

# OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 17 December 2008

The Council met at Eleven o'clock

## MEMBERS PRESENT:

THE PRESIDENT

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

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

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

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 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 TANYA CHAN

DR THE HONOURABLE PRISCILLA LEUNG MEI-FUN

DR THE HONOURABLE LEUNG KA-LAU

THE HONOURABLE CHEUNG KWOK-CHE

THE HONOURABLE WONG SING-CHI

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

THE HONOURABLE WONG YUK-MAN

THE HONOURABLE IP WAI-MING, M.H.

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

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

DR THE HONOURABLE PAN PEY-CHYOU

THE HONOURABLE PAUL TSE WAI-CHUN

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

**MEMBER ABSENT:**

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

**PUBLIC OFFICERS ATTENDING:**

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

PROF THE HONOURABLE K C CHAN, S.B.S., J.P.  
THE FINANCIAL SECRETARY

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

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

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

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

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

**CLERKS IN ATTENDANCE:**

MS PAULINE NG MAN-WAH, SECRETARY GENERAL

MRS CONSTANCE LI TSOI YEUK-LIN, ASSISTANT SECRETARY  
GENERAL

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT SECRETARY  
GENERAL

MRS PERCY MA, ASSISTANT SECRETARY GENERAL

**TABLING OF PAPERS**

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

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
Merchant Shipping (Limitation of Shipowners Liability) (Rate of Interest) (Amendment) (No. 3) Order 2008.....	261/2008
Public Health and Municipal Services (Setting Aside Places for Use as Public Pleasure Grounds and Cessation of Setting Aside Places for Use as Public Pleasure Grounds) (No. 2) Order 2008.....	262/2008
Public Health and Municipal Services Ordinance (Amendment of Fourth Schedule) (No. 3) Order 2008.....	263/2008
Trade Descriptions (Amendment) Ordinance 2008 (Commencement) Notice .....	264/2008
Trade Descriptions (Definition of Fei Cui and Natural Fei Cui) Regulation (Commencement) Notice .....	265/2008
Trade Descriptions (Definition of Diamond) Regulation (Commencement) Notice .....	266/2008
Trade Descriptions (Provision of Information on Natural Fei Cui) Order (Commencement) Notice .....	267/2008
Trade Descriptions (Provision of Information on Diamond) Order (Commencement) Notice.....	268/2008
Trade Descriptions (Provision of Information on Regulated Electronic Products) Order (Commencement) Notice .....	269/2008
Trade Descriptions (Marking) (Gold and Gold Alloy) (Amendment) Order 2008 (Commencement) Notice .....	270/2008

Trade Descriptions (Marking) (Platinum) (Amendment) Order 2008 (Commencement) Notice .....	271/2008
Trade Descriptions (Definition of Platinum) (Amendment) Regulation 2008 (Commencement) Notice .....	272/2008
Allowances to Jurors (Amendment) Order 2008 (Commencement) Notice.....	273/2008
Criminal Procedure (Witnesses' Allowances) (Amendment) Rules 2008 (Commencement) Notice .....	274/2008
Coroners (Witnesses' Allowances) (Amendment) Rules 2008 (Commencement) Notice.....	275/2008

#### Other Papers

- No. 40 — Estate Agents Authority Annual Report 2007/08
- No. 41 — Secretary for Home Affairs Incorporated Audited Financial Statements together with the Director of Audit's Report for the year ended 31 March 2008
- No. 42 — Sir Edward Youde Memorial Fund Signed and audited Financial Statements together with the Auditor's Report and the Report of the Board of Trustees for the period 1 April 2007 to 31 March 2008
- No. 43 — The Brewin Trust Fund Audited Financial Statements together with the Auditor's Report and Report by the Brewin Trust Fund Committee on the Administration of the Fund for the year ended 30 June 2008
- No. 44 — The Sir Murray MacLehose Trust Fund Signed and Audited Financial Statements together with the Auditor's Report and Trustee's Report for the year 1 April 2007 to 31 March 2008
- No. 45 — Queen Elizabeth Foundation for the Mentally Handicapped Report and Accounts 2007-2008

- No. 46 — Annual Report by the Board of Governors of The Prince Philip Dental Hospital and Audited Statement of Accounts 2007/08
- No. 47 — Grantham Scholarships Fund Audited Financial Statements together with the Director of Audit's Report and Report by the Grantham Scholarships Fund Committee on the Administration of the Fund for the year ended 31 August 2008
- No. 48 — Report by the Chinese Temples Committee on the Chinese Temples Fund together with Audited Financial Statements and Director of Audit's Report for the year ended 31 March 2008
- No. 49 — Report by the Chinese Temples Committee on the General Chinese Charities Fund together with Audited Financial Statements and Director of Audit's Report for the year ended 31 March 2008
- No. 50 — Office of the Privacy Commissioner for Personal Data, Hong Kong Annual Report 2007-08
- No. 51 — Equal Opportunities Commission Annual Report 2007/08
- No. 52 — The Accounts of the Lotteries Fund 2007-08

## **ORAL ANSWERS TO QUESTIONS**

**PRESIDENT** (in Cantonese): Questions. Question time normally does not exceed one and a half hours. After a Member has asked a main question and the relevant official has given reply, the Member who asks a question has priority to ask the first supplementary question. Other Members who wish to ask supplementary questions will please indicate their wish by pressing the "Request to speak" button and wait for their turn.

Members can raise only one question in asking supplementary questions. Supplementary questions should be as concise as possible so that more Members may ask supplementaries. Members should not make statements when asking supplementaries.



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

### **Free Legal Advice Scheme and Duty Lawyer Service**

1. **DR MARGARET NG** (in Cantonese): *President, regarding the Free Legal Advice Scheme (FLAS) and the Duty Lawyer Service, will the Government inform this Council:*

- (a) *among the cases heard at Magistrates' Courts (other than those involving fixed penalties) in the past three years, of the percentage of cases in which the defendants had legal representation and among such cases, the percentage of those in which the legal representatives were duty lawyers;*
- (b) *of the Administration's current specific policy on the provision of free legal advice service and that of legal representation service for defendants in Magistrates' Court cases, and the total funding allocated by the Government for the two services in this financial year; and*
- (c) *whether the Government and the organizations concerned will review the two services above, especially the scope of the Duty Lawyer Service (including whether legal advice services should be provided for persons who are detained by the police), as well as the eligibility for the services, with a view to enabling more defendants in criminal cases to receive legal representation service, so that their legal rights can be safeguarded; if not, of the reasons for that?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): President, in respect of the three-part question raised by Dr Margaret NG on the FLAS and the Duty Lawyer Scheme (DLS), my reply is as follows:

- (a) In respect of the criminal cases in Magistrates' Courts from 2005 to 2007, the respective percentages of legally represented cases were 77%, 80% and 83% and among such cases, the percentages of those in which the legal representatives were duty lawyers were 94%, 93% and 93% respectively.

- (b) The provision of free legal advice services by the Government aims to enable members of the public to have access to free preliminary legal advice. The Government provides the venue and referral services to enable members of the public to meet with voluntary lawyers by appointment without passing any means tests. The advice given by voluntary lawyers is of a general nature, aiming to help clients understand the nature of their problems, their rights and obligations under the law and the channels available for the resolution of the problems.

As regards the legal representation service provided for defendants in Magistrates' Courts, which is the DLS, the policy objective is to ensure that defendants are not prevented from defending a legal action by lack of means. The provision of this service by duty lawyers is publicly-funded. Duty lawyers provide basic legal advice for defendants at their first court appearance without any means tests. They also make a plea of mitigation in cases in which the defendants have pleaded guilty. If a defendant would like to have legal representation at the subsequent appearances, for example, to have a duty lawyer conduct defence for him who has pleaded not guilty, he is only required to pass a simple means test and pay a handling charge for the service.

In the financial year 2008-2009, the Government's funding for the DLS, the FLAS and the Tel-law Scheme is \$94.4 million.

- (c) The Government and the organizations concerned will review the effectiveness of the DLS and the FLAS from time to time and introduce improvement measures where practicable.

The scope of the DLS has been expanded upon previous reviews. For example, it has been extended to cover persons who are at risk of criminal prosecution as a result of giving incriminating evidence in Coroners Inquest and persons under the age of 18 involved in care or protection proceedings in juvenile courts. Currently, assistance under the DLS is limited to defendants in Magistrates' Court and persons who are detained by the police are not covered by the scheme.

The Government will consider and strike a balance between the relevant factors, including practical considerations such as the use of

public funds, the number of participating lawyers and the demand for the service in society, in determining the scope of the FLAS and the DLS and the eligibility of aided persons under the two services. The Department of Justice had commissioned a consultancy study on the demand for and supply of legal services in Hong Kong and it was completed a month ago. I understand that the Department of Justice will brief the Legislative Council's Panel on Administration of Justice and Legal Services on its views on the consultancy report in mid-2009. I believe that we can consider the relevant schemes of the Duty Lawyer Service at that time accordingly.

**DR MARGARET NG** (in Cantonese): *President, it can be seen from part (a) of the Government's main reply that first, a considerable number of defendants in Magistrates' Courts still had no legal representation and second, almost all the cases in which the defendants had legal representation were handled by duty lawyers, that is, duty lawyers play a very important role. However, we notice that the funding for the entire year only amounts to some \$94 million and it already covers the provision of three types of legal services. Why did the Government allocate so little resources to this area of work? It is obvious that for many years, the Government has not conducted any comprehensive review of whether or not there is a need to extend the scope and the level of the services. Yesterday, when discussing the issue of legal aid in criminal cases in a meeting of the Panel on Administration of Justice and Legal Services, we found that the funding for the provision of legal aid in cases tried at the District Court and the High Court only amounts to \$90 million in total. The funding for the provision of these two schemes (that is, legal aid in criminal cases at all levels of Court) is less than \$200 million. In addition, in terms of eligibility requirements, the means test for the Duty Lawyer Service is less stringent than that for legal aid. The assets of applicants for the former must not exceed \$120,000 while those of the latter must be around \$160,000. Therefore, the two schemes are different.*

*President, the supplementary that I wish to ask is: The Government said that it would consider and strike a balance between the relevant factors, including the use of public funds. Actually, what factors for consideration have been taken into account, thus resulting in such a meagre amount of funds allocated to criminal defence? Relative to the total expenditure, how can this \$200 million be considered to be of the right proportion? Will the Government consider increasing this level of funding?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): President, of course, the use of public funds is subject to a standard procedure through which the SAR Government first makes a proposal and the Finance Committee of the Legislative Council then gives its approval. This procedure has been proven effective and is accepted by various parties. The eligibility requirements for legal aid applicants differ from those for defendants who apply for the Duty Lawyer Service at Magistrates' Courts because two different schemes are involved. As Members are well aware, the legal aid provided by the Legal Aid Department is mainly available to cases heard in the District Court or above.

**DR MARGARET NG** (in Cantonese): *Unfortunately, the Secretary has not answered my supplementary. The main weight of my supplementary is: Why are the funds allocated considered to be of the right proportion? Why are there two different levels? Of course, I know that two different schemes are involved but why does the present situation arise? Can the Secretary explain the reasons for this?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): President, the two schemes were certainly devised on different considerations. In particular, the cases in Magistrates' Courts are dealt with in a simple way. As for the legal aid scheme implemented by the Legal Aid Department, its eligibility test is more stringently designed and various considerations will be taken into account when conducting the test.

**DR MARGARET NG** (in Cantonese): *Why are the funds allocated considered to be of the right proportion?*

**PRESIDENT** (in Cantonese): Secretary, Dr Margaret NG wants to know why are the funds allocated considered to be of the right proportion.

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): I think that as they are two different schemes, the proportion .....

**PRESIDENT** (in Cantonese): Dr Margaret NG is asking in relation to the total expenditure .....

**DR MARGARET NG** (in Cantonese): *\$200 million.*

**PRESIDENT** (in Cantonese): That is, the amount of funds allocated for handling criminal cases.

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): The proportion of funds  
.....

**PRESIDENT** (in Cantonese): Why are the funds allocated considered to be of the right proportion?

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): The proportion of funds allocated is proposed by the SAR Government to the Finance Committee after considering the actual use of public funds in various policy areas and approval is obtained from the Finance Committee afterwards.

**MR LAU KONG-WAH** (in Cantonese): *President, at present, the FLAS is available to members of the public at District Offices but it has some limitations. In particular, requests for assistance relating to mainland laws are sometimes declined. However, the demand for legal advice in this area is increasing and this service is very popular with members of the public. Therefore, I wish to ask the Secretary whether or not he will consider extending the scope of the FLAS to cover the provision of legal advice on mainland laws. Given that in particular, Hong Kong lawyers have now received training on mainland laws, will the Secretary consider extending the scope of the FLAS to cover this area?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Up till this year, the number of requests for legal advice received by the nine centres providing legal advice services has been steady. As for whether there is actually a significant increase in the demand for legal advice on mainland laws, we still have to look into this. If there is really a strong demand in this area, we will consider providing such a service as far as possible.

**MISS TANYA CHAN** (in Cantonese): *President, I also take up the job of duty lawyer frequently. In fact, we can see that some officers in duty lawyer offices are under great pressure. Basically, an officer is required to handle on average 473 cases a year, that is, at least two cases a day. A senior officer is required to handle some 700 or even as many as 800 cases a year, that is, nearly three cases per person per day.*

*According to the principle of considering and striking a balance between the relevant factors, including the use of public funds, has the Government considered recruiting more manpower, especially officers, to handle these cases? In fact, Magistrates' Courts deal mostly with the grassroots. Very often, legal proceedings are very expensive to the grassroots and they need legal advice badly. Can the Secretary give us a reply as to whether or not resources in this area would be increased?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): *President, this involves the use of public funds. In other words, whether or not more resources can be allocated to the DLS and the FLAS involves the question of how resources are to be used. We are aware that no matter whether it is the Government or the Legislative Council, they both adopt a very strict attitude towards the use of public funds, particularly with regard to making increases to the establishment. Therefore, we must handle matters in this regard very prudently.*

**MR RONNY TONG** (in Cantonese): *President, the Secretary has not given any reply to a very important part — the provision of legal advice services to persons who are detained. President, very often, persons who are detained have to obtain legal advice services to help them safeguard their rights. Recently, there were many cases involving the abuse of power by the police, including strip search and even rape. President, can the Secretary give us a clear answer as to whether he thinks free legal advice services should be provided as soon as possible to persons who are detained, so as to safeguard their rights?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): *President, we are aware of the view that legal services should be provided to persons who are detained in police stations, but of course this also involves the use of public funds. The*

provision of voluntary legal services is part of the development of our judicial system. I believe that we should first discuss with the Department of Justice the report regarding the study on the demand for and supply of legal services in Hong Kong. Afterwards, we will consider this issue in a holistic manner.

**MR RONNY TONG** (in Cantonese): *President, I think the Secretary has not replied to my supplementary at all. Of course, the provision of each service requires the use of public funds. Otherwise, we would not have to discuss it here. This is an issue of value judgment: Does the Government think that persons who are detained are also entitled to basic rights that we have to respect and safeguard? If such a need is deemed necessary, is a review actually called for? Decision can also be made to extend the scope of the services to cover persons who are detained. We can see that in part (c) .....*

**PRESIDENT** (in Cantonese): Mr Ronny TONG, I wish to remind you that we are not conducting a debate now. Please repeat your supplementary to see if the Secretary has anything to add.

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

**MR LEUNG YIU-CHUNG** (in Cantonese): *President, insofar as the Duty Lawyer Service is concerned, lawyers usually meet with their clients only on the day of their court appearance. Can the Secretary extend the scope of the DLS, so that clients can seek legal advice or opinions prior to their court appearance, that is, can arrangements be made for clients to raise their enquiries or seek advice in advance?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): President, the current arrangement is for duty lawyers to meet with defendants prior to their court appearance. In case a more detailed discussion is necessary, the duty lawyer will make an application to the Court for an adjournment, so that a more detailed discussion could be made with the defendant before they appear in court again.

**MR LEUNG YIU-CHUNG** (in Cantonese): *President.*

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

**MR LEUNG YIU-CHUNG** (in Cantonese): *What the Secretary has not answered is: I am asking about the provision of legal advice, that is, the provision of legal opinions. An adjournment of the case is only for the purpose of discussion on the facts of the case. If a client wants to seek legal advice, can a duty lawyer communicate and discuss with him in advance?*

**PRESIDENT** (in Cantonese): Secretary, Mr LEUNG Yiu-chung is asking whether advance communication can be made with clients.

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): President, the main issue is whether a more detailed discussion can be arranged prior to a court appearance or court sitting. If there is such a need, the duty lawyer will apply to the Court for such an arrangement.

**MR LAU KONG-WAH** (in Cantonese): *President, I wish to follow up the figures concerning the FLAS. Can the Secretary give us such information? At present, there is a telephone service for free legal advice but I do not know its effectiveness. Has the Secretary conducted any survey on this service? Has the Secretary conducted any survey to ascertain what views members of the public hold towards these three kinds of services, their popularity and what improvements can be made? If he has not, is there any plan to do so?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): President, at present, there are some 900 lawyers providing legal services under the FLAS. According to the statistics for the most recent year, the nine centres provided assistance to a total of 6 429 people in cases relating mainly to marital problems and disputes relating to commercial and property matters. Regarding the telephone service provided under the FLAS, 28 335 calls were received last year. These two services are probably both quite well received.



**DR MARGARET NG** (in Cantonese): *President, the Secretary mentioned just now that according to the figures compiled on the last occasion, some 6 000 cases of requests for assistance were received under the FLAS. May I ask the Secretary what amount of funds has been allocated for this scheme? If the SAR Government is serious about the rule of law and takes the legal rights of all people seriously, does he think that the resources allocated are enough? Will the amount of funding be increased? All these measures entail money.*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): *President, in the 2008-2009 financial year, the Government has allocated some \$560,000 to the FLAS. Of course, expanding this service will require an increase in funding by the Government. Moreover, the participation of more voluntary lawyers is also needed.*

**DR MARGARET NG** (in Cantonese): *The supplementary I raised just now is on whether or not the amount of funding is enough. There were some 6 000 enquiries but the funding only amounts to \$560,000. How can the Secretary explain that it is enough? In what way does this live up to our claim of having respect for the rule of law, so that everyone's rights can be fully safeguarded? Why does he think that it is enough? This is my supplementary.*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): *At present, those who request assistance from the FLAS can obtain the service by getting in touch and making a prior appointment. Services can be provided five to six weeks after making an appointment while in urgent cases, a meeting can take place after two weeks. I deem this situation acceptable.*

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

### **Specialist Out-patient Clinics**

2. **MR ALBERT CHAN** (in Cantonese): *President, in reply to my question in June last year, the Government said that the Hospital Authority (HA) had taken certain measures to shorten the waiting time for patients with non-urgent conditions for specialist out-patient (SOP) services. Yet, I recently still received*

*complaints from members of the public about the long waiting time for SOP services, and the waiting time of some cases was even as long as six years. They are worried that their clinical conditions will worsen due to the lack of timely treatment over a prolonged period of time. In this connection, will the Government inform this Council if it knows:*

- (a) last year's average waiting time for each SOP service, together with a breakdown of the number of cases as at the end of last year by their waiting time (that is, less than one year, one year to less than two years, two years to less than three years, and three years or above);*
- (b) the longest waiting time among existing cases for each SOP service; and*
- (c) whether the HA will take further measures to alleviate the problem of excessively long waiting time for SOP services; if it will, of the details; if not, the reasons for that?*

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): President, currently, under the triage system under the HA, SOP clinics will arrange the date of medical appointment for new SOP patients on the basis of the urgency of their clinical conditions at the time of referral, taking into account various factors including the patients' clinical history, the presenting symptoms and the findings of physical examination and investigations. Referrals of new patients are usually first screened by a nurse and then by a specialist of the relevant specialty for classification into priority one (urgent), priority two (semi-urgent) and routine categories. To ensure that no cases with urgent medical conditions are overlooked at the initial triage, all referrals that have been classified as routine cases would be reviewed by a senior doctor of the relevant specialty within seven working days of the initial triage. In addition, if a patient's condition deteriorates before the appointment, he or she may contact the SOP clinic concerned and request for an earlier appointment. If the condition is acute, the patient could also seek immediate treatment at the Accident and Emergency (A&E) departments. The patients would be arranged to receive earlier treatment as necessary.

The HA's targets are to maintain the median waiting time for cases in the priority one and two categories within two weeks and eight weeks respectively, to ensure that patients with urgent health care needs are given medical attention within a reasonable time. In 2007-2008, all clusters under HA were able to meet

the targets. Information related to various parts of the main question is provided as follows:

(a) and (b)

For first appointment of new cases in 2007-2008, a breakdown by major specialties of the median waiting time and the waiting time at the 99th percentile is set out in Table 1. The overall median waiting time for first appointment of SOP cases is about seven weeks. In terms of median waiting time, the three specialties with the longest waiting time in descending order are Surgery, Gynaecology and Medicine.

For new cases for major specialties in 2007-2008, a breakdown of the number of cases by the waiting time (that is, less than a year, one to two years, two to three years and over three years) is set out in Table 2. As shown in Table 2, of the total of more than 680 000 new cases in 2007-2008, the waiting time was less than one year in nearly 590 000 cases (or 86% of the total number of new cases). Among these cases, the waiting time for more than 230 000 cases (or 34% of the total number of new cases) was less than two weeks, and for about 150 000 other cases (or 23% of the total number of new cases), the waiting time was between three to eight weeks. It is evident from the above figures that for about 57% of all the new cases, the first appointment could be arranged within eight weeks. This shows that the triage system is effective in facilitating the provision of appropriate medical services for patients with urgent medical conditions in a timely manner.

- (c) In addition, HA has taken the following measures to further improve the waiting time at SOP clinics: (i) setting up 24 family medicine specialist clinics as gatekeeper for SOP clinics and for follow up on patients triaged as routine cases; (ii) updating clinical protocols for referring medically stable patients to receive follow-up primary health care services; (iii) collaborating with private practitioners and non-governmental organizations (NGOs) to launch shared care programmes for the private sector and NGOs to follow up on medically stable patients; and (iv) disseminating referral guidelines to clinicians to reduce unnecessary referrals.

At the same time, HA has set up a multi-specialty and cross-cluster working group to regularly examine the data and operation of SOP

services, study the common causes for referral and make recommendations on improvement strategies in light of its findings, which include: (i) drawing up referral guidelines targeted at the sources of SOP referrals for major specialties and improving the referral arrangements so as to reduce unnecessary SOP referrals; (ii) allowing greater flexibility for the general out-patient (GOP) service in the areas of diagnosis, examination and prescription of drugs, with a view to enhancing diagnosis and service of primary care and reducing public demand for SOP services; and (iii) enhancing the service of nurse and allied health clinics for provision of early assessment and referral.

Based on the above strategies, a number of programmes have been implemented in various clusters to improve the SOP services. While it will take time to see the effect of some of these programmes, the waiting time for most SOP services (except for some individual specialties) has improved slightly in the first six months (April to September) of 2008-2009 in comparison with that for the whole year of 2007-2008. HA will continue to monitor the utilization and operation of SOP services and to devise and implement further improvement programmes.

HA currently offers a wide spectrum of services. More than 90% of in-patient and specialist services are provided through its 41 hospitals and institutions, 48 SOP clinics, and 74 GOP clinics. For 2007-2008, the number of in-patient and day patient discharges was estimated to reach 1.2 million while attendances at A&E departments, SOP clinics, GOP clinics were estimated at 2.15 million, 7.95 million and 4.81 million respectively. However, the number of doctors working in public hospitals only account for 42% of the total number of doctors in Hong Kong. In the circumstances, the rising service demand has put great pressure on our public health care system. Public hospitals must therefore target the use of their resources on patients with acute or serious conditions.

In addition to the ongoing formulation and implementation of measures to improve the SOP service including the waiting time, amidst the ageing population and the rising demand for health care services from the public, in order to ensure the long-term sustainability of the health care system to provide quality health care

services to meet the increasing needs of the community in future, we must embark on reforms to both the service delivery and financing arrangements of our health care system to fully solve the problem in the long run.

Table 1

Waiting time for first appointment of new SOP cases in 2007-2008  
by major specialties under the HA

	<i>Median (Week)</i>	<i>99th Percentile (Week)</i>
Ear, Nose and Throat	6	102
Gynaecology	11	106
Medicine	9	92
Ophthalmology	4	103
Orthopaedics	8	105
Paediatrics	4	50
Psychiatry	4	121
Surgery	17	206
All Specialties	7	172

Table 2

Number of new cases and waiting time for major specialties  
in 2007-2008 under the HA

	<i>Waiting Time</i>								<i>Total Number of New Cases Booked</i>
	<i>&lt;1 year</i>		<i>1 - 2 years</i>		<i>2 - 3 years</i>		<i>&gt;3 years</i>		
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	
Ear, Nose and Throat	61 369	87%	8 632	12%	465	<1%	0	0%	70 466
Gynaecology	50 768	94%	2 413	4%	570	1%	0	0%	53 751
Medicine	84 069	90%	9 139	10%	13	<1%	6	<1%	93 227
Ophthalmology	86 196	86%	13 313	13%	805	<1%	0	0%	100 314
Orthopaedics	62 940	79%	15 532	20%	793	1%	0	0%	79 265
Paediatrics	22 116	99%	205	<1%	11	<1%	0	0%	22 332
Psychiatry	31 322	88%	3 666	10%	516	1%	140	<1%	35 644
Surgery	98 094	73%	20 689	15%	6 459	5%	8 734	7%	133 976
All Specialties	588 230	86%	73 875	11%	9 770	1%	8 881	1%	680 756

**MR ALBERT CHAN** (in Cantonese): *President, last year's 7.95 million attendances at SOP clinics had proved that the demand on SOP services was great. If we can only start working on it after the completion of the health care financing proposal, it is possible that another major financial scam of the century will take place, therefore such an approach is absolutely infeasible. Last year, the Government set aside \$50 billion for the HA to carry out the so-called health care financing programme, since the demand is so big, with 7.95 million attendances, while the waiting time for SOP services can be as long as several years, may I ask the HA and the Government that whether the \$50 billion funding can be allocated as soon as possible, so that the HA can provide emergency medical services and make a more rational and humane arrangement in respect of the waiting time for SOP services?*

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): *President, I wish to emphasize that the \$50 billion funding pledge made by the Financial Secretary was meant to be a start-up arrangement for the future health care financing programme. Nevertheless, the Government has agreed that it would continue to increase health care resources in the next four years. Since this is the case, four years later, the annual recurrent expenditure will be about \$10 billion, which is not a small sum. Therefore, in my opinion, it is not necessary to make use of the funding of \$50 billion.*

However, everybody can see that the problem we are now facing is not as simple as hospital services, but the overall health care system. This is a matter relating to our primary health care services, and if we can make improvement or increase the volume of services, perhaps some of the SOP referral cases can be addressed at the primary health care stage. Therefore, during this period, we have been expanding these services under different pilot schemes.

In addition, everyone can see that no matter in public and private sector partnership or the health care voucher pilot scheme, it has always been our hope that even when health problems occur and the general public may not necessarily get specialist treatment, they can obtain the treatment at the primary health care stage. Primary health care doctors will only make referrals especially when they considered that the patient must receive specialist consultations. This will improve the effective use of our health care resources and health care system.

**MR ALBERT CHAN** (in Cantonese): *President, the Secretary has not answered my supplementary question. My supplementary question is, since 7.95 million*

*people are waiting for the services, if the authorities is not going to do anything, some patients may die .....*

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

**MR ALBERT CHAN** (in Cantonese): *My supplementary question is, will the Secretary really discuss with the Government on the disposal of the funding of \$50 billion?*

**PRESIDENT** (in Cantonese): Secretary, will the \$50 billion be disposed?

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): President, I have already answered just now that for the time being, we will not dispose the funding of \$50 billion.

**PRESIDENT** (in Cantonese): There are altogether eight Members wishing to ask supplementary questions. When asking and responding to supplementaries, Members and Secretary should be as concise as possible.

**DR LEUNG KA-LAU** (in Cantonese): *In fact, there are a number of questions that I would like to ask, but I will ask one first. Table 2 of the main reply shows that the number of new cases booked for surgery has exceeded 130 000, which is significantly higher than many of other SOP services. As a result, the waiting time for surgery services has become the longest as patients have to wait as long as 17 weeks. May I ask whether the Secretary has the relevant information concerning manpower deployment? Since the number of new cases booked for surgery has exceeded 130 000, will there be proportionate manpower deployment to cope with the service demand in this respect?*

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): I believe Dr LEUNG should be in a position to know the situation better, because he himself is a surgeon.

I do not have the detailed information at hand in this regard, that is, as to which type of new cases has a relatively higher number or which type has a lower number. However, everyone can see that we have a triage system which will enable some cases, such as suspected cancer cases or emergency patients to receive timely treatment. If Dr LEUNG wishes to obtain more information, I can provide him with a written reply later. (Appendix I)

**DR PAN PEY-CHYOU** (in Cantonese): *The Secretary stated in the main reply that medical facilities in GOP clinics would be increased so as to absorb SOP patients .....*

**PRESIDENT** (in Cantonese): Dr PAN Pey-Chyou, please stand up and raise your supplementary question.

**DR PAN PEY-CHYOU** (in Cantonese): *Yes, I am sorry, President.*

*May I ask when this scheme concerned will be implemented? For the current problem of many SOP clinics is they are facing the problem that many medically stable patients cannot be referred to GOP services.*

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): President, first of all, as far as GOP or primary health care services are concerned, they do not only include the service of HA doctors, but also private practitioners providing services in the community, because they also provide a significant percentage of effective primary health care services.

For this reason, we hope that firstly, some incentives can be created through the health care voucher scheme; and secondly, at each of the pilot points at government GOP clinics, we will add a number of specialists to allow them to perform triage to a certain extent. For surgical or medical cases especially, if doctors consider that some chronic diseases can be dealt with at the primary care level, then there is no need for patients to receive treatments at SOP hospitals.

**DR PAN PEY-CHYOU** (in Cantonese): *The Secretary has not answered my supplementary question, because we are really facing the problem that medically*



*stable patients cannot obtain the referral, I would like to know when approximately will it be implemented, that is, when will medically stable patients be successfully referred to GOP or family medicine specialist clinics?*

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): President, I believe specialists can now refer patients to family doctors, it only depends on the patient's willingness, as they usually want to retain their follow-up places at SOP clinics. This is a common phenomenon.

**MRS REGINA IP** (in Cantonese): *According to the figures provided by the Secretary, the median waiting time for new ophthalmology cases was four weeks, while 99th percentile number was 103 weeks. However, according to some complaints I received from the public, such as those relating to the United Christian Hospital in Kowloon East, in the past, some elderly people had to wait for two to three years for cataract surgery, but now they have even to wait for seven to eight years in order to receive the operation for one eye, so if they wish to receive operation on both eyes, these elderly people may have already passed away during the waiting period. How did these figures come up? Of course, ophthalmology is an integral part on its own, but what the public concerned with is that if such cases arise, how will the Secretary handle them?*

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): President, I have said earlier that if the condition of any patient has deteriorated during the waiting period, he may request for the date of the follow-up appointment to be advanced. In particular in referral cases, if in the doctor's opinion his condition is deteriorating, an advance treatment can very often be arranged.

As for ophthalmology, especially the aspect in cataract, we have launched the Cataract Surgeries Programme. I think that up till today, additional services in this regard have been performed for more than 5 000 elderly people.

As for individual cases, it is very difficult to discuss the matter here, because I do not have the relevant information at hand. However, I hope Members will provide the information in this regard for us to follow up.

**MRS REGINA IP** (in Cantonese): *May I ask, that is .....*

**PRESIDENT** (in Cantonese): Mrs Regina IP, you can only point out which part of your supplementary has not been answered by the Secretary.

**MRS REGINA IP** (in Cantonese): *Alright. Will the Secretary give me a reply to how long is the waiting time for a cataract surgery? Apart from emergency cases ..... I know that if the condition of a patient is urgent, there will be a possible development into glaucoma, then the doctors will arrange immediate surgery for the patient. If the Secretary is unable to give a reply now, then can he provide a written reply later?*

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): Perhaps I can make a brief supplement, if Mrs Regina IP wishes to obtain more detailed information, I can provide a written reply. (Appendix II)

If the condition affects both eyes of a patient, which means that the condition has been causing an impact on the patient's vision, he will be accorded a priority for surgery. If only one eye has been affected slightly, that means it will not affect the daily living of the patient, then the doctor will classify him into the routine cases for him to wait for his turn. Therefore, we will closely monitor this, if the way of living of the elderly is being notably affected by any disease, we also hope that they can receive prompt medical treatment.

**MR LEUNG KWOK-HUNG** (in Cantonese): *The Secretary indicated that the \$50 billion funding was reserved for future use, is this the so-called "why not take meat congee" sarcasm approach? It is tantamount to saying that even though you cannot afford a single meal now, I am setting aside \$50 billion for you to cook a pot of minced meat congee. The Secretary's way of thinking is really odd. Maybe you can put it this way, you give me your salaries, I will return the total amount to you after 15 years, will that be OK to you?*

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, please raise your supplementary question.

**MR LEUNG KWOK-HUNG** (in Cantonese): *This is just simile, of course he will not respond to that. I consider the Government's reply on the issue lengthy*

*enough yet impracticable. Secretary, the question raised by my partisan, Albert CHAN, was not only about new cases, but in the reply you gave him, that is, in Table 2, you have just listed all the figures for the total number of new cases booked. If the figures are not limited to the number of new cases, then, the whole situation would be even worse, do you have the relevant figures in this regard, Secretary?*

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

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): President, I wish to know what does Mr LEUNG mean by "worse", what is his definition for that?

