strategies and what the impact they may bring to this generation of people in Hong Kong as well as the next generation and the generations to come. This is what I think to be the most responsible way of doing things.

PRESIDENT (in Cantonese): Chief Executive, could you answer one more question?

CHIEF EXECUTIVE (in Cantonese): Fine.

DR RAYMOND HO (in Cantonese): *Chief Executive, under the lingering shadow of the financial tsunami, employment is the most important issue of all. I hope that the Chief Executive can maintain his determination to launch the 10 major infrastructure projects as soon as possible. In fact, you mentioned in the eighth paragraph of the policy address that a new chapter has opened in Hong Kong's relationship with our country and the pace of our economic integration is accelerating and there are increasingly diversified areas of co-operation.*

I wish to raise a question to the Chief Executive and that is: How can this all-round regional co-operation be expanded into a revolving economy, that is, one that encompasses the energy and greening sectors? This is helpful to a number of areas like nature conservation and water quality improvement. It is also conducive to developing the Pearl River Delta (PRD) Region into a so-called green and quality living circle. May I ask whether or not the Chief Executive will consider this with a view to elevating the level of co-operation between the two places?

CHIEF EXECUTIVE (in Cantonese): This concept of a green and quality living circle in the PRD embraces a number of components. Unfortunately, I do not

have enough time to explain each one to Members today. Perhaps you may talk with Edward YAU, Secretary for the Environment, and you will learn more about these components.

One of the most important components is to make environmental protection an industry and there are many opportunities involved and also a lot of work that the engineering sector can do. You have just mentioned some of them, such as improving the quality of water and the air. Then more efforts can be done on the power plants and in other areas such as the recycling industry and waste recovery, these are all business opportunities. I agree completely with what you have said, that environmental protection offers new business opportunities and it is an area that professionals may want to pay special attention to.

DR RAYMOND HO (in Cantonese): *Chief Executive, actually, in foreign countries, the environmental protection industry involves thousands of billion dollars. As we have a seamless flow of information and an excellent economic base, we can develop Hong Kong into a centre for environmental protection technology and train more manpower. I believe we can open up new horizons, in fact, enormous and innovative ones. Apart from creating more job opportunities, the international position of Hong Kong can be enhanced. Chief Executive, I hope you can take active steps in this direction. May I ask what the Government thinks about this?*

CHIEF EXECUTIVE (in Cantonese): As far as I know, more people have enrolled in engineering studies this year and the employment situation has fared better. The reason is that the infrastructure projects have commenced and jobs in the engineering sector both in Hong Kong and on the Mainland have increased. I am sure more opportunities will become available.

As for resources to be injected, you know that we are always doing that and resources will not be reduced. If there is any need for fine-tuning, the universities will design their own programmes such that the resources can be allocated to each discipline to meet the needs of society that have emerged.

This is something we must do and for the Government, it must devise strategies that can cope with the new challenges. This especially applies to human resources and support in each of our infrastructure projects. We will certainly follow this up in the next few years.

PRESIDENT (in Cantonese): Members, the Chief Executive has answered questions raised by 18 Members. As the time for questions is up, I am afraid the 14 Members who are still waiting for their turn to raise questions will not be able to do so this time.

The Chief Executive now leaves the Chamber. Will Members please stand up.

CHIEF EXECUTIVE (in Cantonese): Thank you, President. Thank you, Members.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 11.00 am on Wednesday, 22 October 2008.

Adjourned accordingly at twenty-seven minutes to Five o'clock.