**MR LEUNG KWOK-HUNG** (in Cantonese): *That is, a longer waiting time. Secretary, really do you not understand that?*

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): President, I have made clear the waiting time in Table 2 of my main reply, and we foresee that the waiting time in future will not get worse, in particular, we have taken a series of measures to mitigate the demand in this regard. What is important is that we must provide quality services, it is not as simple as just considering the waiting time alone. Patients have to receive proper care, and we should refer patients to appropriate general practitioners and specialists for treatment.

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

**MR LEUNG KWOK-HUNG** (in Cantonese): *His answer evaded the question. I have asked him very clearly to count in old cases, not just the total number of new cases booked. Table 2 has specified the number of new cases booked.*

**PRESIDENT** (in Cantonese): Please point out clearly the part which has not been answered.

**MR LEUNG KWOK-HUNG** (in Cantonese): *I am asking for the overall figure, not only the number of new cases booked. For example, if I have been receiving ophthalmologic follow-up care, and at the same time I am waiting for a glaucoma surgery, then will it be classified as a new case or an old case, man? If you deem it a new case, then the problem will not exist.*

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): President, as far as I know, only new cases have to wait for its turn, old cases are not required to wait. An old case means that after a patient has received the first consultation, the doctor will arrange an appropriate time slot for him to follow up. If there is a need for him to advance the follow-up consultation, an advanced follow-up consultation can be arranged, if there is no need for him to advance the follow-up appointment, he will be allocated a later and appropriate time slot for follow-up.

**PRESIDENT** (in Cantonese): Although five Members are still waiting for their turn to raise supplementary questions on the main question, we have already spent more than 20 minutes on this question. Members who feel concern about this issue may have to follow up the issue in the relevant panel. Third question.

### **Assistance to Catering Industry**

3. **MR TOMMY CHEUNG** (in Cantonese): *President, it is learnt that with the recent successive restaurant closures, the catering industry has been heavily hit by the financial tsunami. Members of the industry have raised certain requests for alleviating their burden, but the Government has not given any concrete response to such requests. In this connection, will the Government inform this Council:*

- (a) *whether it will make reference to the relief measures implemented by the Government in 2003 to deal with the outbreak of Severe Acute Respiratory Syndrome (SARS) and immediately waive the licensing fees for one year in respect of restaurant licence and liquor licence; if it will not, of the reasons for that; and*
- (b) *as the Sewage Services (Sewage Charge) Regulation stipulates an annual increase of about 9% in the rate of sewage charge over a*

*period of 10 years from this financial year onwards, whether the Government will immediately waive the sewage charge and trade effluent surcharge payable by the catering industry for at least four months, so as to improve the business environment of the catering industry; if it will not, of the reasons for that?*

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

- (a) The restaurant/liquor licence fee falls under the category of fees charged under the "user pays" principle, that is, the Government recovers full costs from users for the provision of services.

There are mainly two types of restaurant licences, namely General Restaurant Licence and Light Refreshment Restaurant Licence. The licence fees are charged according to the floor area of the premises. The larger the floor area, the higher the licence fee is. At present, there are 19 bandings of restaurant licence fees. For General Restaurant Licence, restaurants with floor area 100 sq m or less have to pay an annual licence fee ranging from \$2,520 to \$5,170; restaurants with floor area over 100 sq m to 250 sq m have to pay an annual licence fee ranging from \$3,140 to \$11,640; and restaurants with floor area over 250 sq m have to pay an annual licence fee ranging from \$6,860 to \$258,870. As for Light Refreshment Restaurant Licence, restaurants with floor area 100 sq m or less have to pay an annual licence fee ranging from \$1,810 to \$3,690; restaurants with floor area over 100 sq m to 250 sq m have to pay an annual licence fee ranging from \$2,270 to \$8,355; and restaurants with floor area over 250 sq m have to pay an annual licence fee ranging from \$4,960 to \$185,250. Overall, general restaurants and light refreshment restaurants with floor area 100 sq m or less and over 100 sq m to 250 sq m account for about 52% and 26% of the total number of restaurants in Hong Kong respectively. In other words, about 80% of the local restaurants pay an annual licence fee of \$11,640 or less.

As for liquor licences, the annual licence fees for the two licences, namely Liquor Licence and Club Liquor Licence, range from \$1,100 to \$4,300. There has been no adjustment to the restaurant/liquor licence fee since 1998.

Although restaurant/liquor licence fee is part of the operating expenses of a restaurant, it only accounts for a minute portion of the operating costs. For instance, information from the Census and Statistics Department shows that, in 2006, the total operating expenses of local restaurants amounted to some \$22.9 billion, while the total licence fees paid by the catering sector in the same period were some \$200 million, representing less than 1% of the operating expenses. Hence, the impact of waiving restaurant/liquor licence fee may not be very significant in helping the trade to reduce the operating costs.

- (b) The purpose of introducing a Sewage Services Charging Scheme was to enhance public awareness of the burden exerted on the sewage treatment system and the natural environment by the effluents they discharged, as well as encouraging trades to reduce their effluent strength through a charging scheme based on the "polluter pays" principle. The findings of a survey of effluent strength indicated that effluent strength of many of the more polluting trades was weaker than that of the time when the scheme was first introduced. This shows that the charging scheme, which bases on the "polluter pays" principle, is effective in encouraging businesses to reduce the discharge of highly polluting effluents by improving pollution control measures. The Government will continue to engage the trades and help them improve controls on effluent discharge through workshops and seminars. These activities will help the trades effectively control their expenditure related to the Sewage Services Charging Scheme.

At present, the operating accounts of sewage charge and trade effluent surcharge still show a deficit. Part of the recurrent expenditure of sewage treatment is already borne by the taxpayers. In line with the principle of "polluter pays", the Government considers it inappropriate to increase taxpayers' burden in this area.

The Government has been paying close attention to the impact of the financial tsunami on the small and medium enterprises (SMEs) (including the catering industry) and has introduced a number of measures with a view to further strengthening support for business establishments in Hong Kong. For instance, the Finance Committee of the Legislative Council has just approved of the expansion of the Special Loan Guarantee Scheme last Friday.

Flexibility will be allowed regarding the use of the loan under the Scheme in support of trade finance. In the face of the deepening impact of the financial tsunami on the global economy, we expect a tough time ahead. To weather the current crisis, the whole community, including business establishments, employees and the Government, must work closely together. The Government will also keep in view the business environment and economic development.

**MR TOMMY CHEUNG** (in Cantonese): *President, in the main reply, particularly in the last paragraph, the Secretary pointed out the aggravating impact of the financial tsunami. I agree to that. Precisely because of that, I think the Secretary should not say that \$200 million is a small amount of money. In fact, he has only mentioned licence fees but not sewage charge and trade effluent surcharge, which will come to a total of hundreds of millions of dollars. So, this is an area which would really be helpful to the industry. My follow-up question is as follows: As the Secretary is also of the view that the economic situation will even be worse in future, should he discuss the issue with the Financial Secretary now in order to propose relief measures in this aspect to help the trade? This is not only a financial issue, but also a token of spiritual support which is also very important.*

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): President, the Government has made a lot of efforts in various aspects, particularly for the SMEs. Moreover, the Legislative Council has also approved a supporting scheme for the SMEs last week. If members of the catering industry face any problems, they can resort to the scheme. Therefore, I think that their needs have been taken care of by the Government. Meanwhile, I also said that the Government would keep in view the situation when assessing the future economic environment and it will launch appropriate schemes in a timely manner.

**MR TOMMY CHEUNG** (in Cantonese): *President, the Secretary has only mentioned loans, but we are now talking about licence fees and trade effluent surcharge .....*

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

**MR TOMMY CHEUNG** (in Cantonese): *He has not given any answer at all. Even though the amount of money involved by targeting against these two kinds of charges is small, should such relief measures still be implemented? Since relief measures were implemented during the SARS outbreak, why does the Government not do the same this time around?*

**PRESIDENT** (in Cantonese): Mr CHEUNG, the Secretary has in fact answered your question although you do not agree to the government policies mentioned by him. Secretary, do you have anything to add?

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

**MR WONG YUK-MAN** (in Cantonese): *President, our Secretary has been wasting our time when he answered our questions. Everybody's time is very precious. As we could see, he was reading out from a written reply. In fact, the Secretaries of Departments and Bureau Directors can do the job simply by training their oral articulation skills in reading out their scripts. We can see that amongst them some have made improvements in terms of fluency and will not pronounce "Baltic Sea" as "Bal-dic Sea".*

*The reply that the Secretary has given was in fact a "bureaucratic" one. We can find all those figures he just mentioned by ourselves and his reply is basically superfluous. In the last paragraph of part (a), he said that as licence fees accounted for only 1% of the operating expenses, there was no need to waive it, right? As for the reply concerning the fees charged by the Sewage Services Charging Scheme, it is equally a bunch of bull. In the end, the financial tsunami was mentioned as a pretext. It seems that a lot of assistance has been provided by the Secretary who, as part of the Government .....*

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

**MR WONG YUK-MAN** (in Cantonese): *They can hardly borrow the loan, right? There is a saying, "Do good deeds, minute as they may seem". Does he*



*understand it? Even though the amount of money involved is small, it can still serve as a subsidy to the SMEs and the catering sector. Under the current environment, one should "do good deeds, minute as they may seem", right?*

**PRESIDENT** (in Cantonese): Mr WONG Yuk-man, this is not a session for debate. Please ask your supplementary question.

**MR WONG YUK-MAN** (in Cantonese): *I am not debating. I just demanded a reply from him. Does he understand the meaning of "do good deeds, minute as they may seem"? We request him to reduce or waive licence fees and sewage charge .....*

**PRESIDENT** (in Cantonese): When you ask a question .....

**MR WONG YUK-MAN** (in Cantonese): *Does he know the meaning of the saying? Secretary Dr York CHOW only knows how to read out from his script.*

**PRESIDENT** (in Cantonese): Mr WONG Yuk-man, please do not express your arguments when asking questions.

**MR WONG YUK-MAN** (in Cantonese): *Anger flared up in me whenever I heard something like that. I can tell you, I seldom support Tommy CHEUNG. But now I am really in a rage. I said, "Do good deeds, minute as they may seem". Under the current circumstances, why does the Government deny support to the catering industry? The Secretary even mentioned loans. Can they borrow loans? They simply fail to do so.*

**PRESIDENT** (in Cantonese): Mr WONG Yuk-man, if you have .....

**MR WONG YUK-MAN** (in Cantonese): *I now demand a reply from the Secretary.*

**PRESIDENT** (in Cantonese): Please sit down if you have asked your supplementary question. Secretary, please answer the question.

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): First of all, President, if a Member is conducting a business in the industry, I think he should declare interest before making any remarks, particularly .....

**MR WONG YUK-MAN** (in Cantonese): *I am not conducting a business in the industry, it is my wife who is doing so.*

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

**MR WONG YUK-MAN** (in Cantonese): *I tell you, if you want me to "play with you", I am most happy to do so.*

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): President, as for any industry, the current position of the Government is ..... as for any sector, no matter the catering industry or other SMEs, they are now facing a lot of blows and problems, and though not everyone in the whole industry is doomed, some are actually being confronted with tremendous difficulties. It is the Government's policy to provide support to all SMEs, but not each and every industry among them need such support. So I think the Government, in implementing any measures, should .....

**MR WONG YUK-MAN** (in Cantonese): *He is not answering my question at all. We are now talking about the catering industry, but he is talking about the SMEs and then he reverses it by saying that subsidies for the SMEs are not meant for the catering industry. I do not know what he is talking about.*

**PRESIDENT** (in Cantonese): Mr WONG Yuk-man, please respect our rules for the Question Time. After you have asked your supplementary question, the

Secretary will answer it. If you find his reply unsatisfactory, you can hold a debate on other occasions because no debate is allowed during this session. Secretary, please continue with your reply.

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): I believe I will get the same response no matter how I answer his question. I would rather stop at this juncture and see whether or not other Members have any supplementary questions.

**DR LAM TAI-FAI** (in Cantonese): *President, actually, the Secretary can seriously reconsider Mr Tommy CHEUNG's views today. In fact, I have also mentioned time and again that at times as rough as such, measures on waiving government fees and charges payable by the SMEs will certainly alleviate their heavy burden, in addition to serving as a token of the Government's willingness to share the people's plight and to help them.*

*Now I would like to ask a question. Does the Government know whether or not the Central Authorities have formulated a timetable for the extension of the Individual Visit Scheme so that all cities of the whole country, instead of just 49, will be included, thus allowing more people to come and spend money in Hong Kong? If there are more people coming to Hong Kong to spend money, the tourism and catering industries will certainly be benefited, thus preventing further closures of eateries as they can hang on even though the Secretary refuse to consider granting exemptions for licence fees.*

**PRESIDENT** (in Cantonese): Dr LAM Tai-fai, I believe your supplementary question has deviated from the main question, perhaps you may .....

**DR LAM TAI-FAI** (in Cantonese): *No, even though the two are not relevant, they are closely related, (Laughter) as this is very important to the catering industry.*

**PRESIDENT** (in Cantonese): Not all the issues relating to the catering industry are relevant to the main question. You just mentioned .....

**DR LAM TAI-FAI** (in Cantonese): *President, the Individual Visit Scheme will be helpful to the catering industry.*

**PRESIDENT** (in Cantonese): You mentioned the extension of the Individual Visit Scheme by the Central Authorities which, in my opinion, is too remote from this oral question. Perhaps you can think whether there are other more relevant supplementary questions.

**DR LAM TAI-FAI** (in Cantonese): *Alright.*

**MS MIRIAM LAU** (in Cantonese): *The catering industry is a hard-hit sector in an economic downturn. The Government would not have waived the licence fees in 2003 if this was not helpful to the relevant industries. According to the last paragraph of the main reply, the Government will provide assistance to the SMEs. But I hope the Secretary can understand that the SMEs, in particular the catering industry, have to pay exorbitant licence fees and water charges. They are different from the general SMEs which may operate their businesses by making a mere application for business registration. However, the catering industry has to bear special licence fees and water charges at the same time. Now the Secretary, in his reply, said that the licence fees represented only 1% of the operating expenses. But as I understand from the industry, the total sum of licence fees together with charges for water, electricity and gas account for more than 10% of their operating expenses. Under such circumstances, will the Secretary reconsider providing some relief measures to the catering industry on the understanding that it is different from the general SMEs?*

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): President, the catering industry, of course, possesses certain unique features which make it different from the other sectors. But according to our understanding, the costs of food are certainly a heavy burden to the catering industry, in addition to rent which poses as the greatest burden. We can say that rent, on the contrary, is the key factor to the survival of the catering industry. We have also been paying close attention to the current rental level in Hong Kong. I believe all government departments have understood the impact of the financial tsunami on different trades and sectors. So we will also keep a close eye on this aspect.

**MR PAUL TSE** (in Cantonese): *President, according to the figures in part (a) of the reply, it seems that the SMEs in the catering industry with floor area below 250 sq m account for around 80% of the industry. In his reply, the Secretary said that the licence fees they have to pay are insignificant, representing less than 1% of their operating expenses. However, I do not agree that this figure fails to fully reflect the predicament of the catering industry. On the contrary, the figure has highlighted their predicament. Why does the figure account for less than 1% of the operating expenses? It is mainly because of the exorbitant rent, which has already accounted for a particularly high percentage. Does the Secretary think that the impact of the current financial tsunami is more serious than that in the SARS outbreak in 2003? If yes, why cannot the Government show sympathy to the SMEs, which represent the majority of the industry, by waiving their licence fees?*

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): *President, first of all, I have to point out that colleagues responsible for financial and economic matters have supposed explained to Members the relevant analysis in this aspect on various occasions. Concerning how the current financial tsunami should be compared with the problems in 2003, we could of course get a clear picture of the problems in 2003 in retrospect and understand that those problems lasted for three and a half months to four months then. Despite the serious impact, however, the economy of Hong Kong rebounded expeditiously.*

Yet, for the current financial tsunami, we believe that it is still at a stage when there are lots of predictions and uncertainties. In general, however, we predict that the problem will last for at least one year to more than one and a half year. So, we will have to wait for a decision to be reached by our economic analysts before we could consider various measures to alleviate the burden of the community as a whole.

**MR TAM YIU-CHUNG** (in Cantonese): *President, I have been listening attentively to the Secretary's reply. The Democratic Alliance for the Betterment and Progress of Hong Kong has proposed to the Financial Secretary that measures be implemented to alleviate the burden of eateries and commercial organizations in respect of licence fees and sewage charges. We have asked the*

*Financial Secretary whether such fees and charges could be waived. Does the Secretary's present reply indicate that the Financial Secretary will not consider this point when the Budget is announced? Should we interpret it this way?*

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): President, regarding the Financial Secretary's Budget, I personally have not discussed with him what would certainly be done and what would not be done certainly. So I am unable to answer this supplementary question.

**MR CHAN HAK-KAN** (in Cantonese): *President, the launching of environmental protection does not necessarily incur expenses. All along, I have been advocating the recycling of waste oil in restaurants. If the Secretary said that sewage charges cannot be waived, I would like to ask Secretary Edward YAU a question: Will he propose measures to encourage the recycling of such waste oil so that eateries can have some other source of income to recompense the expenses on sewage charges in an economic downturn?*

**PRESIDENT** (in Cantonese): Which Secretary will answer this question? Secretary for the Environment.

**SECRETARY FOR THE ENVIRONMENT** (in Cantonese): President, I thank Mr CHAN Hak-kan for his question. Under the current economic situation, I also agree to his views that some environmental protection measures, no matter short-term or long-term, will be helpful if energy saving or effectiveness of energy can be enhanced. This is not only confined to waste oil. Take restaurants as an example. Electricity tariff may be one of the major operating costs. Apart from waiving electricity tariff by the Government, the promotion of electric energy will also be helpful. However, regarding recycling of waste oil, it also depends on whether there is a market. As far as I know, there are really some local companies which can turn waste oil into useful energy. If there are further studies in this aspect, I am willing to acquire a further understanding.

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

**Supporting Documents Required for Applications for Old Age Allowances and CSSA**

4. **MR LAU KONG-WAH** (in Cantonese): *President, quite a number of members of the public have related to me that when applying for Old Age Allowances (OAAs), commonly known as "fruit grant", or Comprehensive Social Security Assistance payments (CSSA payments) under the Comprehensive Social Security Assistance (CSSA) Scheme, they encountered great difficulties and even had their applications rejected because they failed to produce address proofs or bank account particulars. In this connection, will the Government inform this Council:*

- (a) *of the respective numbers of OAA and CSSA applications rejected last year on the grounds of the applicants failing to produce address proofs and bank account particulars; and*
- (b) *whether the Government will make other arrangements, such as waiving the relevant requirements, for applicants who are eligible for OAAs or CSSA but unable to produce address proofs or bank account particulars?*

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): *President, the CSSA Scheme is designed to provide financial assistance to bring the income of needy individuals and families up to a prescribed level to meet their basic needs. The objective of the OAAs under the Social Security Allowance (SSA) Scheme is to provide a monthly allowance for Hong Kong residents who are 65 years of age or above to meet the special needs arising from old age. Both CSSA and OAA are non-contributory. In order to be eligible for CSSA, applicants have to pass both income and assets tests. As for OAA, applicants aged 70 or above are not subject to income and assets tests. The income and asset tests for applicants aged between 65 and 69 are also more relaxed than those for CSSA.*

*My reply to the questions by Mr LAU in *seriatim* is as follows:*

- (a) *The Social Welfare Department (SWD) will not reject applications for CSSA or OAA solely because the applicants fail to produce address proofs or bank account particulars. As such, the SWD is unable to provide the figures as requested.*

- (b) At present, CSSA and OAA applicants are only required to make a self-declaration of address without the need to produce address proofs. However, CSSA applicants are required to produce proofs of accommodation expenses if they apply for rent allowance.

The aim of requiring CSSA and Normal Old Age Allowance (NOAA) applicants to provide their bank account particulars is to facilitate the verification of their income and assets by the SWD so as to ascertain their eligibility for CSSA or NOAA. Besides, payment of assistance or allowance is credited to the bank account of the applicant by the SWD on a monthly basis. Under exceptional circumstances, for example, if an applicant is unable to have a bank account set up, the SWD can arrange direct payment of the assistance or allowance to the applicant. Applicants with special difficulties may also approach the social security field units for assistance.

**MR LAU KONG-WAH** (in Cantonese): *It would be the best thing if they could be assisted as much as possible. However, in fact, some of the applicants in the cases received by us were unable to set up bank accounts for they were requested by the bank to produce certain kinds of proof; otherwise, the accounts could not be set up, and this consequently led to their failure in obtaining CSSA payments. In some other cases, the applicants have no fixed places of abode but are street sleepers under the flyovers. When asked by the staff of the SWD, they would state that they did not have an address, hence failing to meet the eligibility for payments of CSSA. Under such circumstances, these people may not be able to enjoy the benefits concerned. Has the Secretary paid heed to these two groups of people?*

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): Mr LAU, if such situations occur, I would be glad to follow up with the matter. Please provide us with the relevant information for colleagues from the SWD to initiate contacts with those people in question. Street sleepers would be issued payments of CSSA all the same. The most crucial point is for the applicant for rental allowance to provide proofs of correspondence address, rental receipts and rates, and so on. If he is an applicant for payment of CSSA, correspondence address would not be an issue at stake if he is in real financial need. Many street sleepers are now receiving CSSA payments. Only if the applicants are willing



to co-operate and try their best to provide us with the information required, we would conduct interviews with them or even visit the flyover areas to acquire an understanding of their dwellings. These cases of plight should certainly seek our assistance.

**MR TAM YIU-CHUNG** (in Cantonese): *President, I would like to know whether the Secretary is aware that some of the CSSA recipients have no bank accounts and have to apply for one when payment is granted to them. However, they are not among the bank's preferred customers as they would immediately withdraw all the money from their accounts. From the angle of the banks, this kind of customers are not the preferred ones. Has the Secretary heard about this? Under those circumstances, how could these CSSA recipients obtain the payments?*

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): *President, I would like to thank Mr TAM for the supplementary question. Generally speaking, we check the bank accounts actually for the sake of asset examination. We have to check whether the applicant owns any asset. It would not be a problem even if the applicant does not have a bank account as we would conduct interview and home visit for each application. Under special circumstances, such as the encounter of real difficulties in setting up a bank account — payment is to be effected through the automatic transaction mechanism into the bank account each month; however, if there is just one simple reason, say mobility inconvenience due to old age, forbidding the applicant to go to the bank to set up an account, with no agent available to help him with such setting up or obtaining the bank account number for drawing money from ATM machines ..... In fact there are cases like these. From our latest figures, there are 163 cases of CSSA recipients who could not set up bank accounts due to various reasons — how would these cases be handled? We would hand out cash in person to those 163 recipients. Furthermore, seven recipients on OAAs are not eligible for setting up bank accounts because they are too old, and they do not have agents to act on their behalf. We would then deliver the payment in person to them in cash. As I have stated earlier, it is imperative for those special cases to approach us, for we would be glad to provide assistance.*

**MR WONG KWOK-HING** (in Cantonese): *President, for those who have not experienced poverty would not appreciate the plight of the poor. I come from a*

*very poor family and I am very clear about this kind of situation. Though the Government ..... the Secretary has stated just now that they would not refuse, I am glad to learn about this announcement made by the Secretary. However, is the Secretary aware that those in abject poverty would psychologically have something to hide, that is, they do not want others to learn about their condition? Some others may not be able to afford buying newspapers, or having a radio or television. They would not know about this announcement made by the Secretary today. That being the case, I would like to ask the Secretary, via the President, if he could take the initiative and lead a team (I would be in your support), say, on this Sunday (that is, on the eve of the Winter Solace), to the hot spots of street sleepers (such as the Cultural Centre) and ask them in person whether they had applied for CSSA or a place of abode. I really feel extremely sorry when I recently saw on television so many jobless people street-sleeping in hot tourist spots. So, I would like to ask the Secretary, via the President, if he could take the initiative, say, on this Sunday (that is, on the eve of this Winter Solace which is considered "more important than the Lunar New Year Day"), to reach out for these people in the hot spots of the street sleepers?*

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): Thank you, Mr WONG, for the suggestion. Indeed, he would like us to pass on the message to those who are in need of assistance. We would certainly step up our publicity efforts. In fact, the SWD has also offered outreach services and colleagues from our Social Security Services have offered this service from time to time. We would make more efforts in this area. I would not prefer to do something that is short-lived. Such work should be sustainable and persistent. I agree entirely with Mr WONG's view about the message and would like to reiterate that if it is really necessary, even street sleepers have to pass the asset test in applying for CSSA. Street sleepers may also have assets. If they could pass the asset test, we would certainly provide assistance.

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

**MR WONG KWOK-HING** (in Cantonese): *President, the Secretary has not answered. My supplementary question just now is very clear. I suggest the Secretary should lead a team and reach out .....*

**PRESIDENT** (in Cantonese): Are you asking the Secretary whether he would do that?

**MR WONG KWOK-HING** (in Cantonese): *On this Sunday, on the eve of the Winter Solace, to lead a team and reach out.*

**PRESIDENT** (in Cantonese): Your supplementary question has been very clear. Secretary, please reply.

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): President, I would like to thank Mr WONG once again for his question, but I have to check my schedule for this week. I would be glad to consider the suggestion if the situation allows.

**MR LAU KONG-WAH** (in Cantonese): *President, if at present some elderly report only their mainland addresses, could they be successful in their applications for payments of CSSA? Besides, the Secretary has promised to give a reply on whether the restriction on leaving Hong Kong would be relaxed by the end of the year, but it seems that there has been no reply so far.*

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): Two issues are involved here. This is about OAA. Concerning CSSA, there is a Scheme extending to Guangdong and Fujian Provinces. It has been known that over 3 000 recipients are enjoying this arrangement under the Scheme. As for the "fruit grant", we are still examining whether the allowance for leaving Hong Kong could further be relaxed. We hope to inform the Council of a clear direction by the first quarter of next year.

**MR WONG KWOK-HING** (in Cantonese): *President, firstly I would like to thank the Secretary for accepting my suggestion and hope that he would be available this Sunday. President, my supplementary question is whether the Government is aware that some banks would charge a handling fee on "red book" accounts that do not always maintain a deposit of \$5,000. It is simply*

*impossible for those who apply for CSSA or OAA to maintain a savings deposit of \$5,000 or above, so the bank would charge them for handling fees. Would the Government consider ways of alleviating them?*

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): President, the supplementary question of Mr WONG refers to the difficulties encountered when setting up the "red book" accounts. There are as many as 480 000 persons applying for and receiving payments of CSSA in Hong Kong, with the latest figure being 283 000 cases. However, save for the 163 special cases in which the CSSA payments are handed directly to the recipients, all others have the payments credited through bank account transfers. Therefore, the problem is not as big as Mr WONG imagines. If there are problems, such would only be isolated cases which we could resolve through other means.

**MR WONG KWOK-HING** (in Cantonese): *President, I still think that the Government really does not appreciate the plight of the poor .....*

**PRESIDENT** (in Cantonese): Mr WONG, please do not expound your views any further. Please specify the part of your supplementary question to which the Secretary has not given a reply.

**MR WONG KWOK-HING** (in Cantonese): *President, I would like the Secretary to respond if there are still any other means to assist them, for example, would the Government ask the banks to waive the handling fees for these accounts? I am just citing an example for illustration.*

**PRESIDENT** (in Cantonese): You may take your seat. Secretary, Mr WONG is asking if the Government would provide assistance when the banks have to charge those CSSA and OAA applicants with handling fees for the reason that there are insufficient funds in their bank accounts.

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): President, we have to first find out how serious the problem is. I am most glad to look into

this issue. However, as I have said earlier, any CSSA recipients who encounter problems relating to their bank accounts are most welcomed to express their views to us. We would then follow up with the matter.

**MR TAM YIU-CHUNG** (in Cantonese): *President, in response to Mr LAU Kong-wah's supplementary question earlier on, the Secretary has mentioned that the work of reviewing the "fruit grant" has to be postponed to the first quarter of next year. But the timing of the original schedule is end of this year, why is it that it has to be postponed for one quarter? What is the reason behind this?*

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): *President, just now I said I hoped it would be within the first quarter, and there are three months in the first quarter; whereas only two weeks are left from now till the end of the year. I hope that the work could be conducted more thoroughly and that there could be a whole set of information.*

**DR PAN PEY-CHYOU** (in Cantonese): *President, many places overseas have issued public assistance payments through postal offices. I would like to know whether we would do the same.*

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): *I wish to thank Dr PAN for the question. The practice of paying through bank transfer has been adopted for a very long time and has been running effectively all along. Given that it has been effective and well received, it is deemed a good practice. While certainly we would not exclude the possibility of issuing payments through the postal office as another alternative, we have to firstly ascertain whether there would be any problems. Only if there is such a necessity would the alternative of issuing payments through the postal office be considered, because handling charges would also be collected by the postal office, its service is not free of charge. Therefore, we have to see whether there is a necessity, if yes, I am open-minded on this. That said, as we already have a hitherto effective mechanism, is there a need for developing the alternative of issuing payment through the postal office? This has yet to be considered again.*

**MR CHAN KAM-LAM** (in Cantonese): *President, as far as I know, banks would not charge handling fees from the elderly or those who experience*

*difficulties in their living even if the funds deposited in their savings account are less than \$5,000. However, I did notice that some of the banks would not set up accounts for those elderly or needy persons who fail to produce proof of address. Could the Secretary discuss with the banks in question to see if they could allow them to have bank accounts set up through some other substituting means such as providing the banks with those proofs of family members' or other evidence in support of their residence? I think that the Government should take note of this. Would the Government work like this?*

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): Thank you, Mr CHAN, for the question. We would certainly do that. As I have mentioned earlier, with regard to any useful opinions today ..... especially for the cases received by the Members, I earnestly hope that those cases could be referred to us as soon as possible so that we would be able to learn about the situation from the real cases and take specific measures to resolve the problems. It would be rather difficult for us to make any policy fixing if there is only mere talk in the air. On the contrary, we would be glad to conduct in-depth followups for problems in real cases. We are always people-based.

**MR LAU KONG-WAH** (in Cantonese): *President, just now the Secretary expressed that families in the Guangdong and Fujian Provinces could enjoy the benefit of CSSA as well, and that payments could be granted directly in cash if they encounter difficulties when setting up bank accounts. Is this measure applicable to the Mainland? Besides, as far as you can master, how many families would fall into this category?*

**SECRETARY FOR LABOUR AND WELFARE** (in Cantonese): President, with regard to the question by Mr LAU, there are at present actually over 3 000 recipients living in Guangdong or Fujian, with 90% in Guangdong Province and a mere 100 in Fujian Province. The number concerned is not great. However, as a measure to ensure that the recipient is still in connection with Hong Kong, the payment in question would be credited into his bank account in Hong Kong even though he is living outside Hong Kong territory. The payment would then be transferred to his bank account in the Mainland. In so doing, we would be able to ensure his connection with Hong Kong. Although he may not be living here,

he must have the connection. There has never been any feedback so far of any difficulties encountered in payments collection for these 3 000 cases.

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

### **Review of Economic Policy**

5. **MR FREDERICK FUNG** (in Cantonese): *President, in order to counter the impact of the financial tsunami, the governments of various countries have spent substantial amounts of public money and introduced many measures, including the injection of funds into banks and enterprises to rescue the banking system and stabilize the financial market. It has been alleged that such measures violate the free market principle. The former Chairman of the United States Federal Reserve Board conceded earlier that there were flaws in the previous faith in liberal economy which was based on the principle of minimal regulation and in the ideology which relied too much on the market. Moreover, the Premier of the State Council pointed out earlier that Hong Kong should earnestly learn a lesson from the financial crisis and identify the problems existing in its economic structure. In this connection, will the Government inform this Council whether:*

- (a) *it will review its principle of governance of a deregulatory free market, and re-define the relationship between the Government and the market from a macro and strategic perspective for economic development, in order to respond to the new situation of the world's economy after the financial tsunami; if it will not, of the reasons for that; and*
- (b) *it will re-assess if the current economic structure in Hong Kong has placed too much emphasis on the development of the financial services industry, and thus resulting in drawbacks (such as excessively uniform economic industries and severely imbalanced economic development, making it difficult to respond to the impact brought by the economic recession); and whether it will formulate afresh strategies for the comprehensive development of a diversified economy and introduce relevant supporting measures to tie in with such strategies; if it will not, of the reasons for that?*

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

- (a) Over the past few months the global economy is facing the most severe financial crisis since the Great Depression in the 1930s. The adoption of unprecedented measures to stabilize the markets by various governments, including those in the United States and Europe, is certainly controversial. Yet, during the crisis time like this, these unprecedented actions are understandable and indeed necessary.

There is now a consensus in the international community to review and reform the international financial system, with a view to avoiding another serious financial crisis in the future. As an international financial centre, Hong Kong will also review and further enhance our current regulatory system. Nevertheless, we wish to point out that the international community remains positive about the market-based economic system. At the APEC Economic Leaders' Meeting held last month, all economic leaders agreed to complete the Doha round of WTO negotiation as soon as possible, so as to further facilitate market access and free trade, and to rein in the rising tide of protectionism.

In addition, the Government's long-adopted economic policy cannot be described, as Mr FUNG did, as a policy of "deregulatory free market". In fact, the Government has been playing the triple role of market facilitator, services provider and regulator in the functioning of the economy. This can be seen from the different degrees of participation by the Government in areas such as education, housing, medical care, social security and environmental protection.

Over the past decades, the Government has been adopting the principle of "big market, small government". The objective is very clear. Whatever the markets can handle, we leave it to the markets. The role of the Government is to create the most favourable environment, so that the private enterprises can operate under a free, fair and reasonable environment, enabling them to develop fully their entrepreneurship, to promote economic growth, to facilitate economic restructuring, and to move up the value chain.

Clearly, free market is not omnipotent, and intervention is not necessarily an evil. If the market fails, the Government should



intervene. We also need the Government play the role of regulator and provide various social services such as education, welfare, medical care, housing, public safety, and so on, so as to ensure social stability which is a crucial condition for sustainable economic growth.

In sum, we should continue to adopt a practical approach and attitude to respond to economic changes, and not to be dictated by ideologies.

- (b) The direction of Hong Kong's economic development is very clear. Focusing on the high value-added service industries remains our long-term strategy. As Hong Kong is already a mature economy, we could not compete on cost terms. Our competitive advantage relative to other cities lies with our sound market system and Hong Kong people's wealth of knowledge in various areas. To develop in accordance with one's competitive advantage is the golden rule for ensuring long-term economic development. In this regard, the Government needs to assume the important role of market facilitator. The Government has been exploring business opportunities for enterprises through deepening the CEPA and strengthening the marketing efforts in the emerging economies. With the Government investing in human resources, building infrastructure, maintaining a sound legal system and providing an environment conducive to business, market forces are allowed to play out fully to direct resources to the most competitive and promising industries.

Over the past several decades, our economy has been continuously undergoing restructuring in response to new changes. By nature of our high degree of external orientation, the share of trading and logistics sector is as high as 27% of GDP. Professional and other producer services have also grown steadily over the past few years. Its share in the economy exceeds 10%. Other service industries such as tourism- and consumption-related services, transportation, communications and personal and social services are also important sectors on their own. While the share of financial services has also risen rapidly over the past few years, its share in GDP is currently only about 16%. In terms of both absolute size and share in the economy, it is still behind those in New York and London.

Between 2000 and 2007, almost all major service industries have grown substantially. This signified the full-fledged upturn in the Hong Kong economy, and that the growth driver was not solely confined to the financial sector.

At the same time, there has been continuous restructuring towards higher value-added activities within each broad sector. For example, global sourcing and distribution has become a bigger and bigger share of the activities of our trading sector. In the financial sector, apart from traditional banking services such as deposit taking and trade financing, higher value-added financial services such as asset management and offering financial solutions have been developed rapidly. That the Hong Kong economy has been undergoing restructuring towards high value-added activities is also evidenced from the growth in productivity by an average of 3.7% per annum over the past seven years. The productivity growth in Hong Kong is actually better than many other economies at a similar stage of development.

In keeping with the overall strategy of moving up the value chain for service industries, we should also strive to achieve a more diversified economy through keeping an open mind for developing promising industries which Hong Kong has a comparative advantage. In this connection, the promotion of research and development (R&D) activities and development of creative industries is an important strategy. In this year's Budget, we have put aside \$18 billion for setting up a Research and Endowment Fund, and another \$300 million per year to provide 800 additional publicly-funded places for postgraduate research programmes in phases from the 2009-2010 school year.

In sum, the Government will strive to promote the development of the Hong Kong economy towards high value-added activities, and will strengthen further the economic integration with the Mainland under the framework of CEPA, in response to the intense competition under the globalization trend.

**MR FREDERICK FUNG** (in Cantonese): *President, the Financial Secretary has not answered part (a) of my main question. He has just been beating around the bush. My premise is the financial tsunami has proven that the*

*market economy is plagued with problems. Even the former Chairman of the United States Federal Reserve Board conceded that the principle of minimal regulation had led to ..... The faith in the market economy and our over-reliance on the market are inherently flawed. Besides, our Premier also asked the Hong Kong Government to learn a lesson and analyse the problems within our economic structure. Our focus is on the problems with the free market, rather than housing, education and medical care. In his reply, however, he focused on the latter. In fact, the main problem lies in whether the Government is aware of the fact two prominent figures in the world who have handled such problems have raised the same point. Has the Government really addressed the problems squarely?*

*Inversely, the Government relies on the banks in the market to provide small and medium enterprises (SMEs) with loans and provides a 70% guarantee for these loans. But now SMEs are no longer able to secure these loans. The Government relies totally on the market, but when the market fails, should the Government carry out a review and check whether there are problems with the mechanism? I am sorry to say that the Financial Secretary has not answered my question.*

**FINANCIAL SECRETARY** (in Cantonese): President, actually, I have already answered Mr FUNG's question. Indeed, the former Chairman of the Federal Reserve Board Mr GREENSPAN conceded that they have problems with the aspect of regulation. Sad to say, the multitude of problems of the American market have also inflicted harm on our financial system. Regarding financial regulation, as I have stated in the main reply, we will continue to review how best our regulatory system can be enhanced and perfected. Insofar as our regulatory system is concerned, I do not think that Hong Kong has ever implemented any policy of complete deregulation of the free market. How is this manifested? Our banks are operating soundly under the present global situation of relative volatility. From this, we can see the result of our past efforts. We of course understand what the Premier said. We will continue to review the industrial structure of Hong Kong. But how are we going to proceed? We hold that the principle of "market leads, government facilitates" is the best way to achieve success for our industries and to effectively enhance our industries. Over the past few years, that is, from the financial crisis up to now, we have witnessed Hong Kong's success in this regard.

SMEs are a good example. The financing problem faced by SMEs probably stems from the fact that despite the abundance of their capital, banks

may have reduced their loans to SMEs for fear of credit risks. In this regard, the Government has taken some measures recently, such as the allocation of \$100 billion to serve as credit guarantee. This proves that at this critical time, the Government has not left the market entirely on its own to tackle the problem. It has instead sought to provide loan guarantee. Comparatively speaking, the 70% guarantee is not bad already. We have decisively rolled out this scheme to enhance the confidence of banks in granting loans to SMEs. This aptly serve to illustrate that while the Government relies on the market it has not refrained from playing its role.

**MR FREDERICK FUNG** (in Cantonese): *President, I am afraid the Government has still failed to address my question directly. SMEs now ..... He used housing as an example just now, but I used SMEs as an example .....*

**PRESIDENT** (in Cantonese): Mr Frederick FUNG .....

**MR FREDERICK FUNG** (in Cantonese): *He has not answered my question, and I want to point out the part he has not answered.*

**PRESIDENT** (in Cantonese): The Council has spent more than 10 minutes on your main question, as well as the Secretary's main reply and your supplementary question. Please be concise and indicate the part which the Secretary has not answered.

**MR FREDERICK FUNG** (in Cantonese): *Yes. The Government counts on the banks to provide financing to SMEs, but the banks now charge high interests and are reluctant to provide any loans. They are still unwilling to reduce the interest rates even though the United States has already done so. If the Government wants to rely on the banks .....*

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

**MR FREDERICK FUNG** (in Cantonese): *My supplementary question is about the Government's reliance on the banks, but what I am saying is that the market needs no regulation .....*

**PRESIDENT** (in Cantonese): Please do not make arguments. Which part of your supplementary question has not been answered?

**MR FREDERICK FUNG** (in Cantonese): *The Government has only said that it will allocate \$100 billion for loan guarantee, but it has not explained how it will regulate the banks to ensure that the loan guarantee can serve the desired purpose.*

**FINANCIAL SECRETARY** (in Cantonese): We hold that loan guarantee provided by the Government would effectively assist SMEs in solving their financing problems. This scheme certainly cannot solve all problems. Thus, the Government would have other policies to assist economic development.

**MR CHIM PUI-CHUNG** (in Cantonese): *President, as stated by the Financial Secretary in part (b) of the main reply, "Our competitive advantage relative to other cities lies with our sound market system and Hong Kong people's wealth of knowledge in various areas." May I ask what the Financial Secretary means by all these? Are Hong Kong people more gullible? Or, does he mean that under the connivance of the Government, banks have dared to cheat?*

**FINANCIAL SECRETARY** (in Cantonese): Mr CHIM, your supplementary question seems completely irrelevant to my main reply. What I mean is that in the course of fostering economic development, we must be aware of Hong Kong's competitive edges. Our edges lie with Hong Kong people's flexibility and diligence, and our education system also enables Hong Kong people to embrace both eastern and western cultures. Insofar as the service industries are concerned, Hong Kong people indeed enjoy a strong competitive edge in the region.

**MR CHIM PUI-CHUNG** (in Cantonese): *I certainly may not be satisfied with the Financial Secretary's reply, but I asked him whether he thinks the people of Hong Kong are knowledgeable, because many victims in the Lehman Brothers incident .....*

**PRESIDENT** (in Cantonese): Please indicate the part of your supplementary question which the Financial Secretary has not answered.

**MR CHIM PUI-CHUNG** (in Cantonese): *In what ways are the people of Hong Kong knowledgeable? He needs to explain. He said that Hong Kong people are very knowledgeable, so problems should not have arisen. But Hong Kong is now facing many financial problems. Is he not aware of that?*

**FINANCIAL SECRETARY** (in Cantonese): Mr CHIM, I have already answered this supplementary question. I mean that Hong Kong people have done well in coping with adversities and economic restructuring, and in seeking continual improvement. I hope that in coping with the present economic difficulties, Hong Kong people can maintain likewise performance.

**DR SAMSON TAM** (in Cantonese): *The data provided by the Financial Secretary in the main reply are taken from the past few decades or the past decade. A responsible Government certainly should not paint its future by drawing references from past successes because a responsible Government, I believe, should be forward-looking, and success in the past may not necessarily equate to success in the future. Many analysts have already told us that industries such as trading and logistics will be beset with great difficulties in the future. I thus hold that the Government must have a sense of mission and explore new regions for economic development. The Government says in the policy address this year that Hong Kong will be developed into a technology hub. But may I ask the Government what actions it will take? For instance, when the Chief Executive visited Beijing or other countries, he was still talking about how Hong Kong would continue to perfect its financial industries. But what actions will the Government take — or will it take any actions at all — to develop Hong Kong into a future technology hub as stated in the policy address?*

**FINANCIAL SECRETARY** (in Cantonese): Many thanks for this supplementary question. The Government does not look only at the past. In the face of this economic crisis, measures have been taken in many areas, such as those proposed by the Chief Executive in his policy address. We hold that we have to face up to the present financial tsunami, and in fact we should identify

new opportunities therein. We also hold that we can find new opportunities in several areas. The first is of course the economic integration of Hong Kong and the Mainland. We have to continue to exert greater efforts in this regard. The main reason is that relative to other regions, the growth rate in the Mainland is expected to be higher and we need to increase our business opportunities.

In addition, we have to fight for a share of the regional market in order to replace the present state of the European and American markets, which are experiencing relative shrinkage. We have mentioned many industries, such as the technology and other industries. Our present strategy is to support the growth of high value-added industries, including the technology industry. I have mentioned the relevant government measures in the main reply. I am of the view that the economic integration of Hong Kong and the Mainland, including the development of the ties between Shenzhen and Hong Kong, will facilitate the development of the technology industries. We have also allocated additional resources for investment in R&D, and we will continue to make efforts in this regard.

**DR RAYMOND HO** (in Cantonese): *President, as mentioned by the Financial Secretary in part (b) of the main reply, high value-added service industries shall be the focus of development and marketing efforts in the emerging economies have to be strengthened. The Financial Secretary may well know that in the 1990s, six universities conducted a joint study on industries that the Government should render assistance to and they published a book entitled Road Map. I wonder if the Financial Secretary will now explore, as the Government did in 1990s, new areas which warrant government promotion assistance, so as to expand the room for our future development? Moreover, will the Government re-engage the several universities concerned to put forth in joint manner good recommendations for the Government?*

**FINANCIAL SECRETARY** (in Cantonese): President, we do very much welcome the people of Hong Kong and Members of this Council to have more discussions on this issue. The Chief Executive has also put forth this viewpoint in the Task Force on Economic Challenges, as we earnestly hope that everybody can provide his views for the Government's to consideration. Our direction is very clear. We hope to develop high value-added industries, but we need to do so on the basis of Hong Kong's existing advantages. We hold that we cannot start from scratch when going about this task. We must develop with our

existing advantages as the starting point and then seek to achieve Hong Kong's restructuring. We welcome people from all walks of life to provide us with their views.

**DR RAYMOND HO** (in Cantonese): *My supplementary question is very simple. I asked the Financial Secretary whether he would take the initiative to invite the several universities concerned to conduct a relevant study as a matter of urgency? This is a simple supplementary question.*

**FINANCIAL SECRETARY** (in Cantonese): I am afraid my reply is just the same: We welcome people from all walks of life to put forward their views.

**MRS REGINA IP** (in Cantonese): *I am glad to note the Financial Secretary's recognition that since Hong Kong is already a mature economy, we cannot compete on the basis of low costs and must develop high value-added enterprises. However, I do not think that the Financial Secretary has answered my colleague's enquiry on specific measures, in particular those on facilitating technological development. I do not wish to hear the Financial Secretary replying that the Government has already made some efforts to facilitate development, that it would confine its role to a market facilitator and service provider and regulator, because it has, as a matter of fact, directly got itself involved. For instance, the Government directly invested in the Hong Kong Disneyland, and will finance the construction of the Cruise Terminal. These projects already incur \$20 billion to \$30 billion. And there is also a cultural square the construction of which will cost \$20-odd billion.*

*On the technology front, the Financial Secretary has only referred to the insignificant \$10 billion Research and Endowment Fund, and the additional \$300 million, but both of them are absolutely insufficient. The Chief Executive discussed the Renminbi business in his Beijing visit, apart from that, what other specific measures does he have for the promotion of high value-added and high technology enterprises?*

**FINANCIAL SECRETARY** (in Cantonese): In Hong Kong, the investment in R&D far exceeds the figures indicated just now. Naturally, the responsibility of training R&D talents mainly falls on universities. Government investment in universities accounts for a substantial portion of Budget expenditure. That so



many of our research-based universities are able to establish their reputation in such a short time is due precisely to our substantial investment in them. I understand that it is insufficient to rely solely on the universities. We thus have other policies in place, such as the establishment of the Research and Endowment Fund; and apart from this, we also have the ITF, industrial park, science park, and so on, in a bid to facilitate R&D in Hong Kong. Moreover, different schemes are also in place to provide graduates with internship and working opportunities in high value-added industries.

As for long-term development strategy, I am of the view that it must tie in with the edges of our industries, including co-operation with the Pearl River Delta. In this connection, we hope that the Government can play the role of facilitator and then let the market play its part to achieve industrial growth.

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

**MR CHAN KIN-POR** (in Cantonese): *President, there is now a strong demand in the community for stronger regulation on the financial sector, but on the other hand, there is also a request from a small number of people for allowing the business sector to sell financial products to clients, so that they can choose products suitable for themselves. May I ask the Financial Secretary, while reviewing the regulation on the financial sector, how the Government can ensure that the financial sector will continue to be innovative in their products so that people can have choices? On the other hand, how can people exercise their right to choose on the basis of the levels of risks they can bear when deciding whether to buy certain products?*

**FINANCIAL SECRETARY** (in Cantonese): Thanks to the Honourable Member for this supplementary question. This is the most important topic in our review, that how are we to strike a balance when reviewing the sales tactics and the means for approving sales of financial products, so that while the financial sector can remain innovative, while the interests of the investors can also be safeguarded. I understand that we must adopt a disciplined approach to strike this balance.

**PRESIDENT** (in Cantonese): Last oral question.

**Traffic Flow at Shenzhen Bay Port**

6. **MR CHEUNG HOK-MING** (in Cantonese): *President, it is learnt that the daily two-way vehicular flow of the Shenzhen Bay Port (SBP) has been lower than expected since its commissioning in July last year. Regarding the issue of increasing the vehicular flow of the SBP, will the Government inform this Council:*

- (a) *as the Government has advised that it will set up an expert group with the Guangdong Provincial Government (GPG) at the end of this year to study the issue of increasing the permanent quotas for "Hong Kong private cars to enter and leave the Mainland" and implementing a temporary quota system, and using northbound vehicles of the SBP as a pilot scheme, of the anticipated time required for the relevant study, and when it will announce the details and implement the scheme;*
- (b) *whether it will study with the GPG the issuance of designated number of temporary quotas, for example, 500 quotas per day, to Mainland residents for them to drive their private cars via the SBP to Hong Kong for consumption, so as to increase the vehicular flow of the SBP and boost the economy of Hong Kong; if it will not, of the reasons for that; and*
- (c) *as the Government advised in its report to the Council in May this year that it was studying the relaxation of the restrictions on the use of cross-boundary vehicular permits to allow vehicles with Lok Ma Chau (LMC), Sha Tau Kok or Man Kam To cross-boundary vehicular permits to use the SBP, of the latest progress of the study?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese): *President, with the commissioning of new land boundary control points, we consider that there is room to proactively consider the relaxation of the control on cross-boundary private cars. In particular, we plan to allow private car owners, who cannot meet the eligibility criteria for regular quotas, to apply for one-off ad hoc quotas to provide them with another choice on the means to cross the boundary, as well as to facilitate the economic, social and cultural flows between Guangdong and Hong Kong. We believe that the level of ad hoc quotas should*

be set having regard to the capacity of the road networks of both sides, as well as environmental, road safety and security considerations, and so on. In this regard, we have already had preliminary exchange of views with the relevant authorities of the Guangdong Province. Both sides have agreed to set up an expert group to examine the feasibility of the proposal with a view to formulating an overall implementation plan. Both sides have also initially agreed to implement the proposed scheme in two phases, starting with the issue of ad hoc quotas to Hong Kong private cars first, to be followed by Guangdong private cars at a later stage upon satisfactory implementation of the proposal for Hong Kong private cars.

Our reply to the specific questions are as follows:

- (a) We consider that a trial scheme on one-off ad hoc quotas may be implemented at the SBP first, and will convene the first expert group meeting with the relevant Guangdong authorities within this month. Experts from both sides will need to consolidate the concept and consider an overall implementation plan, for example, the number of one-off ad hoc quotas, issuing criteria, application procedures, mutual recognition of vehicle licences, requirements on environmental protection, motor vehicle insurance, traffic enforcement, and so on. Our preliminary target is to announce the arrangements for the first phase (that is, issuing one-off ad hoc quotas to Hong Kong private cars) within one year, while the actual implementation date will be worked out subject to the progress of discussions of the expert group.

We are of the view that ad hoc quotas should not replace the existing basic quotas for cross-boundary private cars as the latter provide investors in the Mainland with a regular and reliable means to cross the boundary. We will continue to review the number of basic quotas with the relevant Guangdong authorities from time to time having regard to the traffic conditions at the control points.

- (b) The proposed one-off ad hoc quota scheme will provide specified quota limits to allow mainland residents to drive their private cars to Hong Kong. The number of ad hoc quotas may increase incrementally over the years in a gradual and controlled manner, or be adjusted flexibly having regard to seasonal demand. We will

take into account the operational experience of implementing ad hoc quotas for Hong Kong private cars when drawing up the implementation details for ad hoc quotas for mainland private cars.

- (c) At present, the average daily vehicular traffic flow at the SBP has already exceeded 6 500 trips per day, though it is still on the low side. All goods vehicles of cross-boundary freight companies can freely use the SBP without going through any formalities. To encourage private car owners to use the SBP, the Hong Kong and Guangdong governments have agreed to allow cross-boundary private cars with Man Kam To, Sha Tau Kok and LMC quotas to continue to choose the SBP for commuting purpose until end September 2009. Both governments have also agreed to allow holders of the SBP private car quotas to use LMC during the hours when the SBP is not in operation (that is, from midnight to 6.30 am) with effect from 26 May 2008, so as to facilitate them to cross the boundary during the small hours. In addition, both governments will continue to keep the traffic flow at the SBP under close monitoring and review the arrangement in due course.

**MR CHEUNG HOK-MING** (in Cantonese): *President, the Secretary mentioned in the main reply that the proposed one-off ad hoc quota scheme will provide specified quota limits to allow mainland residents to drive their private cars to Hong Kong, and the number of ad hoc quotas may increase incrementally over the years in a gradual and controlled manner. Secretary, I mentioned a relatively specific figure in the main question. The initial quota mentioned by me — the initial quota which may increase in a gradual manner — is 500. May I ask what level subsequent to this 500 will be regarded as saturated?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese): Our current idea is that this quota must be increased in a gradual manner, having regard to the capacity of the road networks on both sides. We have heard the proposal made by Mr CHEUNG Hok-ming, and this is exactly why we have to reach a decision with the expert group ..... I mentioned just now that the quota granting criteria include, in addition to the capacity of the road networks, other factors such as environmental protection and security considerations. Therefore, we will give consideration in a gradual and controlled manner.

**MR LAU WONG-FAT** (in Cantonese): *President, inadequate complementary facilities contributes to one of the reasons for the vehicular utilization of the SBP to be lower than expected. Will the Government inform this Council of the latest progress regarding the improvement to the overall complementary facilities of the SBP carried out by the Hong Kong Government and the mainland authorities?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese): President, Mr LAU Wong-fat was right that we have been maintaining close contact with the relevant authorities in Shenzhen. During our contact with the industry, it reflected to us that some complementary facilities, particularly those in Shenzhen, might be inadequate. For example, there was inadequate support in cargo declaration and clearance. In this connection, the Shenzhen authorities will construct a temporary office building the tender of which has already been conducted.

Besides, consideration is also given to installing facilities for implementing traffic management measures at existing roads, such as designating goods vehicle-only lanes and installing traffic signs at the Yueliangwan Avenue connecting the SBP. The Shenzhen authorities will make continuous efforts in this regard.

**MR IP KWOK-HIM** (in Cantonese): *President, I am very glad to see the Government's response on this issue is that it will proactively consider enhancing the utilization of the SBP, in particular allowing private car owners to apply for one-off ad hoc quotas for using this road. I would like to know more about one point. The Secretary mentioned in the reply that the preliminary target was to announce the arrangements for the first phase within one year — it is within one year — does this suggest that in one year's time, the one-off quotas for private cars will really enable Hong Kong residents to drive by themselves to the Mainland via the Hong Kong-Shenzhen Western Corridor?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese): President, we will convene an expert group meeting with the relevant Guangdong authorities within this month. Our preliminary target is to announce the arrangements for the first phase within one year. Actually, a lot of technical issues, including the insurance coverage required for northbound vehicles, will have to be tackled. Of course, existing vehicles are already properly covered but

some short-term coverage may be required for one-off quotas. For example, for short-term ad hoc quotas of five days or seven days, vehicles may be required to take out third party insurance covering the same period. We may also need to establish a database with the Guangdong authorities to decide, for example, how tickets should be issued to drivers who have committed traffic offences in Hong Kong. A host of procedural and technical issues have to be resolved within one year.

Actually, this is a relatively aggressive timetable. We hope that the relevant arrangements can be announced within one year and we also hope that we can provide greater convenience to the public. For example, we will examine with the expert group on issues such as whether application can be submitted through the Internet or other convenient means. Therefore, we do not have any definite answer yet but our initial target is to make the announcement within one year.

**MS MIRIAM LAU** (in Cantonese): *Basically, I support relaxing the control on cross-boundary private cars. However, there are currently public transport and green mini-bus services going to the SBP, and there are also shuttle buses to cater for cross-boundary passengers after they have crossed the boundary at Shenzhen. If the permanent quota for "Hong Kong private cars to enter and leave the Mainland" is relaxed and the temporary quota system is implemented in future, the business of such public transport and green mini-bus services will definitely be affected. They are particularly concerned about the possibility of the emergence of illegal hire cars. We have already heard that there are illegal hire cars carrying passengers between Hong Kong and Shenzhen at the Huanggang crossing. If the control on cross-boundary private cars is really relaxed in future so that more quotas are available, will the Government find ways to help public transport and green mini-buses to enhance their competitiveness at the same time? Will the Government think of measures, in particular those to eradicate illegal hire cars carrying passengers across the boundary, to maintain market order?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese): President, the target passenger group for the existing one-off quotas for private cars may not necessarily be the same passenger group patronizing hire cars or cross-boundary buses. However, I think that the question raised by Ms Miriam LAU is very relevant. As for our current idea, we are not prepared to issue

multiple one-off quotas to vehicles, such as issuing multiple one-off quotas every month to enable such vehicles to engage in business with them. Ordinary members of the public do not frequently travel between Hong Kong and the Mainland either. Although some members of the public are very keen on taking self-drive tours in the Guangdong Province, which is very popular now, they may only take such tours once every two months. We believe that such regulation can already address the issue of illegal hire cars raised by Ms Miriam LAU just now. Although our discussion with the Guangdong authorities has not been concluded yet, one-off quotas may only be issued once every two months. In that case, illegal hire cars will not be able to engage in business.

**DR RAYMOND HO** (in Cantonese): *President, does the Secretary understand that our roads are very congested as there are 500 000 vehicles of different types, while there are only 2 100 km of roads in Hong Kong. If too many vehicles from the Mainland are allowed in Hong Kong, our traffic conditions will be even more dreadful. Has the Secretary considered designating some parking places for vehicles from the Mainland at the boundary so that travellers can take our well developed public transport, such as trains, buses and so on, to travel to urban areas conveniently without the need for them to drive?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese): President, it is exactly because of traffic capacity considerations that we will implement the scheme in a gradual and controlled manner. Of course, if Hong Kong has more one-off quotas than the Mainland in the future, an offsetting effect or even more may be achieved.

As for the concept of park-and-ride for public transport, we will study it, and we will not only study the SBP but will also have to consider providing some places for drivers to park and ride, that is, to park their vehicles first and then change for other means of transport, in connection with the Hong Kong-Zhuhai-Macao Bridge (HZMB) in future. However, we think that this should not be made mandatory by requiring drivers to park and ride, but should be implemented with flexibility. Drivers may not have the confidence to park and ride when they visit Hong Kong for the first time, but will only have the confidence to park and ride in future. Therefore, I think flexibility has to be provided. I would like to stress that these one-off quotas will only be issued in a progressive manner, subject to the capacity of the road networks.

**MR PAUL TSE** (in Cantonese): *The tourism industry certainly agrees or welcomes the arrangement of issuing one-off permits for drivers driving between the two places. However, I do not totally agree with the Secretary's remark that a relatively aggressive attitude has been adopted for this issue. To my understanding — may I ask the Secretary to correct me if I am wrong — currently, the Government also issues one-off ad hoc cross-boundary permits for some charitable organizations. I would like to know, first, the number of such permits issued each year. Based on existing arrangements, why is the Government not able to adopt the proposal put forward by Mr CHEUNG Hok-ming to issue 500 quotas to start with? This will not create any significant impact on the overall traffic congestion, environmental protection and so on. Why are such measures not implemented expeditiously on the basis of existing arrangements to enhance promotion of tourism in the two places?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese): If I understand it correctly, Mr Paul TSE was talking about quotas for hire cars or coaches, which are different from the one-off quotas to relax the control of private cars in question.

**MR PAUL TSE** (in Cantonese): *I was talking about private cars, such as a fleet of Ferrari crossing the boundary for sightseeing. There have been such arrangements, and every time there were over 100 vehicles in the fleet, and a mechanism is already in place in this regard.*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese): President, I do understand. The mechanism we have in mind now is a permanent mechanism instead of a one-off or annual arrangement for vehicle fleets or charitable activities. Under such a mechanism, there may be a few hundred quotas every day and liaison will later be conducted with the Guangdong authorities. Such a mechanism is not only established to better utilize the current SBP but may be expanded in scale or in scope when the HZMB is completed in future. Therefore, we think that a relevant mechanism is not yet available at present. Because there are issues mentioned by me just now, including environmental protection, mutual licence plate recognition, emission, kinds of vehicles allowed to travel between Guangdong and Hong Kong,



insurance and so on, a system applicable to the usage by more than a few hundred vehicles every day is required. Therefore, our priority is to establish such a system and reach a consensus with the GPG. This arrangement is not an annual exercise but will be applicable to many vehicles, and application has to be convenient. Hence, the work target we have drawn up at present is already an aggressive one.

**MR PAUL TSE** (in Cantonese): *Are figures relating to the one-off ad hoc scheme now available .....*

**PRESIDENT** (in Cantonese): Mr TSE, I believe the Secretary has already answered your supplementary question. If you wish to raise other supplementary questions, please wait for another turn.

**MR LAU KONG-WAH** (in Cantonese): *President, I think this scheme is good and I hope that it can be implemented expeditiously. Therefore, one year seems to be too long — the Secretary shook her head, so it may take less than a year.*

*However, I am a bit worried that inbound vehicles may cause problems on environmental protection and traffic congestion. These worries are justified. Actually, there are already mainland vehicles running on the roads of Hong Kong. Will the Secretary advise us about the current situation? To what extent are these vehicles causing problems pertaining to traffic offences, environmental protection or congestion? Or that is not what the present situation looks like? Will the Secretary elaborate on this? Besides, what does the Secretary think about the suggestion of imposing restrictions on future inbound vehicles in relation to peak hours and locations?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese): President, more than 1 000 mainland vehicles, mainly official vehicles, are issued with such quotas at present. Regarding the current figures, we do not notice any particularly serious situations in relation to traffic accidents or offences. Drawing reference from other places, such as vehicles travelling from the United Kingdom to Europe, we are not aware of any case regarding traffic accidents involving private cars which particularly warrants our concern. I believe Mr

LAU Kong-wah shares our concern. The purpose for us to establish this system is to take into account all considerations, including environmental protection. In future, inbound mainland vehicles will be required to comply with a certain level of emission standard, and we will consult the Environmental Protection Department in this regard. Another issue to be considered, which initially comes to the mind, is whether a registration system should first be established requiring mainland vehicles to go through testing and registration before the application for one-off quotas could be submitted. These technical issues will be discussed by the expert group.

**MR CHAN HAK-KAN** (in Cantonese): *President, I support this scheme in principle, and I also feel very concerned about the air pollution problem caused by inbound traffic from the Mainland. As mentioned just now by some Honourable Members, inbound vehicles will travel to busy places such as Mong Kok, Tsim Sha Tsui, Causeway Bay and so on. What I am most anxious about is that the maintenance and the quality of the petrol used by these vehicles are not as good as those of the vehicles in Hong Kong. The Secretary also mentioned just now that some environmental protection criteria might be imposed. May I ask the Secretary to provide further details in this regard? Will restrictions on the age of inbound vehicles be imposed to, for example, vehicles with an age of over 10 or 15 years will be prohibited from coming to Hong Kong, or inbound vehicles will be required to use petrol of a certain quality upon arrival in Hong Kong?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese): President, we will study these details in the next stage. Restrictions will definitely be imposed on two aspects. The first aspect is on the number, while the other one is on the emission standard, including the model, fuel and so on mentioned by Honourable Members. Therefore, that is why initially our idea is to find out whether it is possible to arrange for mainland vehicles to register at certain centres after checking in order to facilitate their application. In future, we will establish a database in order to find out which vehicles have passed a certain standard of certification. We will have this aspect of the issue examined by the expert group.

**PRESIDENT** (in Cantonese): Oral questions end here.

**WRITTEN ANSWERS TO QUESTIONS****Measures to Assist Young People in Purchasing Homes**

7. **DR PRISCILLA LEUNG** (in Chinese): *President, quite a number of young people have recently relayed to me their earnest hope that the Government will introduce measures to assist them in purchasing their first homes. In reply to a question from a Member of this Council on the fifth of last month, the Secretary for Transport and Housing revealed that during the period from April 1998 to end of March 2002 when the Home Starter Loan Scheme (HSLs) accepted applications, a total of 80 007 applications were received, of which 33 433 were approved and the remaining 46 574 were unsuccessful. Secretary for Transport and Housing also indicated that following the Government's repositioned subsidized housing policy in 2002, encouraging the public to purchase homes was no longer an objective of its housing policy. In this connection, will the Government inform this Council:*

- (a) of the respective numbers of approved and unsuccessful applications under HSLs, broken down by the age group (each covering five years) to which the applicants belonged;*
- (b) whether it will review afresh the above subsidized housing policy in order to keep abreast of the times; and*
- (c) whether it will proactively examine the introduction of relevant measures to assist young people who have graduated from universities for less than five years but have got stable jobs in purchasing their homes?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Chinese): *President, my reply to the three questions is as follow:*

- (a) According to the information provided by the Hong Kong Housing Society (HKHS), HKHS received 80 007 applications between April 1998 and end of March 2002 when the HSLs was implemented. Thirty-three thousand four hundred and thirty-three applications were approved. The remaining 46 574 applications were unsuccessful because the applicants had failed to meet the eligibility*

criteria<sup>(1)</sup> or had not completed the application process. The age distribution of applicants is set out below:

<i>Age group</i>	<i>Approved applications</i>	<i>Unsuccessful applications</i>
Aged 20 or below	236	4 680
21 to 25	7 172	8 692
26 to 30	14 131	16 325
31 to 35	7 055	8 341
36 to 40	2 741	4 155
41 to 45	1 072	1 899
46 to 50	558	959
51 to 55	270	484
56 to 60	125	184
61 or above	73	855

Note:

- (1) To be eligible for HSLs, an applicant must be aged 18 or above and meet the requirements on income and asset limits, and the residence requirement.

(b) and (c)

As mentioned in my written reply to a Legislative Council question on HSLs on 5 November 2008, following the Government's repositioned subsidized housing policy in 2002, our housing policy objectives are to focus resources on the provision of public rental housing for low income families who cannot afford private housing, withdraw from playing the role of a property developer, cease the production and sale of subsidized sale flats, and minimize intervening the market. Encouraging the public to purchase homes is no longer an objective of the Government's housing policy. We consider that a decision on purchasing a property should be a matter of personal choice and affordability. The Government should not take up the role of a lending institution and influence an individual's decision on home ownership which should be premised on affordability.

We consider that the aforementioned principles should be particularly adhered to at the time of financial turmoil and economic uncertainty. Under the current situation, we have no intention to change the existing subsidized housing policy or re-launch any home ownership loan scheme. The Government will continue to closely monitor the development of the property market and the demand and supply of private residential properties.

**Access to Computers and Internet by Students from Recipient Families Under CSSA Scheme**

8. **MR WONG SING-CHI** (in Chinese): *President, regarding the access to computers and the Internet by students from recipient families under the Comprehensive Social Security Assistance (CSSA) Scheme, will the Government inform this Council:*

- (a) of the respective current numbers of primary and secondary school students from CSSA families, together with a breakdown of such CSSA families by the number of students among their household members;*
- (b) whether it knows the respective numbers of secondary and primary school students from CSSA families who have computers at home and have subscribed to Internet access services; and*
- (c) of the current measures in place to assist secondary and primary school students from CSSA families with no computer at home in gaining access to computers and the Internet so as to meet their study needs; whether it will consider providing allowances to CSSA families with household members who are primary and secondary school students for the purchase of computers and payment of service charges for Internet access; if it will, of the details; if not, the reasons for that?*

**SECRETARY FOR LABOUR AND WELFARE** (in Chinese): President, the CSSA Scheme, whilst seeking to meet the basic needs of those who cannot support themselves financially, takes special care of children through the provision of higher standard rates and various special grants. The existing standard rates for CSSA able-bodied children range from \$1,390 to \$2,100 per month, which are \$135 to \$350 higher than those for able-bodied adults. The standard rates for CSSA disabled children are even higher, ranging from \$2,435 to \$4,525 per month, which are \$535 to \$695 higher than those for disabled adults.

CSSA children attending schools are entitled to a full range of special grants to meet their educational expenses such as school fees, meal allowance, fares to and from school and examination fees for the Hong Kong Certificate of Education Examination and Hong Kong Advanced Level Examination. In

addition, all CSSA children receiving pre-primary to upper secondary education are entitled to a grant ranging from \$1,245 to \$3,810 before the start of a school year to cover expenses of books, stationery, school uniforms, and miscellaneous and related expenses.

My replies to the specific parts of the question are as follows:

- (a) As at mid-2008, the number of CSSA children attending primary/secondary day school and the number of CSSA cases by the number of CSSA children attending primary/secondary day school in recipient families are set out at Annex.
- (b) The Social Welfare Department does not maintain a record of the number of primary and secondary school students from CSSA families who have computers at home and have subscribed to Internet access services.
- (c) The CSSA Scheme mainly aims at helping recipients meet their basic daily needs. At present, the average CSSA monthly payment for a four-person CSSA family without any income is \$9,480, which is higher than the average monthly income of a four-person non-CSSA family in the lowest 20% income group. In addition, CSSA families can flexibly use the CSSA standard rate payments to meet different expenses according to their own circumstances and needs.

In addition, the Education Bureau has granted recurrent subsidy to all primary and secondary schools since the 1999-2000 school year to encourage them to open computer rooms and facilities for the use of needy students after school.

Free computers and Internet facilities are also available to students at youth centres, community centres and public libraries across the territory.

In the 2005-2006 and 2006-2007 school years, Education Bureau collaborated with the Hong Kong Council of Social Service to implement the Computer Recycling Scheme to provide students of Primary One to Form Seven who are in financial difficulties with refurbished computers and 12-month free Internet access service to facilitate their e-learning at home. About 10 000 students benefited from the Scheme.

Education Bureau has now partnered with the Environmental Protection Department (EPD) to launch the Computer Recycling Programme in the 2008-2009 and 2009-2010 school years. Under this Programme, EPD will assist the provision of refurbished computers to needy students (including those from CSSA families) while Education Bureau will arrange a one-year free Internet access service to them. In addition, after the initial year of free service, the designated Internet service provider will continue to offer a favourable Internet access service plan for the beneficiaries. The Programme is tentatively scheduled to commence in early 2009 and the details will be released in due course.

Annex

Number of CSSA children\* attending primary/secondary day school  
(as at June 2008)

<i>Type of school</i>	<i>Number of CSSA children*</i>
Primary	46 937
Secondary	51 873
Total	98 810

Number of CSSA cases by the number CSSA children\*  
attending primary/secondary day school in recipient families  
(as at June 2008)

<i>Number of CSSA children* attending primary/secondary day school in recipient families</i>	<i>Number of cases</i>
1	37 686
2	20 634
3	4 933
4	990
5	176
6 or above	35
Total	64 454

Note:

\* Refer to children aged under 15 or those aged 15 to 21 receiving payment of child standard rate.

**Fare Concessions Offered to Elderly Passengers by MTR Corporation Limited**

9. **MS MIRIAM LAU** (in Chinese): *President, on 2 December last year, the MTR Corporation Limited (MTRCL) launched a fare concession scheme whereby elderly (aged 65 or above) passengers using Octopus cards were required to pay just \$2 per journey on Mass Transit Railway (MTR) trains on Sundays and public holidays. The fare concessions expired on the first of this month. In this connection, will the Government inform this Council whether:*

- (a) *it knows the respective numbers of passenger trips taken by the elderly on various railway lines on Sundays and public holidays during the period from 2 December last year to the 30th of last month; how the figures compare with the corresponding figures for the 12 months before the above fare concessions were launched; and the average amount of saving in fare realized by each elderly passenger per journey; and*
- (b) *it will request the MTRCL to re-launch the above fare concessions or introduce other concessions which will bring real benefits to the elderly; if so, of the details; if not, the reasons for that?*

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

- (a) Since the rail merger on 2 December 2007, the MTRCL has continued to provide the \$2 elderly concessionary fare for West Rail Line provided since 2004, and has extended the scheme such that elderly passengers enjoy that concessionary fare to travel on MTR (excluding Airport Express, East Rail First Class, journeys to and from Lok Ma Chau and Lo Wu stations, Light Rail, feeder bus and MTR bus) on Sundays and public holidays for up to 30 November 2008.

The table below shows the comparison of the average daily patronage of elderly passengers on each MTR line on Sundays and



public holidays between the period of December 2006 to November 2007 and the period of December 2007 to November 2008:

<i>Line<sup>(1)</sup></i>	<i>December 2006 to November 2007</i>	<i>December 2007 to November 2008</i>	<i>Percentage Change<sup>(4)</sup></i>
Island Line	24 443	30 082	23%
Tsuen Wan Line <sup>(2)</sup>	32 083	38 446	20%
Kwun Tong Line	19 996	23 011	15%
Tung Chung and Disneyland Resort Lines	4 718	6 914	47%
Tseung Kwan O Line	8 516	10 477	23%
East Rail Line <sup>(2)</sup>	50 865	56 395	11%
West Rail Line <sup>(2) (3)</sup>	6 008	7 782	30%
Total	146 629	173 107	18%

Notes:

- (1) Passengers could interchange between different lines within the MTR system. The above figures are the numbers of passengers exiting each MTR station on each line.
- (2) Passengers could interchange between different lines within the MTR system at major interchange stations. To provide the breakdowns by individual railway lines, the figures above have been prepared by grouping all passengers exiting Kowloon Tong Station as passengers of East Rail Line; all passengers exiting Mei Foo Station as passengers of Tsuen Wan Line; and all passengers exiting Nam Cheong Station as passengers of West Rail Line. MTRCL removed all interchange gates in September 2008. Passengers that interchange at these three interchange stations do not need to go through those interchange ticket gates. As such, the number of passengers exiting these three interchange stations would be smaller as compared with that before the ticket gates were removed.
- (3) Elderly passengers could enjoy a concessionary fare of \$2 to ride on West Rail on Sundays and public holidays both before and after the merger.
- (4) The percentage change reflects both the natural growth in patronage and the effect of the concessionary fare of \$2 for elderly passengers to ride on MTR on Sundays and public holidays.

According to the MTRCL's statistics, elderly passengers benefited from the \$2 ride on Sundays and public holidays enjoyed an average fare discount of about 50% per trip.

- (b) The MTRCL has been providing up to a half-fare concession to the elderly aged over 65. Over the past few years, MTR has been giving support to the annual "Senior Citizens Day" by offering the elderly free rides on the MTR on that day.

The offer of promotional schemes and the details of the schemes are commercial decisions of the MTRCL. The MTRCL will consider

providing suitable promotional schemes having regard to relevant factors including its operations, the market situation and the passenger demand.

The Government will continue to encourage public transport operators, including railway corporation, to provide fare concessions taking into account their respective operations, to reduce the travel expenses of the public. For the elderly, we have proactively encouraged the MTRCL to consider providing some forms of promotional concession again.

### **Assisting Insurance Industry in Operating on the Mainland**

10. **MR CHAN KIN-POR** (in Chinese): *President, quite a number of members of the insurance industry have relayed to me that as the economic and trade relationship between Guangdong and Hong Kong is getting closer, the industry wishes to provide insurance services to Hong Kong businessmen operating in the Mainland and also have further exchange with the insurance industry of the Mainland. In this connection, will the Government inform this Council:*

- (a) whether it will explore specific measures to assist the insurance industry of Hong Kong in developing insurance and its related services in the Mainland, so as to strengthen the co-operation between Guangdong and Hong Kong on insurance businesses; if it will, of the details of such measures; if not, the reasons for that; and*
- (b) given Supplement IV to the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) has made a specific commitment that Hong Kong insurance agency companies are allowed to set up wholly-owned enterprises in the Mainland to provide insurance agency services to mainland insurance companies, whether the Government will implement follow-up measures to facilitate Hong Kong insurance agency companies to commence the relevant businesses; if it will, of the details of such measures; if not, the reasons for that?*

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

- (a) The Government of the Special Administrative Region has all along endeavoured to assist the insurance industry in exploring the mainland insurance market, and has relayed their views and requests to the relevant mainland authorities with a view to promoting financial co-operation between the two sides. Measures have been put in place under the CEPA to facilitate the Hong Kong insurance sector to develop and operate their business in the Mainland. We will continue to discuss with the mainland authorities to explore other viable measures to benefit the Hong Kong insurance industry under CEPA.

Besides, the Office of the Commissioner of Insurance (OCI) has been working closely with the China Insurance Regulatory Commission (CIRC) and they have regular exchanges on the development and latest situation of the respective insurance markets to enhance mutual understanding and co-operation. In November this year, the Commissioner of Insurance led a delegation of industry representatives to Beijing to conduct exchanges with the CIRC and the mainland insurance practitioners on the development of micro-insurance in rural areas of the Mainland.

We believe that closer financial co-operation between Guangdong and Hong Kong can bring mutual benefits and achieve a win-win situation. In this regard, in October this year, I have led a Hong Kong delegation to participate in the "Hong Kong-Guangdong Financial Co-operation Seminar". We will continue to strengthen financial co-operation with the Guangdong Province, and explore with the relevant mainland authorities suitable financial services projects (including insurance) to be launched as pilot programs in Guangdong which may provide a testing ground for nation-wide implementation in future.

- (b) To facilitate interested insurance agency companies to submit applications to the CIRC, the OCI and the Trade and Industry Department have uploaded on their websites detailed information and provisions relating to the establishment of wholly-owned insurance agency companies in the Mainland by Hong Kong

insurance agency companies under Supplement IV to CEPA. The information includes "Notice on the Establishment of Wholly-owned Insurance Agency Firms in the Mainland by Hong Kong and Macao Insurance Agency Firms" issued by the CIRC, "Easy Guide to Investment in CEPA Service Sectors" (including insurance sector) prepared by the Trade and Industry Department, relevant mainland rules and regulations, and frequently asked questions.

In addition, the OCI plans to hold a seminar in collaboration with relevant mainland organizations to enhance the understanding of Hong Kong insurance agency companies on relevant application procedures and mainland regulations.

### **Non-Chinese Speaking Students with Special Educational Needs**

11. **MISS TANYA CHAN** (in Chinese): *President, recently, a number of parents of non-Chinese speaking (NCS) students with special educational needs (SEN) have relayed to me that local special schools and ordinary schools are unable to provide their children with proper education because of language barrier. They have also pointed out that more than 100 students are waiting for admission to the special school run by English Schools Foundation (ESF), which is the only one established for such students in Hong Kong. In this connection, will the Government inform this Council:*

- (a) of the current number of NCS students with SEN, together with a breakdown by the type of their SEN and the class they are attending;*
- (b) whether it will review the existing policy of encouraging NCS students with SEN to receive integrated education in mainstream schools; if it will, of the details of the review; if not, the reasons for that;*
- (c) whether it will allocate more resources to ESF to provide sufficient places to such students; and*
- (d) apart from the special school places offered by ESF, whether the Government will consider providing through other means special school places suitable for such students; if it will, of the details; if not, the reasons for that?*

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

- (a) The Education Bureau collects information about students with SEN in public-sector schools through the Special Education Management Information System (SEMIS). The SEMIS has been developed in recent years and system enhancement enabling full access of all ordinary public-sector schools to the SEMIS for direct input of relevant information was completed initially in early July 2008. Since it will take some time for the schools to input more comprehensive data into the system, we are unable to provide at the present stage the number of NCS students with SEN by the type of their SEN and the class they are attending. Nevertheless, according to the information of the SEMIS, there were 164 and 84 NCS students with SEN in public-sector ordinary schools and special schools respectively in the 2007-2008 school year.
- (b) It is the established policy of the Government to facilitate early integration of NCS students into the local education system. Under this policy, we provide support services for NCS students to help them overcome language difficulties and adapt to the local education system. With regard to students with SEN, we encourage them to study in mainstream schools if they can benefit from the mainstream school setting. At the same time, we provide the schools with additional resources and professional support, including Learning Support Grant, teacher training and on-site professional support by educational psychologists, inspectors and school development officers of the Education Bureau, and so on, to assist them in implementing integrated education. As for NCS students with SEN, we also encourage them to study in public-sector schools to facilitate early integration, and provide them with different kinds of support pertaining to their needs as both NCS students and students with SEN.

At present, schools provide a variety of support for students with SEN, including NCS students with SEN. Support services include small group teaching, co-teaching, Intensive Remedial Teaching Programme, individualized education programme, learning support by teaching assistants, speech therapy service, language learning support programmes for Chinese and English, after-school homework tutorial classes, peer tutoring, individual and group

guidance, and accommodations in assignments, assessments and examinations. For schools with a larger cluster of NCS students, some adapt the Chinese curriculum for NCS students or provide alternative language subjects. Some schools also employ teaching assistants to provide direct in-class support for NCS students with SEN.

- (c) ESF schools and other international schools provide an alternative for NCS students outside the public school sector. ESF, which receives some subvention from the Government, is operating a special school as well as learning support classes in its primary and secondary schools for students with SEN.

To help ESF schools address the demand of their students with SEN, the Education Bureau has provided ESF with additional funding starting from the 2006-2007 school year. This has enabled ESF to operate additional learning support classes for students with SEN. Upon the completion of ESF's comprehensive assessment and review of the needs of students on the waiting list, we will explore with ESF whether it is necessary to provide more school places and support for such students in the ESF system.

- (d) The Government's policy is to encourage NCS students to study in public-sector schools with a view to facilitating their integration into the Hong Kong community. Under the policy of integrated education, schools are provided with additional resources and professional support to cater for students with SEN, including NCS students with SEN. In other words, the Government is to accommodate the needs of NCS students with SEN in the public school sector through both general and additional support services. At present, we do not have any plan to provide other types of special school places for these students.

### **Tax Concessions for SMEs**

12. **MR JEFFREY LAM** (in Chinese): *President, in the light of the recent global financial tsunami, certain chambers of commerce and professional bodies have suggested that the Government should provide tax concessions to small and medium enterprises (SMEs) so that they could have more operating capital. In this connection, will the Government inform this Council whether it will:*

- (a) *consider allowing SMEs to hold over the payment of profits tax for the 2009-2010 tax year for one year;*
- (b) *extend to next year the due date for SMEs to pay provisional tax for the current year of assessment, and exempt SMEs from the fine payable for overdue tax payment; and*
- (c) *in view of the current business environment for SMEs, reconsider the arrangements of "group loss relief" and "loss carry-back" for corporate losses under the profits tax regime (such arrangements allow losses of one or more companies to offset profits of other companies of the same group and allow losses to offset profits made in previous years so that the company concerned can get a refund on tax paid)?*

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

- (a) We have not assessed the provisional tax for the year of assessment 2009-2010, and the relevant tax payment will not be due until November 2009 to April 2010. The Inland Revenue Ordinance already has flexible arrangement to cater for reduction in taxpayers' income. If a taxpayer estimates that his/her assessable income or profits for a year would be less than 90% of that of the previous year, he/she may apply for a corresponding holdover of the provisional tax of that year.

Allowing taxpayers to hold over tax payment for a year irrespective of their actual income would have a serious impact on Government's tax revenue, and would significantly increase taxpayers' tax burden in the next year of assessment. We will not consider this proposal at this stage.

- (b) Generally speaking, the Commissioner of Inland Revenue has no power to amend the due dates specified on the demand notes unless the Inland Revenue Department has to revise the assessment. As the demand notes for the current year has already been issued, it is not feasible to extend the due dates for paying the provisional tax for the current year.

To ensure that taxpayers pay tax on time, the Inland Revenue Department will impose a surcharge on overdue tax payments. It would be unfair to other taxpayers if we exempt some taxpayers from the surcharge.

- (c) Introducing the arrangements of "group loss relief" and "loss carry-back" may result in significant loss of tax revenue. The revenue implication would be particularly acute during economic downturns. Besides, the two arrangements could be abused easily for tax avoidance. Complicated legislative provisions would be necessary to define clearly the scope of the arrangements so as to guard against abuse. However, this would complicate our simple tax system, and substantial resources would also be required to scrutinize and investigate claims. Therefore, we consider that it is not desirable to introduce these two arrangements.

### **Conversion of Places in Self-care Hostels and Homes for the Aged**

13. **MR CHEUNG KWOK-CHE** (in Chinese): *President, the Government decided in 2005 to phase out places in self-care (S/C) hostels and homes for the aged (H/A) so that resources could be re-engineered to provide more places with long-term care and attention (C&A) for the elderly. At the same time, the Government launched a conversion exercise to assist 75 homes in converting their places into C&A places. The majority of the homes were required to carry out the conversion at their existing premises and renovation works were also required in order to meet the requirements of the Social Welfare Department (SWD) in terms of facilities and spacing. Yet, certain S/C hostels and H/As located in public housing estates (PHEs) have not been able to carry out the conversion recently because the Housing Department (HD) did not approve large scale renovation works to be carried out. In this connection, will the Government inform this Council:*

- (a) *how SWD will co-ordinate with HD to assist the above homes in carrying out the conversion at their existing premises;*
- (b) *where conversion of places at existing premises is not feasible due to the above reason, whether SWD will identify other premises for such S/C hostels and H/As to facilitate their conversion;*
- (c) *of the respective numbers of homes whose S/C hostel and H/A places have and have not been converted to C&A places since the above*



*conversion exercise was launched in June 2005, and the reasons why some places have not yet been converted; and*

- (d) *of the details of the Government's vetting procedures for funding applications related to such conversion?*

**SECRETARY FOR LABOUR AND WELFARE** (in Chinese): President, my reply to the question is as follows:

- (a) To enhance the capability of subsidized residential care places for the elderly in providing continuum of care, the SWD launched a Conversion Programme in June 2005 to convert in phases places in 75 subsidized residential care homes for the elderly (RCHEs) which do not have long-term care element to C&A places providing continuum of care. Among these RCHEs, 59 are located in PHEs of the HD.

The Conversion Programme is conducted under the principle of *in situ* conversion. Participating RCHEs are required to carry out *in situ* refitting works to cater for the needs of frail elders, including, for instance, the installation of bedside emergency alarm bells, the extension or alteration of toilets to facilitate access of wheelchair users, the addition of physiotherapy treatment rooms, and so on.

As the conversion involves major refitting works, the concerned RCHEs have to submit applications to the HD for approval if their premises are located in PHEs. To facilitate the processing of applications by the HD, the SWD has briefed the Independent Checking Unit of the HD, which is responsible for vetting the refitting works of the department's premises, on the contents of the Conversion Programme and the major refitting works that may be involved. SWD has also shared the list of the 59 RCHEs located in PHEs with the HD. The HD has assigned designated managers in its Estate Offices in various districts to process these applications. As some of the RCHEs occupying two or more floors are required to install electrical lifting platforms which may have impact on the structure of the premises to a certain extent, the SWD has been in discussion with the HD so that the latter can render assistance to the concerned RCHEs when considering their applications.

The SWD will continue to listen to the views of the operators of the concerned RCHEs, and maintain close liaison with the HD on matters relating to the Conversion Programme.

- (b) Prior to the implementation of the Conversion Programme, the SWD has conducted a preliminary assessment on the suitability of the concerned RCHE premises in carrying out the refitting works required. According to the SWD's assessment, among the 75 RCHEs under the Programme, only one located in a PHE may not be suitable for the refitting works required due to structural constraints. SWD has discussed with the non-governmental organization (NGO) operating the concerned RCHE, and will arrange to convert the concerned places together with places in other RCHEs operated by the same NGO.
- (c) One of the principles of the Conversion Programme is to minimize the disturbance to existing residents of the concerned RCHEs. As such, existing residents are allowed to stay in the RCHEs. SWD will confirm the conversion arrangements with a particular RCHE when it has accumulated a certain number of vacancies arising from natural wastage. The conversion will be conducted in phases. Upon the start of the conversion process, places in the RCHE will continue to be vacated through natural wastage and will be converted gradually. Depending on the situation of individual RCHEs, it may take a few years to complete the whole conversion process.

At present, 60 out of the 75 RCHEs have rolled out the conversion process, and are providing subsidized C&A places with continuum of care.

- (d) RCHEs participating in the Conversion Programme may apply for the Lotteries Fund to cover the expenditure of the refitting works and basic furniture and equipment required under the Programme.

Upon receipt of the funding applications from RCHEs, the SWD will vet the applications, taking into account the necessity of the works, whether the valuation is reasonable, and so on, and submit the applications to the Lotteries Fund Advisory Committee for approval. The SWD will then release the approved funding to the concerned RCHEs in accordance with the established procedures.

**Ma Wan Park**

14. **MR LEE WING-TAT** (in Chinese): *President, regarding the Ma Wan Park (MWP) which is being constructed by a developer, will the Government inform this Council:*

- (a) *given that the completion dates of the construction works of MWP have been extended time and again (the completion of Phase 1 development was originally scheduled for June 2006 and has been delayed until the end of this month, and it has been reported that the "Noah's Ark", a large-scale facility therein, will not be formally opened to the public until March next year, while the completion date for Phase 2 development has yet to be fixed), whether the Government will, apart from requiring it to pay the unexpended balance of the development cost together with the interest, raise the penalty for serious delay in the above works by the developer, so as to prevent further delay;*
- (b) *of the details of every Master Layout Plan (MLP) and every amendment submitted by the developer on the Ma Wan development (including changes involved in those amendments, whether the relevant applications have been approved by the Town Planning Board (TPB), together with the conditions on which such approvals were granted);*
- (c) *given that in accordance with the 1994 MLP of Park Island, the developer was required to provide a road link in the development area to connect to the road network of Ma Wan, yet, it is shown in the current revised MLP that residential buildings have been built on the land of that road section, and the developer has not provided other roads, including roads inside MWP, at Ma Wan either, why the Government has allowed the developer not to provide the road concerned; and whether the Government will take follow-up actions; if it will, of the details; and*
- (d) *given that presently vehicles without valid permits are prohibited from entering Ma Wan, whether the Government has evaluated the accessibility of MWP after the park is open to the public; if it has, of the details of the evaluation results; if not, whether the Government will require the developer to provide the road concerned to improve the accessibility of MWP?*

**SECRETARY FOR DEVELOPMENT** (in Chinese): President, the developer of Park Island originally intended to develop the MWP as a commercial theme park operating on a closed and admission fee basis with a large number of rides. In order to minimize the overlap in concept with the Hong Kong Disneyland and also to conserve vegetation and preserve the setting of the Ma Wan Old Village, the developer subsequently proposed a theme of "Naturally Hong Kong", with emphasis on retaining and refurbishing the existing structures in the Ma Wan town and conservation of the natural environment and cultural heritage. Based on the new concept, a revised MLP was submitted to the TPB and concerned government departments and was subsequently approved.

As I had mentioned in my reply to the question raised in the Legislative Council meeting on 11 June 2008, the Government would, in the light of the extension of the completion date and any consequences arising therefrom, take follow-up actions in accordance with the terms and conditions of the Heads of Agreement (HoA). The Sun Hung Kai Properties Limited (SHKP) has to pay the Government upon completion of Phase 1 the unexpended balance of the MWP construction cost deducted from the Park Island premium in 1997 for the implementation of the MWP together with interest.

The Government will enter into a "Supplemental Agreement" over various aspects of the MWP, and a "Management Agreement" to provide for the detailed arrangements for the future management of the MWP. Both sides are discussing on the details of the provisions of these Agreements.

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

- (a) Phase 1 of the MWP comprises three main features, namely the "Nature Garden", "Noah's Ark" and "Solar Tower". The Nature Garden has been opened to the public since July 2007. With the issue of occupation permit in August, the Noah's Ark is due for completion as scheduled by the end of 2008 and will start operation by early 2009. As for the Solar Tower, the developer undertakes to have it completed 24 months after the authorization of the revised road scheme. The bureau and departments concerned are now preparing for the gazettal of the revised road scheme and handling representations from the affected owners. As for the Phase 2 development, the HoA has not specified a completion date for it.

The developer is required, as mentioned above, to pay the Government upon completion of the relevant works the unexpended balance of the MWP construction cost deducted from the Park Island

premium in 1997 for the implementation of the MWP together with interest. The longer the extension of the completion of the MWP, the greater the interest the developer has to pay to the Government. It is estimated that the total interest accrued up to now is about hundred millions of dollars. Hence, we believe that the developer will endeavour to complete the relevant MWP works as soon as possible. However, the authorization of the revised road scheme is a statutory process which is not within the full control of the developer on his own.

- (b) There were altogether seven planning applications submitted under section 16 of the pre-amended Town Planning Ordinance for the MWP development. These include A/MWI/3, A/MWI/9, A/I-MWI/14, A/I-MWI/27, A/I-MWI/29, A/I-MWI/35 and A/I-MWI/37. The application details are attached in Annex. The seven planning applications were approved with conditions by the TPB. The approval conditions can be viewed in the TPB homepage <<http://www.info.gov.hk/tpb>>. The public can also view the relevant MLPs in the Land Registry.
- (c) The developer subsequently revised the MLP of the Park Island development, amending the access alignment and the disposition of the residential buildings in the development. The amendments were approved by the TPB.

As a result of the revision of the development plan, the concerned road scheme authorized in 1996 had to be amended. Upon the conclusion of the whole gazettal and approval processes, the developer has to carry out the uncompleted road works for the MWP.

- (d) Currently, there are two ferry routes running from Ma Wan to Central and Tsuen Wan and four residents' bus routes to Tsing Yi, Kwai Fong, Tsuen Wan and the Airport. We have all along encouraged visitors to make good use of the above services, the ferry in particular, to travel to Ma Wan. Lately, the Transport Department (TD) has proposed to relax the ratio between road and sea patronage for Ma Wan on the Explanatory Statement of the Ma Wan Outline Zoning Plan with a view to providing greater flexibility for transport arrangements was published in the Gazette on 1 August 2008 for public comment. The proposal was made after the TD had conducted a review and consulted the relevant District Council, and

the Rural and New Town Planning Committee (RNTPC) under the TPB has considered the case. Having considered various factors, including the traffic condition and actual needs, the TD has agreed to issue prohibited zone permits on Ma Wan Road on a restricted basis to facilitate group visitors to travel to MWP during the trial operation of the Noah's Ark. Subject to the results of the trial and after the amendment made to the ratio between road and sea patronage, the TD will further consider the specific arrangements for regulating the coaches to MWP having regard to the actual transport demand of group visitors to MWP and the need to ensure the smooth traffic flow of the Lantau Link.

Annex

- First planning application No. A/MWI/3 was submitted on 19 March 1994, application details as follows:

Site Area : 18.4 hectares  
Uses Applied For : Recreation Theme Park including South China Sea Village, Old Hong Kong, New Hong Kong, Nature Park, Children's Adventure World, Sky Tower, Recreation and Exhibition Facilities, Fire Station, Ambulance Depot, Police Post, Other Tourism and Repair Facilities, and so on.  
Non-domestic GFA : 27 170 sq m

The RNTPC of the TPB approved the application with conditions on 6 May 1994.

- Application No. A/MWI/9 was submitted on 22 November 1997, application details as follows:

Site Area : 22.69 hectares  
Uses Applied For : Recreational Park including South China Sea Village, Old Hong Kong, Nature Park, Children's Adventure World, Museum, Zoo, Theatre, Exhibition Centre, Retail Shops, Restaurants, other Operation and Maintenance Facilities, and so on.  
Non-domestic GFA : 30 000 sq m

The RNTPC of the TPB approved the application with conditions on 16 January 1998.

- Application No. A/I-MWI/14 was submitted on 30 July 1999, application details as follows:

Site Area : 21.73 hectares  
Uses Applied For : Recreational Park including South China Sea Village, Old Hong Kong, Nature Park, Children's World, Place of Entertainment, Museum, Retail Shops, Restaurants, Ancillary Facilities, and so on.  
Non-domestic GFA : 30 000 sq m

The TPB approved the application with conditions on review on 21 January 2000.

- Application No. A/I-MWI/27 was submitted on 24 January 2003, application details as follows:

Site Area : 17.37 hectares  
Uses Applied For : Recreational Park including Ma Wan Theme Park, Fire Safety Education Centre and Museum, Noah's Ark (including hostel), Solar Tower and Exhibition Centre, Ma Wan Heritage Museum, Multi-purpose Performance Venue, Bed & Breakfast, Re-styled Ma Wan Village with Retail Shops, Restaurants, Artists Village, Forest Retreat, Bed & Breakfast, and so on.  
Non-domestic GFA : 33 932 sq m

The RNTPC of the TPB approved the application with conditions on 21 March 2003.

- Application No. A/I-MWI/29 was submitted on 27 August 2003, involving a transfer of GFA from the Ma Wan Conservatory to the Noah's Ark. The site area, details and non-domestic GFA remain the same as A/I-MWI/27.

The District Planning Officer under the delegated authority of the TPB approved the application with conditions on 24 September 2003.

- Application No. A/I-MWI/35 was submitted on 17 December 2004 involving adjustment of the site boundary, revision of the road and emergency vehicular access within the Park, addition of landscaped pavilions, minor amendment to some other facilities, and so on. The site area, details and non-domestic GFA remain the same as A/I-MWI/29.

The Director of Planning under the delegated authority of the TPB approved the application with conditions on 27 January 2005.

- The recent Application No. A/I-MWI/37 (remains valid) was submitted on 22 April 2005, application details as follows:

Site Area : 19.18 hectares  
Uses Applied For : Recreational Park including Places of Entertainment, Exhibition Centre, Retails Shops, Restaurants, Visitor Accommodation, Ancillary Facilities, Coach Parking Area, and so on.  
Non-domestic GFA : 34 532 sq m

The RNTPC of the TPB approved the application with conditions on 3 February 2006.

### **Bus Services on Hong Kong Island**

15. **MR KAM NAI-WAI** (in Chinese): *President, some residents have complained to me that since last year, the number of runs of various bus routes which cover some remote areas on Hong Kong Island have been reduced without prior consultation. Moreover, the average daily patronage benefiting from the 96 concessionary bus-bus interchange (BBI) schemes, involving 117 bus routes and implemented by various franchised bus companies on Hong Kong Island, was just about 7 400 as at the end of last year. In this connection, will the Government inform this Council:*

- (a) *of the respective numbers of buses deployed and runs, in respect each of the bus routes on Hong Kong Island and the cross-harbour bus routes, on the first of January last year and the 30th of last month;*
- (b) *whether it knows if all the various franchised bus companies have consulted the relevant District Councils (DCs) before deciding to*



*adjust the numbers of runs of these bus routes, and they have also informed the relevant DC Secretariats before implementing the new bus schedules; if they have not, the reasons for that; and*

- (c) *given that the bus waiting time for passengers in remote areas has been increased due to the reduction in the numbers of runs, whether it will discuss with franchised bus companies how to improve the BBI schemes, so as to make available more bus routes for these passengers to choose from?*

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

- (a) On 1 January last year and 30 November this year, the number of buses deployed for Hong Kong Island bus routes and cross-harbour bus routes and the total number of trips operated are set out as follows:

	1 January 2007			30 November 2008		
	No. of bus routes	No. of buses	No. of trips	No. of bus routes	No. of buses	No. of trips
Island routes	93	775	14 113	93	741	13 362
Cross-harbour routes	65	1 043	10 555	65	1 041	10 544
Total	158	1 818	24 668	158	1 782	23 906

Details of the frequency of each of the bus routes are available at the websites of the respective bus companies.

- (b) In order to maintain efficient bus services and reduce traffic congestion and roadside air pollution, the Transport Department (TD) has devised a set of guidelines for the adjustment of bus service frequencies based on their occupancy rates. When the TD consults the Traffic and Transport Committees (TTCs) of DCs annually on the Bus Route Development Programme, TD elaborates these guidelines in the consultation documents. All along, the TD consults DCs or their respective TTCs on major route rationalization/frequency adjustment proposals in accordance with these guidelines, and the TD would inform the relevant DCs or their respective TTCs before implementing these major route rationalization/frequency adjustment plans.
- (c) The Government has all along been encouraging franchised bus companies to introduce more BBI schemes taking account of their

operational and financial situations. As at the end of August 2008, the franchised bus companies offer 234 BBI schemes involving over 400 bus routes. Meanwhile, the DCs would be consulted in early 2009 on another 15 BBI schemes designed to tie in with bus service rationalization proposals. The TD will from time to time review with the bus companies on the BBI scheme arrangements so as to better meet passengers' demand.

### **Replacement of Printed Publications by Electronic Copies**

16. **MS AUDREY EU** (in Chinese): *President, recently, I have received complaints from a number of members of owners' corporations that they are inundated with letters, publicity materials and annual reports sent by various government departments through the post, which they consider a substantial waste of paper. In this connection, will the Government inform this Council:*

- (a) of the respective quantities and weights of printed annual reports posted by various government departments and public organizations in the last financial year;*
- (b) whether it plans to gradually replace the mailing of printed publications by issuing electronic copies of such publications as the major means of communication with owners' corporations; if so, of the details; if not, the reasons for that; and*
- (c) whether it has compiled statistics on the current numbers of government departments and public organizations which no longer produce printed versions of annual reports and issue electronic copies of such publications instead; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR THE ENVIRONMENT** (in Chinese): President, my reply to the three parts of the question is as follows:

- (a) In the financial year 2007-2008, government departments sent by post a total of about 19 300 printed annual reports with a total weight of about 12 200 kg. For details, please refer to Annex 1. Regarding public organizations, according to the information provided by bureaux, the figures concerning the annual reports sent

by post by some 40 major public organizations in the financial year 2007-2008 are at Annex 2.

- (b) The Office of the Government Chief Information Officer issued a set of guidelines in 2008, and requested bureaux and departments to, as far as possible, also provide their services in electronic mode when delivering public service, so that members of the public may have more alternative. Separately, the Home Affairs Bureau also issued a set of guidelines to bureaux and departments in 2008 to encourage the use of government homepages as an effective means to disseminate information. These measures can help reduce the need of sending printed publications by post.
- (c) The Director of Administration issued a circular at the end of 2003 to all bureaux and departments advising them to maximize the use of Internet or CD-ROMs for the issue of annual reports and departmental newsletters and minimize the use of paper for printing such documents in order to reduce paper consumption.

Government departments currently publish about a total of 30 plus different annual reports, all of which are available in electronic version, and amongst which 17 are no longer published in printed version and only provide electronic version. As for public organizations, the vast majority of the some 40 public organizations listed in Annex 2 provide their annual reports in both printed and electronic versions.

Annex 1

Government departments that Sent Out Annual Reports by Post  
in the Financial Year 2007-2008

	<i>Departments</i>	<i>Number of copies sent out by post</i>	<i>Weight Sent Out by Post (kg)</i>
1.	University Grants Committee Secretariat	1 800	778
2.	Information Services Department	5 221	5 888
3.	Legal Aid Department	312	149
4.	Fire Services Department	200	79
5.	Hong Kong Police Force	244	115
6.	Secretariat, Commissioner on Interception of Communications and Surveillance	100	39

	<i>Departments</i>	<i>Number of copies sent out by post</i>	<i>Weight Sent Out by Post (kg)</i>
7.	Civil Aviation Department	535	203
8.	Transport Department	1 000	600
9.	Housing Authority/Housing Department	450	225
10.	Radio Television Hong Kong	70	18
11.	Hong Kong Post	593	254
12.	Civil Engineering and Development Department	580	208
13.	Electrical and Mechanical Services Department	850	187
14.	Electrical and Mechanical Services Trading Fund	4 000	1 600
15.	Drainage Services Department	700	161
16.	Water Supplies Department	300	240
17.	Land Registry	36	28
18.	Companies Registry	208	102
19.	Independent Commission Against Corruption	2 130	1 360
	Total	19 329 copies	12 234 kg

## Annex 2

Major Public Organizations that Sent Out Annual Reports by Post  
in the Financial Year 2007-2008<sup>(Note)</sup>

	<i>Public Organization</i>	<i>Number of copies sent out by post</i>	<i>Weight Sent Out by Post (kg)</i>
1.	Public Service Commission	94	42
2.	Equal Opportunities Commission	3 000	1 461
3.	Office of the Privacy Commissioner for Personal Data	680	292
4.	Quality Education Fund	Did not send out by post annual report	Did not send out by post annual report
5.	Research Grants Council	2 100	680
6.	Hong Kong Examinations and Assessment Authority	840	336
7.	Hong Kong Council for Accreditation of Academic and Vocational Qualifications	1 500	600
8.	Vocational Training Council	2 000	1 020
9.	Hong Kong Education City Limited	Did not send out by post annual report	Did not send out by post annual report
10.	Vegetable Marketing Organisation	Did not send out by post annual report	Did not send out by post annual report

	<i>Public Organization</i>	<i>Number of copies sent out by post</i>	<i>Weight Sent Out by Post (kg)</i>
11.	Fish Marketing Organisation	Did not send out by post annual report	Did not send out by post annual report
12.	Hospital Authority	1 500	972
13.	Hong Kong Arts Development Council	2 500	950
14.	The Hong Kong Academy for Performing Arts	300	135
15.	Employees Retraining Board	100	30
16.	Clothing Industry Training Authority	2 100	693
17.	Occupational Deafness Compensation Board	900	90
18.	Employees' Compensation Insurance Levies Management Board	110	14
19.	Protection of Wages on Insolvency Fund Board	1 118	493
20.	Pneumoconiosis Compensation Fund Board	2 015	431
21.	Employees Compensation Assistance Fund Board	10	2
22.	Occupational Safety and Health Council	300	186
23.	Labour Advisory Board	Did not send out by post annual report	Did not send out by post annual report
24.	Criminal and Law Enforcement Injuries Compensation Board	699	@
25.	Independent Police Complaints Council	Did not send out by post annual report	Did not send out by post annual report
26.	Hong Kong Productivity Council	1 000	545
27.	Hong Kong Applied Science and Technology Research Institute Company Limited	2 100	651
28.	Hong Kong Science and Technology Parks Corporation	33	14
29.	Hong Kong Tourism Board	1 000	460
30.	Hong Kong Trade Development Council	2 004	1 042
31.	Hong Kong Export Credit Insurance Corporation	20	4
32.	Competition Policy Advisory Group	Did not send out by post annual report	Did not send out by post annual report
33.	Consumer Council	50	28
34.	Construction Workers Registration Authority	268	83
35.	Construction Industry Council	500	75
36.	The former Construction Industry Training Authority (dissolved on 1 January 2008)	2 800	723

	<i>Public Organization</i>	<i>Number of copies sent out by post</i>	<i>Weight Sent Out by Post (kg)</i>
37.	Securities and Futures Commission	600	397
38.	Standing Committee on Company Law Reform	86	363
39.	Mandatory Provident Fund Schemes Authority	2 771	1 496
40.	Hong Kong Monetary Authority	4 000	3 380
41.	Hong Kong Deposit Protection Board	800	480
42.	The Hong Kong Mortgage Corporation Limited	1 148	897
43.	Urban Renewal Authority	Did not send out by post annual report	Did not send out by post annual report
44.	Traffic Accident Victims Assistance Advisory Committee	522	@
45.	Emergency Relief Fund Committee	566	@
46.	Social Work Training Fund Committee	300	26
47.	Office of The Ombudsman	270	146
	Total	42 704 copies	19 237 kg

Notes:

All these public organizations have produced annual reports

@ Does not have any statistics relating to the weight

### **Problems Caused by Wild Pigs**

17. **MR LAU WONG-FAT** (in Chinese): *President, it is learnt that in recent years there were a number of incidents of wild pigs intruding into urban areas and villages, and these wild pigs not only damaged and ate crops, but also intruded into residential premises and hurt the occupants. In this connection, will the Government inform this Council:*

- (a) *whether it has studied the causes of wild pigs intruding into urban areas and villages many times in recent years; if it has, of the study results; if not, the reasons for that;*
- (b) *whether it has kept statistics on the number of wild pigs and the changes in their numbers in each of the past three years; and*
- (c) *given that members of wild pigs hunting teams at present are required to hold special permits issued by the Agriculture, Fisheries and Conservation Department (AFCD) under the Wild Animals*

*Protection Ordinance (Cap. 170) and arms licences issued by the Hong Kong Police Force to kill wild pigs, whether the Government will consider relaxing the relevant regulations and also introducing other relevant measures, so as to reduce the nuisance caused to residents by wild pigs; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR THE ENVIRONMENT** (in Chinese): President, my reply to the three parts of the question is as follows:

- (a) Whenever the AFCD receives complaints about wild pig damaging crops or sighting of wild pigs, it would send staff to conduct field investigation. Generally, after investigation, it would be discovered that wild pigs were found searching for food at the agriculture fields in the countryside area or at the refuse collection points near villages. In general, wild pigs mainly go to nearby rural villages in search for food.
- (b) Since 2002, the AFCD has been regularly conducting territory-wide ecological surveys on Hong Kong's mammals by using infrared automatic cameras. The surveys show that wild pigs are widely spread and more frequently found in the countryside areas. They are commonly found in woodland, grassland and agriculture field areas. The AFCD however has not conducted any investigation on the increase or decrease in number of wild pigs.
- (c) In Hong Kong, there are at present two wild pig hunting teams consisting of civilian volunteers. Members of the hunting teams must have special permits issued by the AFCD under the Wild Animals Protection Ordinance (Cap. 170) and arms licences issued by the police before they are able to participate in wild pig hunting. After the police, the District Offices of the Home Affairs Department or the AFCD received complaints and confirmed the threat of wild pigs, the hunting teams will be notified to set out hunting, in order to reduce the threats posed to human safety and property. On the other hand, the wild pig hunting teams' actions must take necessary safety measures during wild pig hunting to ensure personal safety as well as the safety of third parties. The relevant requirements, including no hunting shall take place on Saturdays, Sundays and

Public Holidays and that during hunting, team members must take necessary safety measures to prevent accident and incident of causing bodily injury from taking place, are listed out in the abovementioned special permits and licences. In view of the abovementioned safety considerations, and that the existing hunting actions are able to effectively control the number of wild pigs, we have no plan to relax the relevant requirements at present. However, the Government will conduct review from time to time in response to changing circumstances. Moreover, the AFCD will recommend preventive measures to residents affected by wild pig nuisance, such as installing fences, additional lighting or solar-powered electric fencing in their residence and agriculture field.

### **Sulphur Dioxide in Food**

18. **DR JOSEPH LEE** (in Chinese): *President, according to the Preservatives in Food Regulation (Cap. 132 sub. leg. BD), which govern the amount of sulphur dioxide allowed in different categories of food, the sale of fresh, chilled or frozen meat containing sulphur dioxide is an offence. However, it has recently been reported that beef containing sulphur dioxide is prevalent in the market. In this connection, will the Government inform this Council:*

- (a) *whether the Food and Environmental Hygiene Department (FEHD) had regularly taken samples of fresh beef and food items other than meat for sulphur dioxide testing over the past three years; if it had, of the respective numbers of the two kinds of samples taken and, among them, those found to contain sulphur dioxide exceeding the statutory permitted levels, as well as the relevant details;*
- (b) *of the number of traders convicted in the past three years for breaching the above provision, as well as the penalties imposed on them, and whether it will consider raising the penalties to enhance the deterrent effect; if it will, of the details; if not, the reasons for that; and*
- (c) *whether the FEHD will make public the names and locations of the shops found to be selling beef containing sulphur dioxide for reference by the public; if it will, of the details; if not, the reasons for that?*



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

- (a) Sulphur dioxide is used in the food manufacturing industry as a preservative in a variety of foods, including preserved fruits and fruit juices. As sulphur dioxide is water soluble, most of it can be removed through washing and cooking. While sulphur dioxide is of low toxicity, people who are allergic to it may experience respiratory discomfort, headaches and nausea. According to the International Agency for Research on Cancer of the World Health Organization, there is inadequate evidence that sulphur dioxide can cause cancer.

The Administration has always been concerned about the illegal use of sulphur dioxide by meat traders. Fresh provision shops as well as market stalls selling meat are subject to regular inspections to monitor the source and safety of meat on sale. The Food Surveillance Programme implemented by the FEHD is designed to control and prevent food hazards. Food samples are taken at import, wholesale and retail levels for microbiological and chemical testings.

The Food Surveillance Programme covers sample testing of meat from retail outlets for sulphur dioxide. Apart from including the testing of sulphur dioxide in meat in the routine surveillance programme, targeted surveillance projects focusing on this specific issue were also conducted in the past two years. The latest targeted surveillance for assessing the use of sulphur dioxide in meat was conducted from July to September 2008, with the results announced in early October. In the exercise, some 290 pork and beef samples were collected for tests, among which 15 beef samples and four pork samples were found to contain sulphur dioxide, at levels ranging from 10 ppm to 2 100 ppm. Test results for sulphur dioxide in meat samples for the past three years under the Food Surveillance Programme are listed in the Annex.

The number of food samples (other than meat) collected under the Food Surveillance Programme for testing of sulphur dioxide in 2006, 2007 and from January to September 2008 were about 920, 2 000 and 940 respectively. Of these samples, nine in 2006, 52 in 2007

and eight in 2008 from January to September (including dried vegetables, dried fruits, and so on) were found to contain sulphur dioxide that was either illegally added or in excessive amount.

- (b) Under the Preservatives in Food Regulation, sulphur dioxide is permitted to be used in some food products, such as preserved fruits, fruit juices, wine, and so on. The Regulation also governs the maximum permitted level of sulphur dioxide allowed in specified food products. However, sulphur dioxide is not permitted to be used in fresh, chilled or frozen meat. Offenders are liable to a maximum fine of \$50,000 and imprisonment for six months upon conviction. The FEHD would take follow-up actions regarding all the unsatisfactory results, including testing further samples, issuing warning letters to the shop operators concerned and taking out prosecutions if there is sufficient evidence. From 2006 to September 2008, a total of 50 prosecutions in relation to the use of sulphur dioxide (35 involving meat and 15 involving other food products) were instituted. Among them, 43 cases were heard and the shop operators concerned were fined \$1,300 to \$10,000.

The existing penalties for illegal use of preservatives (including sulphur dioxide) in food are comparable to those for illegal use of other additives (such as colouring matters and sweeteners) in food, and are the same as those set out in the legislation governing food standards (such as harmful substances and heavy metals). The Government has no intention of increasing the penalties at this stage.

- (c) The Administration has been keeping a close watch on the market situation and conducting routine surveillance in relation to the illegal use of sulphur dioxide in meat. Legal action will be taken against retail outlets with sulphur dioxide found in the samples collected. If convicted, other appropriate sanctions in accordance with the existing policies of suspension/cancellation of licences or termination of tenancies applicable to food premises and market stalls will be applied. The Centre for Food Safety publishes unsatisfactory test results under the Food Surveillance Programme on a regular basis. The Centre has also disclosed the name and address of the retail outlets that sell unsatisfactory samples in the past.

## Annex

**Test Results for Sulphur Dioxide in Meat  
Under the Food Surveillance Programme  
(From 2006 to September 2008)**

	<i>Total Number of Samples</i>	<i>Number of Unsatisfactory Samples/ Level of Sulphur Dioxide</i>	<i>Satisfactory Rate</i>
2008			
Routine Surveillance Programme	157 (including 85 beef samples)	9 (including 6 beef samples)/ 33 ppm to 2 400 ppm	-
Targeted Surveillance Project (From July to September)	291 (including 115 beef samples)	19 (including 15 beef samples)/ 10 ppm to 2 100 ppm	-
Total	448 (including 200 beef samples)	28 (including 21 beef samples)	94% (Beef: 90%)
2007			
Routine Surveillance Programme	166 (including 82 beef samples)	20 (including 14 beef samples)/ 12 ppm to 4 300 ppm	-
Targeted Surveillance Project (From July to October)	321 (including 118 beef samples)	15 (including 11 beef samples)/ 23 ppm to 3 300 ppm	-
Total	487 (including 200 beef samples)	35 (including 25 beef samples)	92% (Beef: 87%)
2006			
Routine Surveillance Programme	508 (including 194 beef samples)	13 (including 5 beef samples)/ 39 ppm to 1 200 ppm	97% (Beef: 97%)

\* Apart from the beef samples, the other meat samples collected for testing include pork and mutton samples.

### **Co-ordinated Maintenance of Buildings Scheme**

19. **MS STARRY LEE** (in Chinese): *President, under the Co-ordinated Maintenance of Buildings Scheme implemented by the Buildings Department (BD) in association with the Hong Kong Housing Society (HKHS) and several government departments, the authorities will, having regard to the unauthorized building works on the external walls and the dilapidation in the common areas of*

*the buildings, select target buildings and then require the owners or owners' corporations (OCs) concerned to carry out repair and maintenance works. If the required works are not commenced within a reasonable period of time, the relevant departments will take joint enforcement actions. In this connection, will the Government inform this Council:*

- (a) in respect of each District Council district in each of the past three years, of the respective numbers of buildings selected as target buildings, those with the relevant works completed and those with works not yet completed, and the respective numbers of repair orders issued and prosecutions instituted against owners for non-compliance with the repair orders; as well as the penalties generally imposed on the convicted owners;*
- (b) of the average and longest time taken between designation of the target building and completion of the required works since the implementation of the above scheme in 2000, with a breakdown of the completed cases by the number of years taken; the current number of cases not yet completed and among them, those in which the buildings have been selected as target buildings for more than five years;*
- (c) whether it will set a time limit for target buildings to complete the repair and maintenance works; if it will, of the details; if not, the reasons for that; and*
- (d) of the respective numbers of applications made by the owners of target buildings over the past three years under the Building Safety Loan Scheme, Building Management and Maintenance Incentive Schemes, Building Maintenance Grant Scheme for Elderly Owners and Building Rehabilitation Schemes for loans or grants, the total amounts granted under each scheme and the number of flats the owners of which have not repaid the loans and the authorities have therefore registered charges against their interests in the Land Registry?*

**SECRETARY FOR DEVELOPMENT** (in Chinese): President, since November 2000, the BD, in association with six other government departments (namely the Home Affairs Department, Fire Services Department, Electrical and

Mechanical Services Department, Food and Environmental Hygiene Department, Water Supplies Department and Environmental Protection Department), selected about 150 target buildings under the "Co-ordinated Maintenance of Buildings Scheme" (CMBS) ("屋宇維修統籌計劃") annually to assist the building owners in pursuing a comprehensive building management and maintenance programme. Starting from 2005, the BD invited the HKHS to provide free advice to the owners concerned, and the title of the CMBS was renamed as CMBS ("樓宇維修統籌計劃").

The reply to the four-part question is as follows:

- (a) In the past three years, the number of buildings selected as target buildings under the CMBS annually in each District Council district is as follows:

	2005	2006	2007
Central and Western District	18	22	16
Wan Chai	10	14	12
Southern District	5	3	1
Eastern District	17	12	17
Kwun Tong	3	6	7
Sham Shui Po	11	14	14
Yau Tsim Mong	25	25	25
Wong Tai Sin	3	5	4
Kowloon City	19	25	23
Islands	0	2	4
Tsuen Wan	10	5	5
Yuen Long	5	5	5
North District	1	0	4
Sha Tin	8	4	2
Sai Kung	0	0	0
Kwai Tsing	4	6	6
Tai Po	5	5	3
Tuen Mun	6	0	2
Total	150	153	150

The CMBS covers a wide scope of works and aims to enhance the overall standards of buildings. Apart from structural safety of buildings, multiple areas of works such as fire services, electrical

installations, lifts and fresh water pipes are also included. Of the buildings mentioned above, as at November 2008, there are a total of 125 buildings with all the required works completed. As for the other 328 buildings, the relevant works are progressing at different stages. In the past three years, a total of 298 building and drainage repair orders were issued for the target buildings under the CMBS.

In accordance with the Buildings Ordinance (Cap. 123), any person who, without reasonable excuse, fails to comply with a repair order shall be liable on conviction to a maximum fine of \$50,000 and to imprisonment for one year. In addition, there is a further fine of \$5,000 for each day during which the failure to comply with the order has continued. In the past three years, there were a total of six cases involving prosecution against failures to comply with repair orders with fines ranging from \$10,000 to \$23,000. There was no case resulting in imprisonment.

- (b) As mentioned above, the CMBS covers a wide scope of works and target buildings have to complete all the works in different areas in accordance with the requirements imposed by the authorities. Of the cases handled by the BD in the past, many buildings had not established OCs or management bodies. Some owners were not willing to pay for works to be carried out in the common areas, making it more difficult for the works to commence. The Government therefore launched the Comprehensive Building Safety Improvement Loan Scheme in 2001 to provide owners with loans for funding the works. Since 2005, the BD, in conjunction with the HKHS, has been offering owners further support, including helping them to form OCs and providing them with further financial assistance. In 2008, the Government launched the Building Maintenance Grant Scheme for Elderly Owners to provide eligible elderly owners with building maintenance grants. In addition, the BD will, having regard to the actual circumstances, handle cases with discretion by giving owners more time to form OCs, collect funds and make preparations for the carrying out of works.

Since the implementation of the CMBS in 2000, the average and longest time taken between designation of the target building and completion of all the required works in different areas have been around three and a half years and seven and a half years respectively.

An analysis of the buildings with works completed in accordance with the number of years required is as follows:

<i>No. of Years Taken</i>	<i>No. of Buildings</i>
Within one year	4
Within two years	51
Within three years	164
Within four years	189
Within five years	172

Currently, there are 482 cases with works progressing at different stages. Among them, there are seven cases in which works have taken for more than five years and have not yet been completed. The BD will continue to follow up these cases.

- (c) As regards the time for the completion of maintenance works of target buildings, the BD will generally encourage the owners of target buildings with OCs established to complete the works within 18 months, and those without OCs within 30 months. The BD, together with the HKHS, will render assistance to the owners and exercise discretion in determining the time limit in special cases.
- (d) With respect to the CMBS, the numbers of applications received and approved under the various schemes offered by the Government and other organizations over the past three years and the total amounts granted are as follows:

	<i>No. of approved applications from 2005 to 2007</i>	<i>Total amounts granted from 2005 to 2007</i>	<i>No. of units for which charges were registered in the Land Registry against the interests of owners who failed to repay loans</i>
BD's "Comprehensive Building Safety Improvement Loan Scheme"	859	\$24,950,000	1
"Building Maintenance Incentive Scheme" under HKHS's "Building Management and Maintenance Scheme"	112*	\$16,400,000	0
Urban Renewal Authority's "Building Rehabilitation Materials Incentive Scheme" **	34*	\$4,200,000	0

\* Based on the number of buildings.

\*\* Figures are statistics for the financial years from 2005-2006 to 2007-2008.

Regarding the Building Maintenance Grant Scheme for Elderly Owners, since the Scheme is aimed at assisting individual elderly owners, including those eligible ones who have received loans before the launch of the Scheme and are currently making repayments, we do not have a breakdown differentiating the applications regarding the CMBS. From May 2008 when the Scheme was introduced to end November 2008, a total of 2 871 applications have been received and the total amount granted and to be granted is \$25.4 million. Since the Scheme is to provide eligible elderly with grants without the need for repayment, there are no cases requiring registration of charge.

### **Student Hostel Places at UGC-funded Institutions**

20. **MR CHEUNG MAN-KWONG** (in Chinese): *President, regarding the supply and demand situation of student hostel places of various institutions funded by the University Grants Committee (UGC), will the Government inform this Council:*

- (a) of the number and locations of government quarters and premises in various districts throughout the territory which are vacant;*
- (b) whether it knows the supply and demand situation of publicly-funded student hostels places of each UGC-funded institution in each of the next five academic years;*
- (c) whether it had allocated any vacant government quarters or premises to the UGC-funded institutions for the purposes of constructing student hostels in the past five years; if it had, of the details; if not, the reasons for that; and*
- (d) given the current shortage of publicly-funded student hostel places, coupled with the future additional demand for student hostel places arising from the implementation of the four-year undergraduate curriculum, whether the Government will consider allocating the relevant government quarters or premises mentioned in part (a) to the UGC-funded institutions for student hostel purposes; if it will, of the relevant details and criteria; if not, the reasons for that?*



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

- (a) A list of currently vacant government quarters under the Government Property Agency (GPA)'s purview is at Annex.
- (b) In view of the educational value of hostel life, the then Executive Council approved in 1996 a set of criteria for calculating the level of publicly-funded student hostel provisions at the UGC-funded institutions. Such calculation is made on the basis that all undergraduate students will be given an opportunity to stay in student hostels for at least one year of their courses. Furthermore, all non-local students undertaking UGC-funded programmes, all research postgraduate students, as well as all undergraduate students whose daily travelling time exceeds four hours, would be provided with student hostel places.

The UGC-funded sector should be provided with about 30 500 publicly-funded hostel places by the 2007-2008 academic year. There are currently about 24 700 publicly-funded student hostel places available or under construction. Furthermore, the UGC-funded institutions are actively planning for construction of four new hostels projects. These projects will additionally provide about 3 400 publicly-funded hostel places for the UGC-funded sector. The provision of hostel places for individual institutions is as follows:

<i>Institution</i>	<i>Publicly-funded hostel places available or under construction/ active planning</i>	<i>Publicly-funded hostel places required</i>	<i>Shortfall</i>
City University of Hong Kong	3 512	4 740	-1 228
Hong Kong Baptist University	1 711	2 300	-589
Lingnan University	1 300	1 070	230
The Chinese University of Hong Kong	5 505	5 926	-421
The Hong Kong Institute of Education	2 000	2 000	0
The Hong Kong Polytechnic University	4 654	5 077	-423
The Hong Kong University of Science and Technology	3 706	3 738	-32
University of Hong Kong	5 685	5 690	-5
Total	28 073	30 541	-2 468

We estimate that an additional 2 100 hostel places will be needed to cater for the knock on implications of the additional year of undergraduate studies starting from the 2012-2013 academic year. Moreover, as a result of the increased quota to 20% for non-local students in publicly-funded programmes, if the non-local admission quota is fully utilized in the future, the UGC-funded sector would require around another 6 500 hostel places.

(c) and (d)

In addressing the student hostel shortfall, institutions are encouraged, wherever possible, to identify suitable sites within campus for hostel development, or redevelop existing campus buildings/facilities into hostels so as to maximize the development and utilization of their campus sites. Furthermore, the Government has been encouraging the UGC-funded institutions to explore all possible options, both interim and long-term, to meet the increasing demand for student hostels. Should UGC-funded institutions wish to develop student hostels outside campus, we will identify suitable sites with regard to certain criteria, such as whether the site is connected by public transportation for easy access by the students to campuses. As for currently vacant government quarters, there is already planned use for most of them, while others are considered not suitable for student hostel development.

An alternative to alleviating hostel shortfall is the construction of "joint hostels". We have explored with the UGC-funded institutions the feasibility of joint hostels, and have identified two potential sites. Together with the UGC, we are liaising with the institutions on the details of the proposals. We will consult the relevant district bodies and seek funding approval of the Finance Committee in due course.

## Annex

Vacant Government Quarters Under GPA's Purview<sup>(1)</sup>

	<i>Property name and address</i>	<i>Current position</i>	<i>No. of vacant units<sup>(2)</sup></i>	<i>Remarks</i>
1	Ex-Kennedy Town Police Married Quarters Block B 14 Ka Wai Man Road, Kennedy Town	Vacant	191 (191)	The MTR Corporation Limited (MTRCL) will demolish Blocks A and C and occupy the sites as works sites for the construction of the West Island Line. There will not be any proper vehicular access to Block B after the taking over of Blocks A and C by the MTRCL. Government is exploring alternative use option of the property.
2	Ex-Lai Chi Kok Incineration Plant Quarters 3 Yuet Lun Street, Lai Chi Kok	Vacant	54 (54)	There is a plan to redevelop the site for use by disciplined services departments as quarters.
3	Tsz Wan Shan Staff Quarters 57 Sheung Fun Street, Tsz Wan Shan	Vacant	38 (38)	Government is assessing the feasibility of refurbishing the property for use by disciplined services departments as quarters.
4	Kwun Tong Staff Quarters 4 Tseung Kwan O Road, Kwun Tong	Largely vacant	88 (90)	Government is assessing the feasibility of refurbishing the property for use by disciplined services departments as quarters.
5	Lok Fu Staff Quarters 20 Heng Lam Street, Lok Fu	Partly vacant	32 (43)	The concerned bureau and departments have planned to renovate the vacant units for use by disciplined services departments as quarters.
6	Tin Wan Staff Quarters 64 Tin Wan Street, Aberdeen	Largely vacant	14 (15)	Government is assessing the feasibility of refurbishing the property for use by disciplined services departments as quarters.
7	Ex-Tsuen Wan Filter Station No. 9 Bungalow Shing Mun Road, Tsuen Wan	Vacant	1 (1)	Government is exploring the possibility of leasing out the property to non-profit-making non-governmental organization.
8	Lower Shing Mun Bungalow Shing Mun Road, Tsuen Wan	Vacant	1 (1)	Government is exploring the possibility of leasing out the property to non-profit-making non-governmental organization.
9 <sup>(3)</sup>	Wan Chai Police Married Quarters 182 Jaffe Road, Wan Chai	Partly vacant	14 (40)	Located within the Wan Chai Police Station compound.
10 <sup>(3)</sup>	Western Police Married Quarters-Rank and File 280 Des Voeux Road West	Vacant	104 (104)	Located within the Western Police Station compound.

## Notes:

- (1) Apart from the quarters buildings listed in the above Table, there are about 90 individual vacant quarters under the purview of the GPA located in buildings in different districts (for example, Beverly Hill and Elm Tree Towers). These units are not required for use as government quarters. The Agency is leasing out these flats in the market and planning their disposal by sale in future.
- (2) Number in bracket denotes the total number of units in the building.
- (3) Quarters under the management of Hong Kong Police Force. The GPA has assisted in the reprovisioning of the departmental quarters on the site.

**MOTIONS**

**PRESIDENT** (in Cantonese): Motion. Proposed resolution under the Pharmacy and Poisons Ordinance to approve the Pharmacy and Poisons (Amendment) (No. 5) Regulation 2008 and the Poisons List (Amendment) (No. 5) Regulation 2008.

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

**PROPOSED RESOLUTION UNDER THE PHARMACY AND POISONS ORDINANCE**

**SECRETARY FOR FOOD AND HEALTH** (in Cantonese): President, I move that the motion under my name, as printed on the Agenda, be passed.

Currently, we regulate the sale and supply of pharmaceutical products through a registration and monitoring system set up in accordance with the Pharmacy and Poisons Ordinance (the Ordinance). The Ordinance maintains a Poisons List under the Poisons List Regulations and several Schedules under the Pharmacy and Poisons Regulations. Pharmaceutical products put on different parts of the Poisons List and different Schedules are subject to different levels of control in regard to the conditions of sale and keeping of records.

For the protection of public health, some pharmaceutical products can only be sold in pharmacies under the supervision of registered pharmacists and in their presence. For certain pharmaceutical products, proper records of the particulars of the sale must be kept, including the date of sale, the name and address of the purchaser, the name and quantity of the medicine and the purpose for which it is required. The sale of some pharmaceutical products must be authorized by prescription from a registered medical practitioner, dentist or veterinary surgeon.

Arising from an application for the registration of three pharmaceutical products, the Pharmacy and Poisons Board (the Board) proposes to add the following three substances to Part I of the Poisons List and the First and the Third Schedules to the Pharmacy and Poisons Regulations. They are "Dabigatran etexilate; its salts", "Laropiprant; its salts" and "Vildagliptin; its salts".

Pharmaceutical products containing these three substances must then be sold in pharmacies under the supervision of registered pharmacists and in their presence, with the support of prescriptions.

We propose that these amendment regulations take immediate effect upon gazettal on 19 December 2008 to allow early control and sale of the relevant medicines.

The two amendment regulations are made by the Board, which is a statutory authority established under the Ordinance to regulate pharmaceutical products. The Board comprises members engaged in the pharmacy, medical and academic professions. The Board considers the proposed amendments necessary in view of the potency, toxicity and potential side effects of the medicines concerned.

With these remarks, President, I move the motion.

**The Secretary for Food and Health moved the following motion:**

"RESOLVED that the following Regulations, made by the Pharmacy and Poisons Board on 25 November 2008, be approved –

- (a) the Pharmacy and Poisons (Amendment) (No. 5) Regulation 2008; and
- (b) the Poisons List (Amendment) (No. 5) Regulation 2008."

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

### **MEMBERS' MOTIONS**

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

First motion: Alleviating the burden of travelling expenses. Members who wish to speak in the debate on the motion will please press the "Request to speak" button.

I will call upon Mr CHEUNG Hok-ming to speak and move his motion.

### **ALLEVIATING THE BURDEN OF TRAVELLING EXPENSES**

**MR CHEUNG HOK-MING** (in Cantonese): President, last week, on the ground of the acute influence of oil prices, wages and tunnel fees on their profits, the four main bus companies announced the non-extension of the same day return fare discount and the \$2 concessionary elderly fare on Sundays and public holidays which have been put in place for three years.

The Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) is of the view that the explanation offered by the bus companies was absolutely misleading to the public.

President, though the bus companies announced the continuation of the fare concession for the elderly for one year just when we moved this motion debate, they are still inclined to cancel the same day return fare discount. The DAB feels very sorry about it and this is exactly a case of "quoting unreasonable prices with an intention to drive a hard bargain". I cannot but point out that, with regard to the oil prices they have referred to, the prices in the current global fuel market have dropped substantially. For example, the retail motor vehicle diesel price excluding tax in Hong Kong has been adjusted downwards from \$11 per litre in July this year to less than \$9 per litre in November. However, we believe that this still may not be able to truly reflect the fuel expenses of the bus companies as they would make bulk purchase of fuels in large amount. It is also known that they are given considerable discounts and they receive fuel duty reduction from the Government. Therefore, the fuel costs of the bus companies should be lower than the \$9 level. Given that bus fares are now subject to a mechanism of upward or downward adjustment, the DAB is of the view that the bus companies should increase transparency and should not put the burden of fare increases on people by flatly making a statement that they are under the pressure of oil prices.

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

As to the pressure of wages referred to by the bus companies, according to information from the Census and Statistics Department, the real payroll indices of the transport, storage and communication trades have also gradually decreased. The figure has dropped from 117.5 recorded in the fourth quarter last year to 100.1 in the second quarter this year. It could therefore be seen that wages would not create too huge a pressure on the operating costs of the bus companies.

Regarding tunnel fees, currently, the bus fares for tunnel routes are already higher than those of non-tunnel routes, and the costs of tunnel passage have already been reflected in the relevant fares. Though we understand that the current toll charges of some tunnels are indeed highly unreasonable, and the DAB has, in the motion debate last month, proposed a motion on the concern about tunnel tolls, which was passed by the Legislative Council. This serves to show the communities' concern about the issue and that various parties have actively exerted pressure on the bus companies. But I very much hope you will think

these over: do the current buses of tunnel routes account for a majority of the companies' bus fleets? Do tunnel tolls constitute the main reason why the above concessions cannot be extended?

The cancellation of fare concessions is tantamount to a price increase in disguise. During the present economic recession in Hong Kong, what the bus companies have done showed a total disregard for their enterprise social responsibilities. Furthermore, as these concessions are enjoyed mostly by passengers who are the grassroots and the elderly living in remote districts, the reduction in fare concessions is much the same as directly asking for advantage from the disadvantaged in our society.

The DAB has received a number of complaints from people right after this stating their strong dissatisfaction with the decision of the bus companies. We conducted a questionnaire survey last week and it was found that 76% of the respondents disagree with the decision of the bus companies. Also, nearly 80% of the respondents requested the bus companies to fulfil their enterprise social responsibilities through the continuous offer of concessions. This again reflects that people are very dissatisfied with the decision of the bus companies.

Deputy President, the DAB is of the view that the bus companies should respond to people's appeals and fulfil their social responsibilities, withdraw the two announcements mentioned above and reinstate the same day return fare discount and holiday fare concessions for the elderly. This will enable 290 000 elderly to stop hiding away and continue visiting their relatives and friends when the concessions are offered, and will help the grassroots continue enjoying the same day return fare concessions, thereby alleviating their living burden under the financial tsunami. Deputy President, we welcome the withdrawal today of the earlier decision made by the bus companies and the extension of the concession for the elderly for one year. However, as for the return fare discount benefiting the grassroots who travel to work on a daily basis, I reckon that the Government has not made enough effort. In so doing, the bus companies are acting no different from bargaining, and they would not feel sorry until they see their doomsdays.

Deputy President, for many years, the problem of high travelling expenses could not be solved. Though we have lately been affected in every way by the global financial tsunami, and quite a number of shops are cutting prices to promote sales while rents for flats have been reduced, travelling expenses seem to be going against the general trend. Information from the Census and Statistics



Department showed that the Composite Consumer Price Index for October, as compared with last year, indicated that the prices of clothing, footwear and housing dropped by 0.6% and 0.8% respectively; but a 3% increase in the prices of transport was recorded.

Travelling expenses in Hong Kong have been at high levels all along, and the people can only save as much as they can. As reported, quite a number of people, especially the residents on Hong Kong Island, have switched to use the cheapest mode of transport, that is, trams, for the sake of saving travelling expenses. According to the tram company, the passenger number has increased from a daily average of 220 000 in the first nine months of this year to 232 000 in October.

Deputy President, when people have to "tighten their belts", should the Government shoulder the responsibility of relieving people's hardship? The Government's response to the bus companies' reduction of fare concessions last week that "the bus companies have upheld the spirit of business freedom, while concessions are the commercial decisions of individual operators" was, to me, not what a responsible government should have done.

Although the public transport operators in Hong Kong are not wholly owned by the Government, this is not a "Sword of Imperial Sanction" that the Government possesses, such that whenever the transport operators propose fare increases, the Government can play out the good reason that the Government cannot impact on the transport operators who are operating on commercial principles, as a result of which the Government can act indifferently to the continual exploitation of the people by these private operators. I would also like to remind the Government of the Special Administrative Region (SAR) that it should not forget these bus companies are enjoying subsidies from our society including diesel duty reduction, guaranteed return on fixed assets, and so on.

As a matter of fact, the Government can definitely exercise its due powers in respect of the transport operators. For example, the fare increases of the bus companies have to be scrutinized by the Chief Executive and the Executive Council before endorsement; and when granting franchises, appropriate clauses could be added. As for the MTR Corporation Limited (MTRCL), the SAR Government is its largest shareholder. The fare adjustments of minibuses and taxis must also be approved by the Transport Department. The crux of the matter is whether the Government is willing to assist or prefers to be indifferent.

The DAB is of the view that travelling expenses forms an important part of people's living expenses, playing the same role as the expenditures on clothing, food and accommodation, it is closely tied up with people's livelihood. A responsible government should try its best to help people solve basic livelihood problems.

Certainly, the most direct and effective measure is directly providing monetary assistance to people. Though the Government has currently launched the "Transport Support Scheme", it is only restricted to those residents living in the four districts of Yuen Long, Tuen Mun, the North and the Islands. I think that the Administration should further extend the scheme to the 18 districts in the territory to enable low-income residents in other districts to enjoy the same benefits.

In addition, the Administration might as well consider the DAB's earlier proposal to the Financial Secretary about direct subsidies, providing fare revenue subsidies to the MTRCL, the bus companies and ferry companies on Saturdays and Sundays. Not only would this proposal reduce people's travelling expenses when they enjoy family gatherings on weekends, it could also encourage them to go out and spend on holidays.

As for the disadvantaged, the Government is even duty-bound to provide them with practical assistance. The Administration can make reference to the practices of regions overseas (such as England and Wales), whereby the governments there can compel the operators concerned to provide half-fare concessions at the least, with the relevant losses borne by the governments.

Deputy President, apart from the Government's direct funding to subsidize the travelling expenses of the public, the Administration could also adopt an indirect method by asking the transport operators to adjust their fares or provide more fare concessions.

Taking for example the MTRCL of which the Government is the largest shareholder, just with an order from the Chief Executive in the middle of last year, the students enjoy fare concessions on all the MTR lines, which rectified the unfair situation of "one railway, two systems" since the merger. Hence, considering the severity of our present economic situation, the Government should make another strike and compel the MTRCL to extend its pledge of no fare increase before June next year, to maintain the existing fare levels and urge the MTRCL to further increase the scope of its current fare concessions,

including the launching of monthly tickets for the urban lines so that the residents living in the urban areas can enjoy monthly ticket concessions, expanding the current interchange concession and even re-launching the previous well received "Ride 10 Get One Free" Scheme to benefit more than 3 million passengers who take MTR each day. I believe that if the MTRCL is willing to take the lead in launching more concessionary measures, other transport operators would definitely feel the pressure and follow suit.

As for bus fares, the DAB has all along requested that bus fares be adjusted to a reasonable level. In 2002, we made an analysis on the fare structure of buses and found that there were quite a lot of problems with the current scale of fares, including excessively high fares for cross harbour routes and feeder routes, and a large difference existing between the fares of air-conditioned and non air-conditioned routes. That being the case, we have made two proposals for reviewing and amending the current fare mechanism which included the guidelines on the setting of fares for air-conditioned buses, cross harbour routes and short-haul routes, re-determining a fare structure and standard that is reasonable and complies with the needs of the community. In addition, the bus companies should introduce more sectional fares and determine fares on the basis of the actual distance.

Finally, the Administration should be more concerned about the high fares of the outlying island ferry services, consider an appropriate proposal, and proactively inject resources to alleviate the expenses on ferry fares of the outlying island residents.

Deputy President, the Chief Executive, Mr Donald TSANG proposed last week, the "four retaining" strategies for saving the market, namely "protecting lives", "preserving capital", "retaining jobs" and "keeping confidence". However, the SAR Government has even failed to "maintain" the concessions of the bus companies, how could it convince people to "keep their confidence"? As the common saying goes, "Nothing would stand in the way of those who desire", if the SAR Government would be worried about people's worries, is willing to do away with all the unnecessary formalities of the transport operators and give serious consideration to the direct and indirect measures for alleviating the burden of travelling expenses on the public proposed above by the DAB, it would truly be able to ride over difficulties jointly with people.

With these remarks, I beg to move. Thank you, Deputy President.

**Mr CHEUNG Hok-ming moved the following motion: (Translation)**

"That, as the people of Hong Kong has long been bearing a heavy burden of travelling expenses and a large number of middle-class and grassroots face further difficulties in life amid continuous layoffs and pay cuts by enterprises under the impact of the financial tsunami, this Council urges the Government to adopt effective measures to alleviate the burden of travelling expenses on the public, including:

- (a) providing subsidies to the MTR Corporation Limited, bus companies and ferry operators so that they will offer half-fare concessions to passengers on Saturdays, Sundays and public holidays, thereby enabling the public to have more opportunities to get together with their families and friends on those days;
- (b) further relaxing the eligibility criteria and subsidy period under the Transport Support Scheme, and expanding the Scheme to cover all districts in the territory;
- (c) discussing with various public transport operators to offer the Free-ride Day for the elderly on Sundays and public holidays on a permanent basis, formulate an implementation timetable for the provision of half-fare concessions to people with disabilities, and study the feasibility of introducing daily, weekly and monthly travel passes that are valid among various public transport operators;
- (d) focusing on the problem of high fares of outlying island ferry services, studying suitable options and allocating resources to alleviate the burden of ferry service expenses on outlying island residents, and offering half-fare concessions on ferry services to students of outlying islands;
- (e) discussing with the MTR Corporation Limited to extend its two-year fare-freeze period, re-launch the "Ride 10 Get One Free" Promotion, set up more MTR Fare Savers and explore further extension of the existing monthly ticket schemes; and
- (f) discussing with the franchised bus companies ways to improve their existing fare structures, expeditiously revise the scale of fares under the Public Bus Services Ordinance as well as the route groupings

under the scale, reformulate the existing guidelines on the setting of fares to provide comprehensive sectional fares and bus-bus interchange concessions, including discounts for interchange among buses of different companies, provide half-fare concessions to all full-time students, as well as introduce daily and monthly ticket schemes for buses."

**DEPUTY PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr CHEUNG Hok-ming be passed.

**DEPUTY PRESIDENT** (in Cantonese): Mr WONG Kwok-hing and Mr Andrew CHENG will move amendments to this motion. Mr WONG Sing-chi will also move an amendment to Mr WONG Kwok-hing's amendment. This Council will now proceed to a joint debate on the motion and the amendments.

**DEPUTY PRESIDENT** (in Cantonese): I will call upon Mr WONG Kwok-hing to speak first, to be followed by Mr Andrew CHENG and Mr WONG Sing-chi, but no amendments are to be moved at this stage.

**MR WONG KWOK-HING** (in Cantonese): Deputy President, the Secretary and the Under Secretary would rarely attend a motion debate together like what they do today. This shows that the Government attaches very great importance to this motion topic. My amendment aims to supplement the inadequacy of the original motion. Regarding the amendments put forward by other Members, I will also render my support. I hope that after listening to our debate today, the Secretary and the Under Secretary can give us some kind of a concrete reply.

Deputy President, clothing, food, accommodation and travelling are basic necessities for our livelihood. This is especially true in Hong Kong, where travelling expenses actually account for a major part of our monthly financial burden. The financial burden of the grassroots and employees, in particular, has become increasingly heavy due to exorbitant transportation expenses. Therefore, I maintain that if the Government wants to prove that it is a responsible government, it must promptly address people's pressing needs and seek to alleviate their burden of travelling expenses.

I am of the view that the Government must not evade this responsibility. If it can do a good job in this regard, its popularity rating will surely rise, if it cannot, thus allowing franchised transport operators to erode people's hard-earned money, its authority will surely wane.

I have put forward several proposals in my amendment to supplement the original motion. First, I propose to include green minibuses in the first proposal of the original motion. Currently, there are many green minibus routes in Hong Kong, and they play the role of providing feeder services to major means of public transport. Green minibus fares also account for a substantial portion of people's daily travelling expenses. For this reason, I hope that while providing subsidies to other means of public transport, the Government will not forget green minibuses. I hope that with government subsidies, green minibus operators can lower their fares or offer concessions to passengers to alleviate their plight.

Regarding ferry services, I must say that this is actually a perennial problem remaining unsolved. High fares are the main problem with ferry services. The Government has all along clung to its old mindset, refusing to intervene, leaving ferry operators to their own devices and completely ignoring the plight of outlying island residents. I think such a mentality is most regrettable. At present, outlying island ferry services are marked by high fares and reduced frequencies, so it is necessary for the Government to offer some sort of assistance.

I think the original motion should also include a proposal on providing ferry operators with huge government subsidies, so that they can substantially increase their non-fare box revenue. This measure is very important because it can help ferry operators reduce their overhead costs, hence making it possible for them to reduce fares. This is a very important point. If the Government does not seek to substantially increase ferry operators' non-fare box revenue — I mean, if it is reluctant to do so — it will have failed to discharge its duty. The Government may argue that even if tenders are invited, it will still be difficult to attract other ferry operators. If there are really no alternatives, it will be better for the Government to directly operate the services concerned and then put them on hire. This is also a possible solution. But, all in all, I do not think that the Government has made enough efforts to address the problems with ferry services.

Moreover, my amendment also mentions MTR Fare Savers. People only need to tap their Octopus cards on these machines and they can enjoy same-day fare concessions. But the provision of MTR Fare Savers is unable to meet

residents' demands, and the standards adopted are not consistent. I hope that the Government can monitor the MTR Corporation Limited (MTRCL) in the provision of MTR Fare Savers, rather than allowing it to be completely on its own. It must be mentioned that the Government is the largest shareholder of the MTRCL. If the Government has indeed overlooked this matter in the past, I hope that it can take follow-up actions after listening to our motion debate today.

The most important proposal in my amendment is that the Government should study in a proactive manner the utilization of the Octopus card which is widely used by the public, in order to provide all people with concessions on monthly tickets that are valid for use on all types of public transport, including railways, buses, green minibuses and ferries. Using the Octopus card to offer fare concessions on monthly tickets can provide convenience to the public without adding to public transport operators' administrative costs. And, this is also a very concise and convenient measure. I hope that the Government can give active consideration to this proposal.

If the Government can provide all people, via the Octopus card, with concessions on monthly tickets that are valid for use on all types of public transport, it will be able to genuinely address people's pressing problems and help us solve the "travelling" problem among the four daily necessities of clothing, food, accommodation and travelling. This will be a major benevolent policy.

Deputy President, in my speech today, I must condemn the several bus operators for abolishing the fare concessions for the elderly and the same-day return fare concessions for long-haul passengers living in the new towns of the New Territories. I think the abolition shows an absolute disregard for corporate social responsibility. And, I must also say that the Government is very permissive towards these bus operators. I think it is duty-bound of the Government to require the bus operators to change this unreasonable measure. Although the bus operators have made some minor adjustments to the fare concessions for the elderly, I must point out that still their responses are most "piecemeal" and mere bargaining tactics. I am of the view that the ultimate solution should be for the Government to play a monitoring role.

Why should we condemn the bus operators for their incognito fare rises? It is because I do not think that it is reasonable for the bus operators to claim that they cannot make any profits, or sufficient profits. The Kowloon Motor Bus Company (1933) Limited (KMB), for example, once argued that since it recorded a loss of \$160 million in the previous year, it must abolish the fare concessions

concerned. But this argument is not accepted by the public. Computations based on accounting principles shows that in the first half of the year, the KMB only recorded an actual revenue loss of \$50 million. On the other hand, during the same period, its mother company, that is, the Transport International Holdings Limited, still recorded a profit of \$450 million, and it even issued a dividend of \$0.3 per share. Therefore, the KMB was merely overshooting the truth when it claimed that it did not have the means. Another point is that oil prices have dropped drastically, down by 60% when compared with peak prices. And, in June this year, bus companies already increased their fares. Since oil prices have dropped and fares are now higher than before, the situation presented is a reduction on the one side meets an increase on the other, so I opine that all bus operators should maintain the fare concessions they have been providing. They should not make up any excuses for abolishing the concessions.

I think the behaviour of the bus companies have not only added to the burden on residents in remote new towns (especially employees) but have also eaten into the cross-district transport allowances provided by the Government. The original intent of the transport allowances is to relieve the burden of travelling expenses on residents living in remote areas. But since the bus operators have abolished the fare concession for same-day return journeys, the effect of the government allowances in other words, has simply been offset. This is very unfair to the wage earners.

In this connection, I note that when Secretary Eva CHENG commented on this issue a couple of days ago, she reasoned that since the abolition of the fare concessions was a commercial decision made by the bus operators, the Government did not have any right to step in. I am quite disappointed with the Government's response. Bus franchises are in fact the public resources of society. Since the Government has made use of these public resources and awarded franchises to the operators concerned, they should discharge their corporate social responsibility. For this reason, the Government should put them under monitoring.

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

**MR ANDREW CHENG** (in Cantonese): Deputy President, as Members all know, the several bus operators have already extended the holiday fare



concessions for the elderly for one year due to pressure from all sides. Two Members have talked about this in great detail, and I believe that no one will object to the one-year extension. According to them, we should even welcome the extension. But speaking of "welcome", I think some sort of qualification is really needed — we all hope at the same time that the elderly can be offered fare concessions on a permanent basis. We even hope that they can travel on buses free of charge on a permanent basis. In many advanced and developed societies, even in the Mainland, the elderly are already provided with such welfare benefit. I do not know why in a society as affluent as ours, the bus operators are still so miserly.

Deputy President, it seems that such disregard for elderly welfare is a contagious disease. Bus operators may think that they are operating a commercial business. They see that despite all the Government's fiscal surplus, the health care vouchers issued to each elderly person are worth as little as \$250 a year only. They see that the Government is so indifferent to the request for increasing the "fruit grant", that it has agreed to offer a very slight increase only due to mounting pressure, and that it had even wanted to introduce a means test. Seeing all this, the bus operators simply think that since the Government has also behaved in this way and they are just commercial operators out for profit ..... And, as mentioned by Members, the Secretary has repeatedly ..... I am not talking about the Secretary only, Deputy President. I believe that it is actually the position of the Government ..... We have always wanted to discuss the matter calmly. In regard to the public transport policy, whenever the Government touches upon the issue of fares, it will immediately turn very restrained. They will often reel off the litany of "encouraging bus operators to offer more fare concessions."

Deputy President, the reason for formulating the "two-way fare adjustment mechanism" is precisely to avoid such disputes. We simply do not want to see people arguing bitterly with one another, opposing all fare increases and dismissing all fare reductions as insufficient. We do not want to see any such scenes and disputes because it would result a waste a lot of energy for everybody. But then, after the introduction of the "two-way fare adjustment mechanism", we have come under the attack of the financial tsunami. This is something that nobody wants to see. Several years ago, when the bus operator was awarded a franchise (because it was time to hold negotiations on its franchise), we requested it to offer more fare reductions, but it simply responded by offering some minor concessions (that is, same-day return concessions and holiday fare concessions

for the elderly) as a stop-gap measure. And, last week, it even issued a notice in a very low profile, announcing that the duration of the fare concessions will not be extended upon their expiry in February next year. As mentioned by some Members, this is nothing but a "bargaining tactic". It is going to make a counter-offer, and it has in fact already done so. I hope the Secretary can realize that we all want the Government to take the lead and not to be so mean in the provision of elderly welfare benefits. I of course understand that in many cases, matters are outside the Secretary's portfolio.

So, if the entire Government can be more humble and generous towards the elderly, I believe that the bus operators will not make any rash moves. I even hope that they can offer permanent fare-waiver to all elderly persons. Of course, there is no chance of negotiating the same-day return concession — I mean, for the time being. But I hope that this motion debate can somehow touch a chord in the bus operators. I also hope that the Secretary ..... We have been advocating this for a very long time. If we were the Secretary ..... frankly speaking, if the Secretary continues to encourage the bus operators to offer more fare concessions, I hope she can say one more thing to them — that is, in case of need, we may ask them to offer elderly fare-waiver, return fare concessions and even section fares (as proposed by some Members today) in the future interim review. This is the trump card of the Government.

If the Government repeatedly adds in all these qualifiers when speaking to the public on the matter, I believe that the bus operators will be clever enough to know what to do. John CHAN, in particular, will certainly take some actions after receiving the message, as he is a former senior government official. I hope the bus operator can understand, and I believe the Secretary can also understand, that since the franchise is of 10 years duration, we cannot possibly allow it to abolish the fare concessions solely because it experiences some business difficulties over a short period of one or two years. Since we have already put in place the "two-way fare adjustment mechanism", we hope that the bus operator can adopt a longer-term perspective. After all, it is a franchised enterprise, not just an ordinary enterprise.

Developing my argument further, President, I must say that the MTR Corporation's abolition of the holiday fare concessions for the elderly is even more excessively mean. I think the Secretary must offer us an explanation. Earlier on, when the Secretary gave her responses in public, she explained that this was a commercial decision made by the railway corporation. She also said

that the MTR Corporation Limited (MTRCL) would take account of its business situation and continue to offer similar concessions, with a view to reducing people's public transport expenses. Deputy President, such remarks will never exert any pressure on the MTRCL. The Government is the largest shareholder of the MTRCL. I must reiterate that if the bus operators have now made a slight change and agreed to offer holiday fare concessions to the elderly for one year, the Government, as the largest shareholder of the MTRCL, should immediately request the railway corporation to resume its holiday fare concessions for the elderly or even provide them with fare-waiver.

Deputy President, I think it will take us quite some time to see whether the "two-way fare adjustment mechanism" can really achieve the desired effects. But in any case, I hope the Secretary can realize that enterprises are quick to closely pick up the line taken by the Government in its reply these days. They emphasize commercial decisions very much. In other words, "money" is considered the most important thing. When it comes to this, we in the legislature cannot possibly say too much anyway. But we all feel very helpless because when public interest is given less weighting, when such political debates on public fees and charges occur so very frequently, we are bound to waste a huge amount of time.

Deputy President, the proposal found in my amendment today is actually the topic I mentioned time and again during the railway merger. I am talking about the establishment of a fare stabilization fund. When I moved my amendment at that time, I was not allowed to mention fares, so I referred to a railway development fund at that time. Actually, I have always hoped that a fare stabilization fund can be established. For this reason, I continue to raise this issue clearly in my amendment today. We estimate that the MTRCL will enjoy a 50-year franchise. Assuming that the property development business of the railway corporation can be very stable within this 50-year period (which will obviously be the case), and that such business could generate an annual net profit of \$5 billion, then it will be able to allocate roughly \$100 million to \$200 million to the fund every year. This means that the accumulated capital of the fund may well reach \$5 billion to \$8 billion in this 50-year period. When the economy is in bad shape, the fund can serve as a basis for fare stabilization.

Surely, some Members will think that this idea is against the principles of commercial operation. But I have always wanted Members to realize one point.

If a public transport operator with a daily patronage of several million passenger trips has turned increasingly like a property developer in people's mind, why do we not just capitalize on its edge and establish a fund (which costs very little a year), so that the public in general can enjoy lower fares? This is exactly the rationale behind the establishment of the fund. What is more, we also pointed out at that time that with the fund, it would not be necessary to "beg" the MTRCL to lower its fares every time. We have pointed out at that time that we could simply refer to the railway corporation's huge profits from superstructure development to back up our request. Honestly speaking, the capital to be allocated to the fund is really too minimal when compared with the huge profits earned by the MTRCL. I hope that both the MTRCL and the Government will consider this proposal carefully.

Lastly, in the remaining half a minute, I wish to say a few words about fare concessions on monthly tickets. Up to this moment, the MTRCL has not yet said whether it will continue to provide the existing concessions on monthly tickets. We have been discussing monthly tickets and section bus fares for many years. All these were the concessions we used to enjoy in the past few decades. Why were they lost altogether now? The only reason is that our enterprises have become more and more reluctant to discharge their corporate social responsibility. This is the responsibility of the Secretary. Let us see how she is going to handle the matter (*The buzzer sounded*) .....

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

**MR ANDREW CHENG** (in Cantonese): Thank you, Deputy President.

**MR WONG SING-CHI** (in Cantonese): Deputy President, last week, the Kowloon Motor Bus Company (1933) Limited (KMB), the Long Win Bus Company Limited (Long Win), the Citybus Limited (CTB) and the New World First Bus Services Limited (NWFB) announced that with effect from January next year, they will abolish the elderly holiday fare of \$2 per trip and same-day return fare discounts, which have been in place in the past three years. It is estimated that the abolition of these fare concessions will affect 300 000 passenger trips made by the elderly. And, the abolition of same-day return fare discounts will add to the transportation expenses of residents in remote districts.

Faced with immense pressure as such, the bus companies announced just a very short time ago that they will retain the elderly holiday fare of \$2 per trip for one year until January 2010. Yesterday, a group of elderly persons and I held a hunger strike outside the KMB, and when the elderly persons heard the news, they were naturally delighted. The Democratic Party welcomes the decision of the bus companies. But they must still be condemned, for they have not turned elderly holiday fare concessions into a permanent measure and withdrawn the cancellation of same-day return fare discounts. If the bus companies can listen to our advice and immediately announce the withdrawal of the abolition of same-day return fare discounts, I will call upon all Members not to support my amendment today. However, up to this moment, the bus companies have still adhered to the abolition of same-day return fare discounts. For this reason, we must still condemn bus companies.

The Democratic Party maintains that the bus companies' decisions are a manifestation of their lacking in corporate social responsibility. This comment is especially true when we observe that the bus companies have already increased their fares successively since the middle of this year, and that oil prices have actually dropped by more than 60% when compared with their peak levels in recent periods. I expect that the operating costs of the bus companies will decline in the period to come, thus bringing improvements to their business conditions. Since the bus companies have failed to produce any sound justifications for cancelling the abovementioned fare concessions, I have added the word "condemnation" in my amendment. I hope that Members can continue to condemn the bus companies and request them to withdraw all their decisions of abolishing the fare concessions concerned.

As we all know, residents in Tuen Mun, Yuen Long, Tin Shui Wai and the North District have to pay the highest travelling expenses in Hong Kong, but most of them are not wealthy. A resident in these districts who must travel by bus to Hong Kong Island for work have to pay almost \$40 everyday in travelling fares. In the case of Route 307 (plying between Tai Po Centre and Hong Kong-Macao Ferry Terminal in Central), for example, the abolition of same-day return fare discounts means that the total fare amount will rise from \$38.2 to \$42.4. This will mean an additional travelling expenditure of nearly \$100 a month. Security guards or cleansing workers may earn a daily wage of some \$200 only even after working for more than 10 hours a day, but travelling expenses already accounted for 20% of their daily incomes. Another point is that fare increases will further deprive them of the opportunity to work in the

urban areas. Their wages are basically not very high. Therefore, with repeated increases in fares, how can they afford to work in the urban areas?

Many elderly persons want to go beyond their residential districts for various social activities during holidays, when they can enjoy fare concessions. The cancellation of elderly holiday fare concessions will cause elderly persons to go out less frequently for social functions (such as visiting relatives, participating in group activities and rendering voluntary services), thus adversely affecting their social integration. For reasons of high travelling expenses, elderly persons in these districts rarely go to the urban areas during non-holiday periods. The measure taken by the bus companies will further reduce their desire to go out and thus adversely affect their social life. I know that in many other cities, elderly persons have long since been provided with fare concessions. Our Motherland even provides the elderly with total fare waivers, so as to encourage them to participate in social functions more frequently and enrich their life after retirement. We therefore request the bus companies to turn elderly holiday fare concessions into a permanent measure.

One of the objectives of social policies is to avoid subjecting the disadvantaged members of society to social exclusion. It is believed that there is already a very strong consensus in society on the need to assist the elderly in social networking and to avoid their being social excluded. This can be aptly shown by the fact that when the bus companies announced the cancellation of the fare concessions concerned last week, many people immediately criticized that they should not target on the elderly.

I must hereby criticize public transport operators in Hong Kong for their persistent lack of any sense of social responsibility. The KMB, for example, adamantly refused to reduce its fares at a time when Hong Kong was caught in prolonged deflation, but now, when the economy declines, it has sought to spray salt on people's wound by increasing its fares despite the current economic downturn. I must of course also point out that the Government, which has the strongest bargaining power, must also bear part of the blame for failing to do its utmost to fight for people's well-being. In the past, the Legislative Council has all along been demanding the provision of half-fare concessions to people with disabilities. However, up till very recently, the Government has still said that since such concessions will entail certain technical difficulties, it would take quite some time before there can be any chances of their implementation. Then, one after another, the various public transport operators have indicated that they will

not bear the capital costs of adjusting the required systems support (basically the Octopus system).

The Democratic Party has always supported the request for designating all Sundays and public holidays (and even all ordinary weekdays) as no-fare days for the elderly. The provision of half-fare concessions to people with disabilities has also been a firm demand of the Democratic Party. I am of the view that even if the Government must eventually offer subsidies to public transport operators when implementing these two measures, it should still be well within its ability to do so. Lastly, I call upon the bus companies to manifest their corporate social conscience by retaining elderly fare concessions and same-day return fare discounts.

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese): Deputy President, public transport fares are closely relevant to the daily expenses of the people. We certainly appreciate Members' views on easing the burden of travelling expenses on the public.

In regard to our public transport policy, while seeking to make operators provide the public with efficient and appropriate public transport services, we have also sought to ensure reasonable fare levels through the adoption of a time-tested fare regulatory mechanism for major means of public transport. In addition, the Government also encourages the various public transport operators to lower their fares or offer fare concessions to alleviate the fare burden on passengers as much as possible, having regard to their business conditions and the economic situation of society.

I shall give a consolidated reply after listening to Members' views.

Thank you, Deputy President.

**MR LEE CHEUK-YAN** (in Cantonese): Deputy President, with the strike of the present financial tsunami, people are frankly afraid of losing their jobs and having their wages slashed. And, some organizations have indeed started cutting wages. Therefore, if travelling expenses becomes a heavy burden, employees, their family members and elderly persons will all ..... The measure taken by the bus companies to cancel same-day return fare discounts is tantamount to a fare

rise in disguise, which can be said to be spraying salt on employees' wound during the onslaught of the financial tsunami.

As for holiday fare concessions for the elderly, perhaps because there is more sympathy for the elderly and the bus companies thus dared not antagonize the public too much, they have withdrawn their decisions and extended the concessions for one more year. But holiday fare concessions are actually not any great benefit, so I think that basically they should be provided on a permanent basis. Besides, since the Secretary is a Board member of the MTR Corporation Limited (MTRCL), the Government should be all the more duty-bound to cause the MTRCL to provide the elderly with holiday fare concessions, so that the most disadvantaged elderly, and who face the greatest difficulties, can go out more frequently to spend time with their family members and friends and integrate into society.

It is a pity, however, that the Kowloon Motor Bus Company (1933) Limited (KMB) and the other bus operators have not mentioned any extension of same-day return fare concessions. When these concessions ceases, the daily travelling expenses of many employees will go up again. I therefore hope that the Secretary can at least do something in regard to this modest request and persuade the bus companies not to spray salt on people's wound at this very time. Frankly speaking, we are not totally satisfied with how same-day return fare concessions are being offered. The reason is that to be eligible for such concessions, a passenger must make his return journey on the same bus route. Some employees may have to go to work in Central, but when they are off duty, they may not be in Central any more, because they could be engaged in courier services or other occupations, and they may go off duty in other places. No matter where they may go off duty, they must still go back home. But since they have to switch to other bus routes, they lose the chance to enjoy fare concessions. As a result, the burden thus created on them must be very heavy. Many residents are already very dissatisfied with such an arrangement, not to speak of the fact that they now even want to abolish all same-day return fare concessions. The resultant pressure will really be very heavy for ordinary employees. Therefore, can the Secretary just do something to answer this modest request? All must depend on the ability of the Secretary, and the request is really very humble indeed.

As for Mr CHEUNG Hok-ming's proposals, I must point out that I find his first proposal "of great intensity". To be fair, I must say that rather than advocating the implementation of this proposal, that is, the provision of half-fare



concessions to all passengers in Hong Kong on Saturdays, Sundays and all public holidays, he should really support the idea of "nationalizing" all such corporations. I therefore think that the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) must be a bit schizophrenic because we have been opposing the privatization of the MTRCL. All such measures will certainly necessitate substantial social policy intervention in private corporations. To a certain extent, this is impossible. I must be fair in what I say — even the Deputy President is smiling because I rarely say anything like this. But I think his proposal can be possible only when the corporations concerned are publicly run. If they become public corporations, it will be possible to encourage them to implement many policies. But it is a pity that owing to an unreasonable government policy, railway corporations which should be publicly-run are now privatized. I therefore think that it is totally impossible to carry out his proposal. For this reason, while I will not vote against his first proposal, I also think that all will be like "negotiating with a tiger for its fur", whereas the railway corporation will probably think that the proposal is to kill the tiger altogether. It is indeed very difficult to carry out the proposal.

I rather think that I should discuss the second proposal in great detail. What is involved may be outside the Secretary's portfolio. It should be within the portfolio of the Secretary for Labour and Welfare. On the issue of travelling expenses, we often request the bus companies or the MTRCL to reduce their fares, in the hope that they can join the public in tiding over the difficulties brought by the financial tsunami. Honestly, I admit that this is simply like negotiating with a tiger for its fur. I think it is really a waste of time for us to make such requests, and I am sure that we will never succeed. For this reason, the Transport Support Scheme mentioned in the second proposal is very important. However, Secretary, this is not within your portfolio. I hope that you can relay the proposal to Matthew CHEUNG. I have mentioned this issue to him many times. At present, the Scheme is implemented in New Territories West and New Territories North, but every person is eligible for the assistance for just one year, and in January, the support enjoyed by some residents will expire. These people will face "starvation". The Transport Support Scheme is actually the most practical measure, for it is one that is best able to help low-income earners. I therefore hope that the Secretary can make the Transport Support Scheme a permanent measure for low-income earners and also extend the Scheme to all districts in Hong Kong. The provision of government subsidy will have nothing to do with the bus companies and the two railway corporations. The Government is absolutely able to do so.

We have also held many discussions on the provision of half-fare concessions to persons with disabilities. This is a social responsibility that enterprises should discharge. Last year, we have set up a working group on this issue and held numerous meetings with the various bus operators and railway corporations. But in the end, the Government only raised the Disability Allowance by \$200. We do not think that this is enough because if the Government really wants to encourage persons with disabilities to go out more often and integrate into society, half-fare concessions must be ultimately provided in order to encourage them to do so. Therefore, I hope that we can continue to hold discussions on the issue this year and achieve a breakthrough.

The fourth proposal is about the fares for outlying ferry services. Sometime earlier, I read a piece of good news from the newspaper. As the Secretary knows, I have been advocating publicly-run ferry services. And, it now seems that the Government is exploring such a possibility. I do not know whether this is really the case. It is hoped that the authorities can make a clarification. If yes, it will be wonderful, and I very much hope that the idea can really materialize. The reason is that there are no substitutes for ferry services. Outlying islands residents must travel by ferry, for they cannot possibly row a boat by themselves to the urban areas. Since outlying islands residents must travel by ferry, and if fares simply continue to rise as the population there keeps declining, the vicious cycle will only continue nonstopped, and the problem will remain unresolved. I therefore very much hope that the Secretary can conduct studies as quickly as possible and bring us some good news. Deputy President, I shall stop here. I support the original motion and all the amendments. Thank you, Deputy President.

**MR PAUL CHAN** (in Cantonese): Deputy President, I must first declare that I am an Independent Non-executive Director of the Wharf (Holdings) Limited, which owns the "Star" Ferry Company Limited and the Hong Kong Tramways Limited. For this reason, I am not going to speak on ferry and tram services.

In all motion debates in the past, whenever commercial operation was involved, I invariably emphasized that the Government should not intervene too much in the operation of commercial organizations. When thinking of the motion of Mr CHEUNG Hok-ming and other Members' amendments today, I still cling to this position.

I agree with Mr CHEUNG Hok-ming that the burden of travelling expenses on the people must be alleviated. At this very time of economic downturn in Hong Kong, the Government is obligated to adopt measures to alleviate people's burden of travelling expenses, especially the burden on those in need. I wish to focus on the MTR Corporation Limited (MTRCL) and the bus companies, which are noted for higher passenger turnovers.

To begin with, as the major shareholder of the MTRCL, the Government can actually play a certain role in alleviating people's burden of travelling expenses. This is particularly true when it comes to providing assistance to the disadvantaged groups in society.

However, we must also note that the MTRCL is after all a listed corporation. Therefore, as I have always advocated, the Government should not intervene too much in its commercial operation. In 2000, the First Legislative Council endorsed the listing of the then Mass Transit Railway Corporation (MTRC), agreeing to its operation on a commercial basis. If we now intervene too much in its operation, we will be dealing too deadly a blow to it. This will not only run counter to the Legislative Council's original intent of endorsing its listing years ago, but will also lead to the "evaporation" of a major asset held by the Government on behalf of all Hong Kong people. The reason is that the Hong Kong Government holds 77% of the shares of the MTRCL, and this was valued at \$80 billion at the close of the market yesterday.

After examining the relevant statistics, I notice that before the rail merger, the MTRC earned a profit of roughly \$3.1 billion from railway services in 2006. The corresponding figure in 2007 was about \$3.8 billion. The rate of return was only 1.3% to 3.2% of the value of the relevant operating assets. Admittedly, we cannot ignore the fact that the profit from property development has always accounted for a very large proportion of the MTRCL's overall profit, because the Government has been subsidizing the MTRCL's railway services in the form of property development rights. However, the profit from property development is subject to cyclical fluctuations and the factors of uncertainty arising from possible changes in government policies. For instance, in a bid to stabilize the property market this year, the Government has requested the MTRCL to defer the sale of its property development projects. The revenue of the MTRCL will decrease drastically, thus producing certain impacts on its profit. We must not disregard all these uncertainties. Another point is that if part of the MTRCL's profit is put aside for the establishment of a fare stabilization fund, its profit and asset values

will be affected. This will have adverse impacts on its credit rating and borrowing costs. In the end, Hong Kong people may suffer more losses than gains.

My recommendation is that the Government should instead make use of the dividend it receives from the MTRCL every year for the purpose of subsidizing the travelling expenses of those in need. In 2007, the Government received a dividend of roughly \$1.79 billion from the MTRCL. I propose that starting from this year, the Government should dedicate the dividend to subsidizing the travelling expenses of the socially disadvantaged and the elderly. The money may also be spent on implementing the various fare concessionary measures mentioned in the motion and the amendments under discussion today. This will not interfere with commercial operation, and not only so, the profit and asset values of the MTRCL will not be affected either. The measure can help the public and at the same time avoid any impacts on the local business environment. It is a measure beneficial to all and should merit the Government's in-depth consideration.

As for the bus companies, I still advocate that they should be left to operate on a commercial basis, and that the Government should not interfere too much. However, I must also point out that people are extremely disappointed, because last Wednesday, the Kowloon Motor Bus Company (1933) Limited (KMB), the Citybus Limited and the New World First Bus Services Limited announced at the same time that with effect from February next year, all elderly holiday fare concessions and same-day return fare discounts of 10% to 20% for long-haul passengers will be cancelled by stages.

Statistics show that in the first half of this year, the bus companies did suffer losses. But over all these years, the bus companies (especially the KMB) have all been making considerable profit from bus services and other business areas. Besides, under the profit control scheme, they have even amassed a fund worth of several hundred million dollars for the purpose of stabilizing bus fares. Since oil prices have plummeted, the business results of the bus companies are expected to improve very greatly. They simply should hasten to target on the disadvantaged members of society at this very time and abruptly cancel the aforesaid fare concessions.

As the economy of Hong Kong starts declining, many people are faced with uncertain prospects in employment. I maintain that at this very time, it is

all the more necessary for the bus companies to discharge their corporate social responsibility by extending the provision of the fare concessions concerned. The business results announced by them show that they all have the means to continue to provide these fare concessions.

Deputy President, I so submit.

**MS LI FUNG-YING** (in Cantonese): Deputy President, the exorbitant transport fares in Hong Kong have always exerted a very heavy burden on the grassroots. People living in remote districts usually have to spend \$40 to \$50 a day on transportation. It can be said that their travelling expenses are even greater than their lunch expenditure. At this time of economic downturn, people can cut their expenditure by eating less, but there is no way in which they can reduce their travelling expenses. Public transport operators must discharge their social responsibility and explore all possible means of alleviating the burden of travelling expenses on the people. However, it is a great pity that the MTR Corporation Limited (MTRCL), the Kowloon Motor Bus Company (1933) Limited (KMB), the New World First Bus Services Limited (NWFB) and the Citybus Limited (CTB), which provide the transport services needed by the public, have all sought to cancel the existing fare concessions, instead of paying any attention to the need for helping them to tide over the present difficulties. It is small wonder that media reports on their decisions were immediately followed by strong public outcries.

The NWS Transport Services Limited owns several major public transport operators in Hong Kong, namely, the NWFB, the CTB and the New World First Ferry Services Limited. Its Vice Chairman, TSANG Yam-pui, is a brother of Chief Executive Donald TSANG. In a recent publication of the NWS Transport Services Limited, Mr TSANG refers to environmentalism and care as two major core values of the organization, expressing his conviction that these two values are the key to overcoming the current economic adversities. I agree that environmentalism is a core value for the whole world, and it must be given the greatest attention irrespective of economic conditions. However, it is indeed doubtful whether the building of a caring society is really a core value of the NWS Transport Services Limited. If this is really the case, why does it invent various excuses and seek to cancel the existing fare concessions, including elderly holiday fare concessions, rather than trying to alleviate people's burden during

these difficult times? To put it leniently, the core values mentioned by Mr TSANG are just wishful thinking, while putting it crudely, Mr TSANG's words are just a manifestation of shameless hypocrisy.

Deputy President, I am not trying to get at the NWS Transport Services Limited or Mr TSANG. Transport operators such as the KMB also want to cancel return fare discounts and even elderly holiday fare concessions, in total disregard for the plight of the grassroots. The KMB has taken such measures. The MTRCL has likewise announced the cancellation of elderly fare concessions. Therefore, all of them should be similarly condemned.

(THE PRESIDENT resumed the Chair)

Actually, the current fare concessions provided by the bus companies are subject to very harsh conditions. For example, a passenger must take a long-haul or medium-haul bus route, must take a return trip by the same route and must pay the fare by the Octopus card. It is only when all these conditions are fulfilled then he can enjoy a fare discount of 10% to 20% for his return bus trip. There are a million or so passenger trips every day, but very few people, only about 30 000 passenger trips, can benefit from this measure. Regarding elderly holiday fare concessions, I must say that this is already the trend in modern-day societies. As mentioned by many Members just now, more and more cities in the world, including those in the Mainland, have already joined the queue in providing the elderly with fare concessions. But the bus companies and the MTRCL want to cancel fare concessions for the elderly instead. They have really acted against the world trend.

President, the KMB, the CTB and the NWFB have all tried to defend their cancellation of fare concessions by referring to rising operating costs, business losses and their inability to extend the concessions. However, the fact is that oil prices have already dropped, thus alleviating their burdens of operating costs. I maintain that especially during the onslaught of the present financial tsunami, the bus companies should make greater efforts to discharge their social responsibility, rather than adding to the immense plight of the public.

President, I so submit.

**MR CHEUNG KWOK-CHE** (in Cantonese): President, before we hold this debate on how to alleviate people's burden of travelling expenses, the Kowloon Motor Bus Company (1933) Limited (KMB), the Citybus Limited (CTB), the New World First Bus Services Limited (NWFB) and the Long Win Bus Company Limited (Long Win) have already announced their decisions to cancel same-day return fare discounts, concessionary fares for jointly-operated routes and elderly holiday fare concessions. This is actually a pre-emptive move. But the Government has yet to come up with any tackling measures. It could only very strongly advised the bus companies that they continue to provide the fare concessions concerned. This really made us feel very indignant.

The grassroots may skimp on their clothes, food and even accommodation. But travelling expenses account for a very substantial proportion of their daily expenditure. In some cases, people may need to spend one quarter to one third of their monthly wages on transportation. In the case of people living in remote districts, travelling expenses may even account for a major part of their income. To the millions of bus passengers, the cancellation of fare concessions is nothing but a fare increase in disguise. The cancellation of the return fare discount of 20% actually means a fare rise of 20%. The total monthly income of a low-income family may just be \$6,000 or \$7,000, but its several members must spend as much as several thousand dollars on transportation. In other words, even though they are employed, it seems that they are working for the bus companies for all their income will in a way go into the pockets of the bus companies.

Having benefited from the 70% drop in oil prices, the bus companies simply cannot justify any fare increases. From their business results, we can notice that in 2006, the KMB's after-tax profit stood at \$230 million. Even though they suffered some previous losses as a result of rising oil prices, they should still have made some profits because of the recent drop in oil prices. Given the present economic conditions, the bus companies should have voluntarily reduced their fares or provided more fare concessions. But they have totally disregarded their social responsibility and sought to increase their fares despite the poor market conditions, thus adding to the already heavy burden on the public. This is nothing but fishing over troubled waters. The bus companies allege that as a result of the rail merger, less people now travel by bus. But I must say that since they know that the rail merger has taken their passengers

away, they should really redouble their efforts, rather than cancelling fare concessions, so that they can attract more passengers to travel by bus again.

President, high transport fares dampen the desire of the elderly to go out for different functions. Holiday fare concessions have always been well-received and welcomed by the elderly. Many elderly persons will go out for fun and spend time with their relatives and friends on Sundays and public holidays because the fares during these periods are low. The cancellation of these fare concessions will only make them reluctant to go out. In many other cities in the world, elderly persons are provided with fare concessions. In Hong Kong, however, transport operators and the Government are doing exactly the opposite, thus creating more "secluded" elderly persons. Complaints have come not only from elderly persons but also young people. Students cannot enjoy any half-fare concessions when using their Octopus cards for bus trips. As a result, they can only take the Mass Transit Railway. When the MTRCL introduced half-fare concessions for students in its entire railway system early this year, it was estimated that more than 400 000 holders of Student Octopus cards could be benefited. If all these students can similarly enjoy half-fare concessions for bus trips, they may choose point-to-point bus services. Recently, the KMB has been conducting a bus route review with the aim of abolishing certain loss-sustaining short-distance routes. I believe that if elderly persons and students are provided with fare concessions, these short-distance routes will become more popular. In that case, it will not be necessary to abolish profit losing routes.

President, the motion today requests the Government to provide subsidies to the MTRCL and the bus companies, so that they can offer holiday fare concessions. In fact, I do not think that there is any need for the Government to provide any subsidies to these public transport operators, because they should actually discharge their obligation as enterprises providing public transport services. The Government often says that since this is an extraordinary period, "extraordinary measures" must be adopted. I therefore hold that enterprises providing public transport services must also play a role. Oil prices, which affect them most deeply, have already come down. Some even expect oil prices to drop to the level of US\$20 per barrel. There is plenty of room for these transport operators to reduce their fares. I hope that by then, public transport operators will discharge their social responsibility. I even hope that the "two-way fare adjustment mechanism" discussed by the Government several years ago will not be reduced to a one-way mechanism for fare increases only. Thank you, President.



**MS AUDREY EU** (in Cantonese): President, earlier on, Chief Executive Donald TSANG called upon enterprises to discharge their social responsibility, advising them to vigorously introduce measures that could relieve people's plight and help them tide over the difficulties during this turbulent period. But less than a month after his appeal, the transport operator with the Government as the major shareholder, that is, the MTR Corporation Limited (MTRCL), already took the lead in cancelling elderly holiday fare concessions with effect from this month. The four franchised bus companies will also abolish same-day return fare discounts, elderly fare concessions on Sundays and public holidays as well as the concessionary measure of allowing elderly persons to pay only \$2 or the half-fare for trips on most bus routes. What outrage us most are the Government's oft-repeated arguments that it does not have any role to play, and that these transport operators should be left to make their own commercial decisions. But why does the Government, being the major shareholder of the MTRCL, call upon all people to discharge their social responsibility on the one hand but still take the lead in abolishing fare concessions on the other?

Actually, public transport services are one important factor affecting Hong Kong people's quality of life. When people go to work, when they go to school, or when they go out for various social functions, they must travel by bus and ferry. Ferry services are especially important because people cannot go to their destinations by swimming. Therefore, the public transport sector is absolutely one important area for the manifestation of social responsibility. These public transport operators are awarded franchises by the Government, so it is very important that they do discharge the associated social responsibility. The cancellation of fare concessions at this very difficult time is extremely infuriating and regrettable.

In the case of bus services, for example, an average of some 3 million Hong Kong people travel by bus every day. Roughly 25% of these passengers take long-haul or medium-haul buses. According to conservative estimation, after the cancellation of fare concessions by the bus companies, several hundred thousand Hong Kong people must pay 5% to 10% more in bus fares. This is tantamount to a fare increase in disguise. According to the Secretary's written reply, the cancellation of holiday fare concessions will affect some 170 000 elderly persons every day. And, just in the case of the New World First Bus Services Limited (NWFB) and the Citybus Limited (CTB), the cancellation will dampen the desire of nearly 90 000 elderly persons to go out. This runs counter to the Government's efforts to identify "secluded" elderly persons in recent years and defeats its intent of narrowing the wealth gap.

Honestly speaking, if enterprises really suffer losses as a result of the financial tsunami and must increase their fares in order to sustain their operation, we will certainly understand. But let us take a look at the business results of two of the bus companies. For example, after examining the business results of the KMB as set out in its relevant annual report, we observe that in 2006 and 2007, its fare revenue from the operation of franchised bus services was as high as \$6 billion. After tax payment, the profits in these two years were still respectively \$240 million and \$230 million. Oil prices were once very high and thus affected the bus company's revenue for a while. But international oil prices have already dropped from the level of US\$147 per barrel in July this year to the level of US\$45 per barrel. The rate of decrease is as high as 70%. And, five months have since elapsed, so all the time-lag problems should have been rectified. Besides, as reported by the press, the NWFB and the CTB have also recorded rising profits. All these statistics can show that such an excuse of cancelling fare concessions is hardly tenable.

Moreover, there is no need for the bus companies to worry about any impact of recession on their future business results. The reason is that no matter whether economic conditions are good or bad, transportation will still be a necessity and people cannot reduce their travelling expenses. This is not to speak of the fact that in times of economic downturn, many people may travel by taxi less frequently and switch to some economical means of transportation such as buses. Therefore, economic conditions will not affect the bus companies' revenue to any great extent.

According to one survey, 46% of the respondents replied that travelling expenses accounted for some 10% to 30% of their daily expenditure, which would therefore be a very heavy burden on them. If the bus companies seek to increase their revenue by cancelling fare concessions, they will run counter to their oft-repeated slogans. Ms LI Fung-ying has already mentioned this just now. The KMB upholds "caring for customers" in their Corporate Social Responsibility Charter, while the NWFB and the CTB talk about "caring for the public". All these slogans sound very appealing, but in fact the bus companies have all failed to live up to them.

Over the past few months, the public have seen how the governments of other countries and places try to salvage their economies so as to relieve people's livelihood pressure in the financial tsunami. Therefore, on the issue of public transport, they really hope that the Government of the Special Administrative

Region (especially its wholly-owned corporation, the MTRCL) can cater for our demand related to this basic necessity. If the Government does not do so, however much it asks enterprises not to lay off employees and increase prices, and however much it asks enterprises to join hands with the public to overcome the present difficulties, all will just be mere empty talks. I believe that like most Members, the Civil Party will support the original motion and all the amendments. Thank you, President.

**MR IP WAI-MING** (in Cantonese): President, there is a certain television commercial about the renovation of Mass Transit Railway Stations. The slogan is something like "To treat you better, I must look better". I think if the various public transport operators really want to treat the public better, it will be better for them to change the slogan to something like "To treat me better, please charge lower fares".

Transport fares in Hong Kong are very high. A bus trip from Tuen Mun to Central, albeit a single trip, still costs more than \$19, so a return trip would cost about \$40. Assuming that one needs to go to work for 26 days in a month, his travelling expenses will be some \$1,000. The amount will be even greater if one travels on the West Rail. In case the monthly wage is just about \$5,000 or \$6,000, no worker will be willing to go outside of his residential district for work. And, even if the monthly wage is \$10,000, the travelling expenses of \$1,000 or so will still account for 10% of the monthly wage. It can thus be easily imagined that the proportion of travelling expenses in the livelihood expenditure of workers is huge. In order to spend less money on travelling, many unemployed workers may choose to live their daily life in their own residential districts. This will adversely affect their social life and general understanding of society. As time passes, their integration into society will also be impacted. Therefore, we can well say that at present workers in Hong Kong all find it very difficult to make even a single move — this may not be a very appropriate analogy, but we do actually have that feeling.

Therefore, grass-root workers living in remote districts can only work within their residential districts or nearby places. This means that they must compete with their neighbours all in the same pond. This pond is not so big and so there are not much food. When competition is so keen, wage levels will necessarily go down.

There is admittedly a Transport Support Scheme operated by the Government. However, this scheme is restricted to the residents in only four remote districts, namely, Yuen Long, Tuen Mun, the North District and the Outlying Islands. And, the residents there must also fulfil all the requirements. Their assets must not exceed \$44,000 in value; their monthly income must not be more than \$6,000; and, they must work for no less than 72 hours a week. It is only after completing all the formalities, undergoing vetting and receiving approval that they can receive a transport allowance of \$600 a month for a duration of one year. But will their income suddenly increase after one year, so that they will no longer need the monthly allowance of \$600?

We naturally do not think so. Once they stop receiving the \$600 allowance, their state of employment may be affected immediately. The case of local domestic helpers is an example. The authorities used to provide these helpers with a cross-district transport allowance. But since late October this year, when the Employees Retraining Board stopped the granting of this allowance, many local domestic helpers have been forced to give up their employment. The reason is that transport fares are so high that the income they earn are not even enough to meet their travelling expenses. The Government may reply that they can apply for an allowance under the Transport Support Scheme. But as I have mentioned, the scheme is restricted to the residents in the four districts mentioned above. And, local domestic helpers do not all live in these four districts. What is more, they may not always be offered 72 hours of work per week. That is why they are not eligible for any allowance under the Transport Support Scheme. Many local domestic helpers have said that many of their peers have thus been deprived of any transport allowance, so they must reduce their hours of work or simply lose the chance of employment.

The Government talks about creating jobs on the one hand, but on the other hand, it simply allows public transport operators to increase fares, reduce fare concessions and baffled employees' efforts to look for jobs outside their residential districts. We find these two actions contradictory.

Actually, we think that the Government will be able to help people a great deal just by playing a good monitoring role, preventing public transport operators from demanding too much and from incessantly increasing their fares and reducing their fare concessions. The MTRCL, the ferry companies, green minibus operators and the bus companies are no doubt privately-run. But we do not think that the Government can use the simple phrase of "privately-run" as an excuse for doing nothing. It is because the operation of all such public transport

services cannot be possible without the award of franchises by the Government. The Government can actually require these public transport operators to discharge their corporate social responsibility. This is especially true in the case of the MTRCL, which is partly owned by the Government and large bus companies operating in market with restricted entry. These public transport operators can all make profit, but as also mentioned by Members just now, they still want to increase fares and reduce fare concessions when everybody is facing the most difficult time. At the very beginning, they even wanted to target on elderly holiday fare concessions also. But we know that owing to huge social pressure, the four bus companies eventually announced the continuation of such concessions this morning. The matter, however, is not exactly settled, for the concessions will just be extended for one year. We cannot help asking, "Why do the bus companies refuse to discharge their social responsibility and offer fare concessions to the elderly on a permanent basis?"

As a matter of fact, the award of public transport operating rights by the Government is never meant to enable a handful of people to make profits. We hope the Government can realize that when it comes to the provision of affordable, safe and reliable transport services to Hong Kong people, the Government's prime consideration in the course of awarding any franchises must be people's affordability. If this is not the case, if people in Hong Kong simply cannot afford the travelling expenses to and from work, all will be futile no matter how satisfactory, well-established and advanced our public transport services are.

Therefore, we hope that with the basis already built up by the Octopus system, the Government can explore the possibility of introducing a monthly ticket scheme on Octopus cards which is valid for all means of public transport. We think that the Government can consider this proposal with a view to minimizing administrative measures and helping the public to save travelling expenses.

With these remarks, President, I support the original motion and all the amendments. Thank you.

**MR LEUNG YIU-CHUNG** (in Cantonese): President, amidst the recession brought by the financial tsunami, we would criticize that the banking industry's move to tighten credit facilities for small and medium enterprises as tantamount

to "closing the umbrella at times of heavy rain". I also think that public transport operators are similarly "closing the umbrella at times of heavy rain" when they suddenly abolish the fare concessions for long-haul and medium-haul bus passengers and the elderly. What I mean is that when people are in genuine need, these transport operators simply turn a blind eye to them and even spray salt on their wounds. This is a very questionable practice. Therefore, President, I must hereby strongly condemn the Kowloon Motor Bus Company (1933) Limited (KMB), the Citybus Limited (CTB), the New World First Bus Services Limited (NWFB) and the Long Win Bus Services Limited for spraying salt on the wounds of passengers. I must condemn these transport operators for the special reason that most of the real beneficiaries of return fare concessions in the past three years were grass-root wage earners living in new towns. Many of these passengers live in new towns such as Tin Shui Wai, Tuen Mun, Yuen Long, the North District, Tai Po and even Tung Chung. Every day, they must commute to work or school in far-off places. They must each spend as much as some \$40 on their daily transportation. The cancellation of return fare concessions will actually mean a fare increase of 10%. Such a move simply pays no regard for people's livelihood and is downright absurd.

Our debate today is on the fares and concessionary measures related to the various public transport operators. President, I totally support the original motion and all the amendments today. But, pardon me for making a discouraging remark here. Why do I say so? The reason is that every time when this topic is discussed in the legislature, the public and even Members themselves will think that the most they can do is just to make some noises. What will happen afterwards? Nothing, it seems. What is the main reason for this? I believe the President should know only too well. In its role of monitoring public transport operators, the Government is nothing but a "toothless tiger". It will be slightly better if it can at least give some advice to them in this respect. But most of the time, it just remains silent. But well, even if it does give some advice, it cannot usually exert too much influence anyway. We have long since realized this problem clearly.

Anyway, we do not think that the Government is really unable to do anything. It can actually make more efforts in regard to transport fares. The labour sector, in particular, has often wondered why the Government should time and again make requests to others. Why doesn't it do something itself? The provision of transport allowance is a good example. But it is a pity that the Government's Transport Support Scheme will come to an end this year. On my

part, I hope that the scheme can continue to operate; not only this, I even hope that it can be extended to all districts in Hong Kong. Besides, personally, I think that the allowances should not be restricted to bus and ferry services. Why do I think so? The reason is that many things appear unfair. The bus companies and ferry companies all got approval for fare rises when they submitted their applications early this year. The major reason for approval was ..... The Transport Department repeatedly explained that fuel prices had increased from \$80 per barrel to \$140 per barrel. The Department said that since public transport operators were sustaining huge losses, the rejection of their applications would render them unable to continue their operation. It was said that the situation of outlying ferry services was even worse, for if approval was not granted, the services would be closed down and no more ferry services would be available to residents.

However, President, what are the prices of oil now? They have dropped to some \$40, \$50 or \$60 per barrel. But have any public transport operators reduced their fares following the decline of oil prices? Oil prices have been dropping for two or three months. However, no public transport operators have voluntarily reduced their fares. Is this fair? Has the Secretary ever condemned these operators in public? When these operators applied for fare rises, in addition to talking about their hardship, rising oil prices and their business difficulties, the authorities even lobbied us incessantly, trying to persuade us to accept the proposed fare increases. But now, although fuel prices have plummeted, the Secretary has never openly condemned them for not reducing their fares to benefit the public. The Government has given people an impression that it is all for the interests of consortia and large organizations but totally indifferent to the legitimate rights and needs of the grassroots in their living. I therefore do not think that the Government should say anything more in the Chamber. Rather, it should simply put forward some pragmatic and effective measures that can make us feel that it really has the people in mind. One example, as I have mentioned just now, is the extension of the Transport Support Scheme to cover not only the grassroots but also the lower-middle class. The whole thing will become meaningful only when this is done, and such a move can make us feel that the Government is concerned about people's livelihood at this very time. The scheme can provide more appropriate assistance only when its scope is extended from the present five districts to the whole of Hong Kong, including the Outlying Islands, as I have mentioned earlier. If its scope is not extended, it will not be possible to solve the present problem of high transport fares.

President, speaking of high transport fares, I think the most important thing is that the Government should do more than just urging public transport operators to make efforts. The Government has been doing so all the time. For example, on the provision of half-fare concessions to people with disabilities, which we have been fighting for over all these years, the Government has only repeatedly urge public transport operators to do something. In the past eight years, I have moved eight motions on this topic, and every time, I secured the support of Members. But why has the Government still failed to do anything at all over all these eight years? I only hope that this time around, the Government can really carry out some measures, requiring the MTRCL to take the lead in providing half-fare concessions to people with disabilities. I now put forward this request very strongly.

President, on the issue of transport fares, I suppose many people can still remember that years ago, when Sarah LIAO first assumed office as Secretary for the Environment, Transport and Works, she once remarked, "Transport fares in Hong Kong are more on the high side." Because of this remark, her popularity rating was once very highly maintained. However, when her term of office ended several years later, transport fares remained at essentially the same levels, thus making people feel that it was after all a fine start but poor finish. I do not know whether Secretary Eva CHENG will be more proactive than Sarah LIAO. Or, will Secretary Eva CHENG "surrender" much sooner? Is she going to show us an uncompleted answer sheet once again? Whatever the case may be, President, I must say that transport fares are a major livelihood issue. I believe the general public, especially Members of this Council, will continue to closely monitor the Government's efforts and work in this regard. I demand that the Government take pragmatic measures to improve the people's livelihood. Thank you, President.

**MR KAM NAI-WAI** (in Cantonese): President, when speaking on the motion topic today, I wish to focus on how public transport operators have been treating our elderly.

Some Members have argued that we should not intervene too much in the operation of commercial organizations lest this may produce adverse impacts. Should our debate focus on the need for respecting our elderly? Or, should we discuss whether the provision of fare concessions to the elderly will really affect the operation of commercial organizations? Actually, in many places all over



the world, public transport operators have been providing the elderly with fare-waivers, half-fare concessions or various forms of fare reductions.

I wish to share my experience with Members. Yesterday, I attended a forum for the elderly in Hollywood Road Park. The forum was attended by two to three hundred elderly persons, and there were four discussion topics, namely, health care, food, accommodation and transportation. At first, everybody expected the elderly persons to discuss the topic of health care. But at this forum, all the elderly persons criticized public transport operators for being unscrupulous to the extent of cancelling elderly holiday fare concessions. Today, I can see the same elderly persons staging a protest and a petition outside the Legislative Council Building. I frankly cannot understand all those public transport operators. Do they actually want to follow the example of the Government of the Special Administrative Region, which did not change its position on the "fruit grant" not until bananas were hurled, not until the Government was being chided for antagonizing the people, and not until there was an avalanche of tirades? Is this what our society wants? How does this society treat its elderly citizens?

I wish to cite a living example. There is an elderly person who used to live in the Central and Western District. But as a result of old district redevelopment, he moved to a public housing estate in Siu Sai Wan one or two years ago. As for his social life in the past one or two years, since he could enjoy the \$2 concessionary fare for the elderly on Sundays, he was able to go back to Sheung Wan to see his old friends. Actually, we had to do a lot of persuasion when we urged him to move to Siu Sai Wan, because he had formed his own social network after living the district for such a very long time, and he was basically reluctant to move out to other areas. Fare concessions can precisely serve the purpose of enabling elderly persons to get in touch with their old social circles, live the life they used to live and meet with their old friends. Should we in Hong Kong talk only about the interests of commercial organizations? Should we decide to provide or not to provide elderly persons with fare concessions solely on the basis of high oil prices or reduced oil prices? Should our society be so mean? I personally think that the present attitude of the Government counts a lot. How the Government treats the elderly in Hong Kong also counts a lot.

May I quote another example. At present, only people aged 65 are entitled to the Senior Citizen Card. But the Hong Kong Government often indicates that the retirement age is 60. Members can therefore observe some

differences in the provision of fare concessions by transport operators. In some cases, only people aged 65 can enjoy fare concessions. But in other cases, fare concessions are also offered to people aged 60. I personally think that all such differences stem from how the Hong Kong Government treats our elderly people. As I have mentioned, the most important thing is for the Government to take the first step and consistently maintain the eligibility age of the Senior Citizen Card at 60, so that elderly persons can enjoy all such fare concessions when using public transport. I think it is only by doing so that we can show our respect for the elderly.

Earlier today, we heard that the bus companies had indicated a change of mind. They have made all sorts of computations and estimations, and as though they are giving out alms, they have finally decided to continue to provide fare concessions to the elderly. I personally think that as franchised transport operators in Hong Kong, the bus companies have failed to discharge their corporate social responsibility; not only this, they have even caused elderly persons to wander from place to place for protests — even some Members have also taken part in hunger strikes. Must things be done this way then these franchised transport operators would come to their senses?

I hope that in the debate today, although we have put forward ..... I heard Mr LEUNG Yiu-chung remarked that the best we could do was just to make some noises. He said that although we have repeatedly asked for fare concessions for persons with disabilities, our requests have not been accepted after so many years. I hope that the Secretary for Transport and Housing, who is an accountability official, can hear the voices in society. In this connection, we hope that not only fare concessions for persons with disabilities can be offered, but also fare concessions for the elderly be implemented. I hope that all people on reaching the age of 60 in Hong Kong can enjoy fare concessions. This is also the wish of all elderly persons in Hong Kong. Thank you, President.

**MS MIRIAM LAU** (in Cantonese): President, this coming Sunday will be the day of Winter Solstice. There is a common saying that Winter Solstice overrides the Lunar New Year in importance. Many elderly persons will dine out happily with their children or grandchildren. And, with the concessionary fare of \$2 available to them, they can even travel around on the Mass Transit Railway or buses. But earlier this month, the MTR Corporation Limited (MTRCL) took the lead in announcing its decision to cancel fare concessions for the elderly, and subsequently, three of the bus companies also announced that

they would cancel their fare concessions in stages starting from next year. If all this comes true, the concessionary fare of \$2 per trip for the elderly will soon become history. The Liberal Party does not support such a decision of the MTRCL and the bus companies.

Fortunately, following the protests of the Liberal Party and other groups, the bus companies finally changed their minds and announced this morning that they had decided to extend elderly holiday fare concessions to the end of January in 2010. This should be quite a nice Christmas gift for the elderly. But the Liberal Party is very disappointed that the bus companies are not yet willing to make the provision of such concessions a permanent measure, and that the MTRCL has not even given any reply at all.

The Liberal Party conducted a telephone survey on fare concessions for the elderly last week. More than 70% of the 700 respondents aged 18 or above disapproved of or strongly disapproved of the cancellation of holiday fare concessions for the elderly by transport operators.

What is worth noting is more than 85% of the respondents held the view that the Government should conduct negotiations with transport operators on making the provision of elderly holiday fare concessions a permanent measure. And, 70% of the respondents also agreed that fare concessions for the elderly should be extended to the off-peak hours of ordinary weekdays.

All these are perhaps a manifestation of people's general view that fare concessions are just a small token of our goodwill, representing our respect for elderly persons who laboured so hard in a good part of their life. We therefore hope that elderly holiday fare concessions can be offered on a permanent basis, rather than being cancelled or reinstated every now and then in response to economic conditions.

The survey of the Liberal Party also found out that 46.2% of the respondents indicated that travelling expenses accounted for 10% to 30% of their daily living expenses. This shows that high transport fares have imposed a heavy burden on people. For this reason, we hope that the bus companies can reconsider their decisions of cancelling same-day return fare concessions and join hands with the public to overcome the present difficulties.

The bus companies have sought to explain their difficulties. In particular, they claim that before July this year, international oil prices have been soaring at

a high rate, and at one time, they even reached the all-time high of some US\$140 per barrel, thus adding greatly to their operating costs. The bus companies all ran into the red in the first half of this year as a result. For instance, the Kowloon Motor Bus Company (1933) Limited recorded a loss of some \$160 million, while the New World First Bus Service Limited and the Citybus Limited also suffered a combined loss of more than \$9 million.

But it must be pointed out that by now, international oil prices have plummeted by more than 70%. The costs pressure exerted by fuel expenditure has thus been greatly alleviated. Another point is that following their fare rises in June this year, the bus companies should be able to see improvements in fare revenue in the second half of this year. Therefore, in the face of the present financial tsunami, the three bus companies should really withdraw their decisions and continue to provide same-day return fare discounts for at least one year, until 2010.

Regarding the grassroots, we agree that the provision of cross-district transport allowances should be extended to all districts in Hong Kong, so that all grassroots in different districts of the territory can enjoy equal treatment.

The Liberal Party has always been encouraging the bus companies to introduce section fares and increase the fare concessions for cross-company route interchanges. We have also been advising them to introduce daily and monthly tickets. Our intention is not to force the bus companies to operate at a loss. Rather, we only hope that they can thus enhance their appeal and competitiveness, so that they can have "a bigger share of the whole cake" while the burden of the public can be lightened. This will be beneficial to both the bus companies and passengers.

Following the rail merger, despite the fact that the MTRCL lowered its fares, its fare revenue in the first half of this year, as indicated by its interim results, still amounted to \$5.592 billion, showing a slight increase of 0.9% over the revenue before the rail merger. The rate of increase is indeed very small, but it can nonetheless show that fare reductions can achieve the unexpected effect of boosting revenue. Therefore, logically, the MTRCL should consider the provision of more fare concessions. For example, it should consider the resumption of the much welcomed arrangement of "one free trip for every 10 trips", the network expansion of MTR Fare Savers, and the introduction of railway monthly tickets, which Tung Chung residents have long since been asking for.

The Liberal Party also hopes that when the fare freeze period expires in June next year, the MTRCL can actively consider the proposal of maintaining all existing fares unchanged until economic conditions improve.

Having said all these, I must add that the Liberal Party has reservations about the provision of government subsidies to transport operators in exchange for fare concessions, as mentioned in the original motion and the amendments. We are afraid that a precedent like this may lead to harmful consequences, transforming Hong Kong's transport policy into part of its welfare policy and shifting our focus from the principle of public transport provision by self-financing and privately-run organizations. Public transport provision may then become a long-term burden on taxpayers. As pointed out by Mr LEE Cheuk-yan earlier, Mr CHEUNG Hok-ming's proposal is no different from nationalization. If we follow this path — not that changes are forbidden, but there must first be thorough studies. If everybody agrees that this is the proper direction, we will certainly follow. But we are now going in the opposite direction. Therefore, we have reservations about this proposal.

Another point is that once the Government provides subsidies to certain transport operators, other operators which cannot receive any subsidies will certainly criticize the Government for partiality. Besides, there are lots of other sectors which may also affect people's livelihood. Can such sectors also request the Government to provide them with subsidies? Hong Kong, as a place upholding a low-tax regime, can it have the means to entertain all requests for government "handouts"?

President, it is an incontestable fact that transport fares in Hong Kong are very high. The Government certainly has the responsibility of urging the various public transport operators to offer as many fare concessions as they possibly can, so as to alleviate people's burden. It is also obligated to provide transport allowances to the disadvantaged members of society (such as low-income earners, elderly persons and persons with disabilities), so as to help them cope with their transport needs. But this does not mean that we should disregard the actual situation and request the Government to provide across the board backing to all cases. President, I so submit.

**MR RONNY TONG** (in Cantonese): President, my personal assistant has actually prepared a scripted speech for me today. But having listened to many Members' views today, I am forced to throw the written speech into the trash can.

President, recently, the bus companies have come under widespread public criticisms because of their move to reduce and cancel the various fare concessions. The mass media have similarly been chiding the bus companies, describing them as unscrupulous, devoid of any social conscience and even shameless. Today, in this Chamber, many Members have commented on the bus companies' behaviour with the same tone and language. But the government officials here simply shrugged in helplessness, as if they have nothing to do with the whole issue. They even say that the Government must not interfere with commercial operation and must respect commercial principles. President, is this a reasonable attitude towards a social issue like this?

President, it seems that many people are taken in by the Government's deceptive arguments. We can actually ask a question in return. In the commercial world of a capitalistic society, what is the goal of commercial utility operators? If such operators are out for charity, they can always establish charitable organizations for the purpose. But if people operate a commercial organization, then their goal must be the earning of profits. A commercial organization is accountable to its shareholders, not the general public. President, please do not get me wrong. I am not arguing for any profiteering activities. Nor do I condone the adoption of any unfair, dishonest and even illegal means to earn big profits. I am totally against such practices. However, a commercial utility operator doing business on a level playing field should not be criticized for seeking profit, as long as what it does is permitted by the law and in accordance with the relevant licensing conditions.

President, commercial utility operators have been criticized for failing to discharge their social responsibility. But what should a reasonable level of profit be? By how much should a commercial utility operator's profit be reduced before it can be considered socially responsible? President, this is already a moral issue. Who is to make the decision? President, the answer is in fact very simple. Who is to shoulder the responsibility? The responsibility should fall on the Government.

In the course of selling public assets or the operating rights of utility services, the Government should make sure that there are some terms of sale or licensing conditions which require that the other party can only serve as the operator when it can meet the requirements of a specified social stratum. Yesterday, we held a debate on the definition of reasonable profits for power companies. The mode concerned ..... I am not saying that the Government's

agreements with the two power companies are reasonable. We still think that the agreements are unreasonable. But at least, the direction is correct. It is provided, as a condition of awarding the operating right, that the maximum profit level is 9%. This means that the rate of 9% must not be exceeded, and the Government can even monitor the number of their investment projects as a means of controlling the tariffs they charge. The direction is correct. But this is not the case with the operating rights of the bus companies and the railway corporation. The Government owns 75% of the shares of the MTR Corporation Limited (MTRCL). We have been asking for the provision of half-fare concessions to people with disabilities for 10 years, but all has been to no avail. Every time when we put forward this request to the Government, it will say that although it is the major shareholder, it will not exercise its power in this capacity, because a listed company must operate and make decisions on the basis of commercial principles. It will say that as the Government, how can it possibly intervene in the operation of a commercial organization? It will ask how can the profit prospects of the shareholders of a commercial organization be compromised? President, its arguments are certainly reasonable.

But the crux of the problem is that while business operators must seek profit, the Government is not supposed to do the same. The Government is supposed to promote the well-being of the people in Hong Kong. This is beyond any question. The Government is not supposed to retain all taxation revenue for its own good. Rather, it must make proper use of the money to benefit all social strata, especially those people who are caught in immense plight.

President, in many other countries all over the world, especially democratic countries, the governments are obliged to provide transport subsidies. This is the case in Britain and also the United States. Why? The reason is that social responsibility is in fact the responsibility of the Government. How can any government just shift the responsibility to commercial organizations and then step aside with folded arms? It has simply said apologetically that when the operating rights were awarded, the operators were not required to provide elderly fare concessions or any fare concessions for persons with disabilities. Therefore, it explains, now it is very sorry that owing to the respect for commercial principles, it is not able to help despite all its intentions to do so.

President, I must say that it is this kind of attitude that should be termed shameful and unscrupulous. I hope Members will not blame me for advancing such weird arguments. But if Members would give more thoughts to the issue,

in a capitalistic society, who should bear a greater responsibility — business operators or administrators (those in power)? Where should the responsibility lie? Members must ask themselves this very question. If the President asks me this question, I will answer that the responsibility should totally be the Government's. If the Government simply watches the situation with folded arms, it will have failed in the discharge of its social responsibility. The Government frequently says that business operators who are making profits should have a social conscience and assist in the development of the economy and social enterprises. The Government does not operate any social enterprises but asks the commercial sector to show their social conscience by operating these enterprises. It is wrong of the Government not to operate any social enterprises. But in Hong Kong, surprisingly there are people who buy the Government's reasoning. President, I am really puzzled. In all other countries in the world, social enterprises are operated by the Government with government funding.

**MISS TANYA CHAN** (in Cantonese): In the wake of the financial tsunami, everybody is talking about "saving every dollar and every cent" as stressed in an advertisement on a big supermarket. Everyone wants to save money in respect of clothing, food, accommodation, and travelling. But, how are we actually to go about?

As regards clothing, the fashion shops are offering big sales, and we can at the most buy fewer new clothes; insofar as food is concerned, we can have both good food and food that is not so good, and we can have simpler meals; concerning accommodation, we cannot say anything about those who are making mortgage repayments, but people like me who live in rented flats can negotiate with the owners or look for less expensive flats. Yet, in connection with travelling, what can be done? I think that we can hardly ask the office ladies who are all dressed up and wearing high heel shoes to go to work on foot. If they are in too much of a hurry, they may have unpleasant encounters just like what I did; I had an accident the day before yesterday and sustained a bone fracture now. So, travelling expenses definitely cannot be saved, and I can hardly save money under the present condition.

Quite a lot of Honourable colleagues have just pointed out that travelling expenses in Hong Kong are high, and low-income families are deeply affected by the ever-increasing travelling expenses. In fact, the increase in travelling



expenses makes life even harder for most of the working poor. However, while we focus on low-income people, we should not overlook the youths because exorbitant travelling expenses have similar impacts on young people. Thus, I will focus my speech today on the problems in this respect.

"One country, two systems" is a value that we treasure very much, but the "one railway, two systems" implemented after the merger of the MTR Corporation Limited (MTRCL) last year is really not worth complimenting. What is the "one railway, two systems" all about? The former MTR Corporation offered student fare concessions to full-time students, but the Kowloon-Canton Railway Corporation did not offer such concessions. Is this not a case of "one railway, two systems"?

Fortunately, subsequent to striving efforts made by various sectors of the community and the young members of the Civic Party, the Government has finally accepted good advice accordingly. At the start of the new school year this year, the Government introduced full-time student fare concessions to all MTR lines. Young people attending schools, probably including those young people on the public gallery now, can travel everywhere by MTR at concessionary fares.

Nonetheless, the Government should not feel complacent that subsidizing the MTRCL in introducing student fare concessions to all MTR lines would have accomplished its task of alleviating the burden of travelling expenses on youths. It is because the Government can still make more adjustments in respect of student fare concessions to benefit young people; I will go over these points one by one below.

Actually, I think the original intention in offering student fare concessions is that full-time students have to wholeheartedly concentrate on their studies and they do not earn any income from employment, so our society should relieve these students of the burden in travelling expenses. Concessions should be given not only to help alleviate the students' burden but, most importantly, to help their parents indirectly. Thus, the suggestions I am going to make are designed with this principle in mind.

First of all, at present, there is an age restriction requirement for full-time student fare concessions. If you are a studious young person aged over 25 still

taking a full-time university programme, I am sorry to say that even though you do not have any income, you still have to pay the adult fare. In that case, would this be a penalty imposed by our society on those young people who answered the Government's call for lifelong learning? They are being punished for answering the Government's call, which is actually not quite fair.

Thus, I suggest the MTRCL should cancel the present age restriction requirement for full-time students so that all students receiving full-time education can also enjoy the benefits, which would be fairer. The current practice is actually indirect age discrimination. As our society emphasizes fairness, such a phenomenon is actually not quite reasonable, and I hope that improvements can be made.

Besides the age restriction requirement, I have heard other voices. In fact, I have created a group in Facebook earlier on for those students who study abroad while their parents are working in Hong Kong. Although they are aged under 25 and taking full-time programmes, they still have to pay full fares when they travel in Hong Kong during the summer vacation. In fact, both these students and their parents have reflected to us the hope for these students to be given some allowances.

In discussing this issue, it is actually most important for us to proceed around the principle mentioned a while ago, that is, when the students are not yet making money and are taking full-time programmes, can we consider giving them a suitable amount of allowances? Regarding the students studying abroad, their parents are working in Hong Kong, and these students are dependent on their parents for financial support. When they return to Hong Kong on vacation, they are even more dependent on their parents. That being the case, can we allow them to enjoy the fare concessions granted to full-time students? We suggest that the MTRCL should consider allowing full-time students taking overseas programmes recognized by the Hong Kong Council for Academic and Vocational Accreditation who can produce valid proofs to apply for student fare concessions, such that all full-time students would be able to enjoy fare concessions.

President, at present, only the MTRCL provides fare concessions to full-time students; even though many students would take longer time to go to school and their school journeys would be rather indirect, they would not ride in buses or minibuses, and they would choose to go to school by MTR. In this case, buses will not be competitive at all and the passenger capacity of the bus

companies will be affected. Let me cite an example: if a person travels from Central to Tai Po, he only needs to pay \$7.4 if he takes the MTR but has to pay \$21.2 if he travels by bus; he pays more than twice as much. If a person travels from The Chinese University of Hong Kong to Kwun Tong by MTR, it is fast and there is air-conditioning, and he only needs to pay \$4.5. But if he takes a bus, a non air-conditioned bus would be the cheapest, that is, the non air-conditioned Route 74A at the fare of \$6.3. How do Honourable colleagues think the student will choose? I hope that all public transport operators, especially bus companies, can consider offering fare concessions to full-time students, so that these students do not have to go to school in such an indirect manner, and I also hope that they would have their pressure relieved.

President, young people are actually the most helpless when our economy is at its ebb and they only hope to cut down on travelling expenses as far as possible. I hope the Secretary and the transport operators would consider helping young people.

I so submit. Thank you, President.

**MR JEFFREY LAM** (in Cantonese): President, among clothing, food, accommodation, and travelling, travelling comes last. But for the general public, the burden of travelling expenses is definitely not the least. People can economize on food and clothing; they can buy fewer sophisticated clothes or eat simple or light meals, which is healthier for the body. Or, they can take advantage of the bargains offered during the currently held Exhibition of Hong Kong Products to buy more food at special prices. However, it would be quite difficult to save travelling expenses because the concessions offered by the public transport operators are actually limited. Recently, a bus company has gradually cancelled concessions, causing in a different way the burden of the public to be increasingly heavy.

In the face of the current economic conditions, a lot of people would like to "save every dollar and every cent". Not long ago, four bus companies announced the cancellation of the \$2 concessionary elderly fare on Sundays and public holidays, and many people think that the elderly will not leave home in order to save money. People are also worried that, after scrapping the concession, the transport operators will take the next step and apply for a fare increase.

I share the views of the general public, President, and I am also worried that the elderly may not visit their children for the sake of saving \$2, and they will then lose contact with their children or meet them less often. Therefore, I contacted several bus companies last week reflecting to them the public's appeal for maintaining the concessionary fare for the elderly. I am very pleased that the four bus companies have listened to my view and announced today the extension of the fare concession for the elderly. I know that the public transport operators are enterprises that would discharge their social responsibilities, and are willing to tide over difficulties with the public. I call upon the public transport operators to proactively consider introducing different concessions and discounts to reduce the travelling expenses of the public.

At present, the bus companies and the MTRCL are regulated under the bus fare adjustment mechanism, which allows fares to be adjusted upward and downward, and they are monitored by the Government. Taking the MTRCL as an example, even if the Government or the MTRCL considers that it is necessary to review the provisions of the mechanism, a notice has to be issued to the other party during a specified period in the year following the fourth anniversary of the merger implementation date before a review can be conducted. So, I trust that the premise of all proposals is give respect to the established mechanism which allows fares to be adjusted upward and downward.

The motion asks the Government to provide subsidies to the MTRCL, bus companies and ferry operators so that they will offer half-fare concessions to passengers on Saturdays, Sundays and public holidays, but I have reservations. It is because the transport operators at present are private companies; and it seems to me that subsidizing the operation of private companies with public money is not a *modus operandi* that a healthy society should follow.

President, I so submit.

**PROF PATRICK LAU** (in Cantonese): President, I would like to thank Mr CHEUNG Hok-ming for proposing this motion today and I am not sure if that is precisely why the four bus companies have suddenly announced today that they would continue to provide fare concessions to the elderly on Sundays and public holidays. I hope that the bus companies would provide such concessions on a permanent basis and also extend such concessions to all passengers.

Christmas is fast approaching, but with unfavourable economic circumstances and waves of layoffs and wage reductions, the market atmosphere is quiet. I think this significantly affects consumer sentiments. Psychologically, many people are under great stress and they dare not spend money because they are worried about the future. The burden of travelling expenses is a problem faced by quite a lot of people, and they would choose to stay home. I think the Government and the public transport operators should formulate certain measures to reduce travelling expenses. If travelling expenses are reduced, more people will be attracted to leave home more often, and they will spend more on other services industries; the market will become prosperous and a festive atmosphere will thus be created.

At present, the Retail Management Association has projected that business turnover will drop by 5% to 8% this Christmas. People are less willing to leave home, if the relevant operators can provide concessions, they will be able to promote the opportunities for people to leave home for shopping or social contacts, which will then help stimulate consumer sentiments and revitalize our economy. Therefore, it is my hope that the Christmas holiday would be extended so that all of us can go out and celebrate and spend a wonderful Christmas together. I hope that various sectors of the community will make efforts together to create a pleasant festive atmosphere.

Last weekend, I took a ferry to Mui Wo to visit "Big Guy" (Mr Albert CHAN), and the ferry fare was \$25. He told me that I was really lucky because it was a Saturday, and the ferry fare would be \$10 more if it was a Sunday. Why was it so? I think that we should encourage families to go on vacations together to stimulate the tourism industry on the outlying islands. Thus, the ferry fares on weekdays should not be lower than those for weekend and public holidays. Instead, the fares on weekend and public holidays should be lower in order to attract more tourists to spend on the food establishments, entertainment facilities and accommodation services there. This would bring prosperity to the local tourist spots and revitalize the economy of the outlying islands. In my view, the ferry companies can conversely attract more passengers and increase income this way. Will this be a gesture of killing two birds with one stone?

Many museums, monuments and exhibition venues in Hong Kong are worth visiting. In my opinion, while the Government conserves these historical monuments, it should at the same time encourage more people to visit them. At the Lyndhurst Terrace, I often see quite a few tourists with maps in hand who do not know how to get to these scenic places, which is a great pity. If the

Government would co-operate with the public transport operators to establish some circular routes for monument tours, the tourists can shuttle between these scenic places using public transport services. This would facilitate convenient visits by tourists and encourage more people to visit these venues. Also, this would be conducive to the business of the vendors nearby and give the public and the tourists a deeper understanding of Hong Kong.

As for fares, I travel to Europe very often; charging modes such as "one-day pass", "three-day pass" are available in various places in Europe such as London and Zurich. A tourist only needs to buy a pass for visiting all museums. President, more important, the feeder transport services are completely free, so a tourist only needs to buy a pass to visit all scenic places. This charging mode can boost the attendance of these exhibition galleries. If Hong Kong does the same, the tourists will choose to stay here for a few more days, which will further promote consumption on other services.

Hong Kong can issue licences to hawkers to encourage them to run small businesses along the heritage and monument trails, selling exquisite souvenirs, creative handicrafts, and distinctive refreshments. Whilst stimulating our economy, this will promote the distinguishing culture of Hong Kong.

Lastly, I trust that our society should give people with disabilities more support and encourage the nurturing of an inclusive culture. Hence, the transport operators concerned should provide them with fare concessions, for example, offering people with disabilities a half-fare concession to encourage them to leave home and participate in activities more often in order to broaden their social circles. Only then can these people become productive and establish normal social contacts, which will facilitate social integration.

I so submit. Thank you, President.

**MR CHAN HAK-KAN** (in Cantonese): President, the debate on Mr CHEUNG Hok-ming's motion today is very appropriate, for the motion is proposed when a blow has been dealt by the financial tsunami. In particular, last week, the Kowloon Motor Bus Company (1933) Limited (KMB), the New World First Bus Services Limited (NWFB), the Citybus Limited (CTB) and the Long Win Bus Company Limited (Long Win) announced the cancellation of fare concessions, which highlighted the importance of the issue on high travelling expenses.

The four bus companies have cancelled the concessions this time, and the cancellation of the Same Day Return Discount cast the greatest impact. If Honourable colleagues would still remember, the bus companies have already increased fares in June this year. In cancelling the concessions now, they have increased fares by 5% to 10% again in a different form. Day after day, around 900 000 passengers (especially the New Territories residents) have to pay higher fares.

In preparing this speech, I have found three examples that I would like to share with Honourable colleagues:

If we take Route 692 from Hang Hau in Tseung Kwan O to Central, the fare is \$13.4; if there is a 10% discount on the return trip, the return trip fare is \$12.1, that is, \$1.3 less. If a passenger travels to work 24 days a month, he has to pay \$31 more, which is enough for buying a lunch box.

If we take Route 681 from Ma On Shan to Central, the fare is \$19; if there is a 20% discount, the return trip fare is \$15.2, that is, \$3.8 less. A passenger has to pay \$91 more a month, which is enough for buying three lunch boxes.

President, if we live in Tai Po and take Route 307 to Central, the fare is \$21; if there is a 20% discount, the return trip fare is \$17, that is, \$4.2 less. A passenger has to pay \$100 more a month, which is enough for buying three lunch boxes and a cup of tea.

For ordinary white-collar workers, paying \$100 more a month may not be a heavy burden, but for lower skilled workers (such as cleaners and messengers) earning only \$6,000, the cancellation of fare concessions by the bus companies will make life even harder for them.

The bus companies are public transport operators and they should really shoulder social responsibilities. We have just heard many Honourable colleagues refuting the bus companies for claiming that they had higher operating costs because of the oil prices. However, all of us can see that the oil prices have now dropped by more than 50%, and are only US\$40 to US\$50 per barrel. So, the impact of the oil prices on the future operation of the bus companies will gradually be reduced. And, even if there is a further economic slide, the bus companies will still have a stable source of passengers because people who are accustomed to going to work by bus would not easily choose other modes of

transport. However, I am going to make some suggestions later on to give people more choices.

I thought that the bus companies would tide over difficulties with the public, but President, the actions they have taken this time really made us very disappointed. Although they have not gone to the extent of being the people's enemies, I am sure that the public images of these bus companies have been seriously tarnished, and the loss outweighs the gain of a price increase.

President, we are even more worried that, once a precedent has been set, other public transport operators would follow the examples of the bus companies and cancel the fare concessions they are providing. This would start a chained reaction, and I wish to talk about the MTR Corporation Limited (MTRCL) in particular.

We know that the MTRCL has introduced monthly ticket concessions for the East Rail, the Ma On Shan Rail and the West Rail. Quite a lot of passengers have bought this kind of monthly tickets because each ticket costs \$300 to \$400 but a passenger can save around 10% of the fares each day. Under the present economic circumstances, we often hear of "saving every dollar and every cent" and monthly tickets will definitely help alleviate the burden of travelling expenses on the public.

However, it is regrettable that the monthly ticket concessions for these railways will expire one after another next year, and it can be projected that the MTRCL will then have a big excuse, claiming that it has to cancel these concessions now that the bus companies have also done so. Then, the MTRCL will also act under the similar disguise to increase fares, and the general public will be victimized. President, Honourable Members from different parties and groups are very much concerned about the fact that there are three government representatives in the Board of Directors of the MTRCL, and Secretary Eva CHENG is also a member of the Board. Has the Secretary played her appropriate role in the Board, and convey people's views and reflect our concern about high fares?

Today, I hope the Secretary would later make an undertaking and I also ask the Secretary as a Board member to request the MTRCL to extend the monthly ticket concessions in order to break the monopolization by the bus companies and allow people to have more choices in respect of the modes of transport, such that they do not necessarily have to take buses.



Of course, the original motion of Mr CHEUNG Hok-ming today contains many other suggestions such as re-launching the "Ride 10 Get One Free" Promotion, setting up more MTR Fare Savers and so on. I fully support these suggestions.

President, having talked about these suggestions, and the many different views on the original motion and the amendments, it seems that all of them are pinpointing the bus companies and the MTRCL while the Government can hide under the shield of the "principles of commercial operation" as though nothing can be done. But is that really the case? I think the Government can at least do the following three things:

- (a) the Government should utilize the "imperial sword", that is, the right to vet the franchise applications of the bus companies and exert pressure on the bus companies, asking them to withdraw the plan to offer less fare concession;
- (b) expanding the Transport Support Scheme to cover all districts in the territory to alleviate the burden of travelling expenses on all wage earners; and
- (c) the Government should exercise its influence in the Board of Directors of the MTRCL to extend and expand the monthly ticket concessions.

President, I so submit.

**MR FREDERICK FUNG** (in Cantonese): President, the onslaught of the financial tsunami is fierce, and the blows dealt to our economy have gradually become evident. The result of a survey conducted by a government consultant on the latest operating situation of small and medium enterprises (SMEs) indicated that, according to the SMEs from 10 major industries, within a week up to 28 November, their income dropped by 18.7% as compared with their normal income, while the construction industry had an even more serious rate of increase, which reached 32.8%. It is all the more worth noting that these SMEs have projected that the situation would be even worse in December, and their income would be further reduced by 12.2%, which indicated that the economic circumstances would worsen further.

The same survey has also asked about the number of employees of SMEs, and a rate of decrease has also been recorded. Though the rate of decrease in the number of employees is not as high as the rate of decrease in income, in the face of an expected continuous decrease in income, SMEs will choose to reduce expenditures and maintain operation by layoffs. Therefore, the Government has announced a short while ago the latest unemployment rate is 3.5% for the period from August to October. Nevertheless, the figure is already a bit outdated and it is estimated that the unemployment rate will further increase to 5.5% or above; hence the local employment situation is very bleak.

On the contrary, in respect of commodity prices, the Composite Consumer Price Index in October has increased 1.8% as compared with last year, eliminating the effects of all one-off relief measures taken by the Government, the basic inflation rate still reaches 5.9%. In fact, there is a persistently high inflation rate and the basic commodity prices have remained high, in particular, food prices have increased by 14.9% as compared with last year, and the rate of increase in the prices of basic food such as beef and pork is more than 20%. There is also the phenomenon that prices are quick in raising but slow in reducing. Since food accounts for a fairly high proportion of household expenditures, high food prices will deal a severe blow to the livelihood of the grassroots.

President, when life is getting more and more difficult for the public, travelling expenses still stand high under the long period of protection provided by the Government. The bus companies are really bold-faced in saying that they are going to suspend the current concessions for the elderly and the discounts on the return trips. In the face of economic adversities, this is just like hitting the elderly when they are down, and tantamount to increasing the fares for the elderly. I believe that such a ridiculous case will only take place in Hong Kong. The public transport operators can refuse to reduce fares when the economic situation worsens in the name of the commercial principles and a free market. They can also cancel the concessions, which can be equated to a fare increase, and be totally indifferent to the social responsibilities to be borne by enterprises.

President, people really are fed up. During the economic downturn after the financial turmoil in 1997, the two railway companies and the bus companies had profits recorded over the years but they were not ready to tide over difficulties with the public and refused to reduce fares. At that time, under

enormous pressure from the public, the Government was forced to introduce to the bus companies a mechanism which allowed fares to be adjusted upward and downward, and introduce a fare adjustment mechanism for the rail merger. However, when the public comes to think that the future fare prices would be adjusted upward and downward in accordance with the relevant ordinance and the situation where fares only went upward and not downward would be rectified, they found that the formula under the newly introduced mechanism only comprised such factors as wage index, commodity price index and productivity. Evidently, fares could be adjusted in light of the economic circumstances.

President, we can hardly imagine that the bus companies bypassed this mechanism last year and gave irrelevant reasons, including the point that there had not been a fare increase for years despite continuous oil price increases, and that their profits were lower than the reasonable rate of return of 9.7%, and applied to the authorities concerned for a fare increase as if the mechanism which allowed fares to be adjusted upward and downward was nothing. The public was only awakened then, and they discovered that in "allowing fares to be adjusted upward and downward", they did not know when fares would go upward and when they would go downward, and are the fares really be adjustable increased and also decreased.

President, given a drastic reduction in international oil prices today, which has recently fallen to US\$40 plus per barrel, considerably less than US\$140 per barrel. The retail prices of diesel and liquefied petroleum gas (LPG), and the fuel costs of public transport have already fallen, why would fares not be adjusted downwards? We, especially the bus companies, should not forget that, people showed understanding for them when they had difficulties in business operation a few years ago, and their fare increases were allowed and accepted. Today, times have changed, and when people have financial difficulties and are facing adversities, I hope the bus companies would put themselves in the public's shoes and I wonder if they can reduce fares to alleviate the heavy burden of travelling expenses on the public.

President, perhaps I am really a bit naive. History keeps repeating itself and right after the financial turmoil in 1997 when there were economic adversities, people's request for reducing travelling expenses ended up with nothing. I am worried that our request this time would similarly end up with nothing because it seems that asking the bus companies to reduce fares is just like a fruitless approach.

President, basically, why do the public transport operators in Hong Kong occupy such a prestigious position after all? Fundamentally, the Government and the bus companies have put the blame on the free market. They keep using the words "free market"; have we been too obsessed and persisted too much in the free market? Actually, the free market has failed to deal with some profit-less ..... or I should say that the free market is just a mechanism for chasing fame and wealth. Commercial principles, the social moral of enterprises and so on basically do not exist in a free market, and are not factors for consideration. These operators only go after higher profits, good reports for the shareholders and surpluses. Hence, a fare increase is a phenomenon that is much the same as a fruitless approach.

President, the Hong Kong Association for Democracy and People's Livelihood and I think that the financial tsunami offers a good opportunity for Hong Kong to re-examine the relationship between the Government and the market; we cannot wantonly put public interests in the hand of the free market again, and entrust those commercial organizations that only go after profits to solve people's problems and difficulties. The financial tsunami has precisely proven to us that suitable intervention and monitoring are essential. Thank you, President.

**MR LEUNG KWOK-HUNG** (in Cantonese): President, there is a famous saying: "O Liberty! What crimes are committed in thy name?" In using the word "liberty", the free market has deceived everybody because, under this system, many people are very liberal, for example, the rich are very liberal.

Let us take a look at the mechanism which allowed fares to be adjustable upward and downward which was introduced in 2006 and that this Council was convinced by the Government to mark its endorsement. What are the merits? I have asked how beneficial the mechanism is. The Administration has told us that, after the introduction of the mechanism, fare concessions will be provided for long and medium distance bus routes for three years up to March 2009. The concessions will expire in March 2009 but a response has already been made now; the bus companies will be at liberty to do anything and the ties which bound them will be slackened very soon. They have deceived the Government (I am not sure if the Government was foolish or purportedly foolish) and this Council; they have caused this Council to fight for sweets for the public, and asked the

public if they would like to have sweets. However, it turned out that, after having sweets, a factory has been taken away.

Now, all kinds of concessions are going to be cancelled. I met a group of elderly people at the entrance today and they asked me if I would support them. I told them that, if my mother were alive, she would be aged over 80 this year. I would surely support them. Of course, I understand the agony of the elderly, right? Before, I was the one who visited my mother and she would not visit me because the travelling expenses were too high.

These people have made a tabloid on which was written the expression "the Mainland provides free public transport for the elderly while Hong Kong shows discourtesy". On the Mainland, free public transport is provided for elderly people; in Hong Kong, the elderly are still only provided with the \$2 concessions by the bus companies. However, the bus companies have remarked that this can no longer be done and the practice is not good for they will sustain losses, so they have to cancel the concessions. I would like to tell Honourable colleagues that "providing small favours and using deceitful words" should be reviled. But now, they are unwilling to provide even small favours. They do not bother to use deceitful words and have simply showed their faces of atrocity.

Why is this the case, Honourable colleagues? It is because the Government has spoiled them and it has taken the lead. The Government told the KMB, the CTB and the China Motor Bus that it was not good for them to behave like this and they have not shouldered social responsibilities. But they have said to the Government, "Are you out of your mind? How do you come up with the idea? Why do you think so? Why do you still have the idea? You are the majority shareholder of the MTRCL, but you have given free rein for it to manipulate in the name of the interests of the minority shareholders, what still can the Government say about us?" These are private enterprises and the Government has taken the lead to do injustice; it has spent Hong Kong taxpayers' money on the construction of the MTR, and the company has expanded and merged with the KCRC to become the current MTRCL. There have been vigorous speculative activities involving its shares, and the wealth and resources of our society have gone into the pockets of the so-called minority shareholders — in fact, those who are benefited are not the minority shareholders but mostly the majority shareholders. Most speculative activities involving shares are carried out by groups, right? Most fund managers have bought "big elephants" or "big stones", and they are those who received the benefits.

Now that the wage earners in Hong Kong are faced with high travelling expenses, the Government has told this Council in a smooth-tongued manner that, Buddy, if you support the Government's Budget, the wage earners in four remote districts can get fare allowances from the Government for it will give each of them an allowance of a few hundred dollars. Now that the concessionary period will soon expire, the allowances will be withdrawn. Therefore, this has taught Honourable colleagues a lesson that when we are given sweets, it is food handed out in contempt, and if we eat them, we will have stomachache. We have accepted the toxic sweets on behalf of our electors, what else can we say?

I would like to tell Honourable colleagues that the bus companies would do no good deed but they do all bad deeds. When a bus is surrounded by raging flames, there might be the infirmity and people with disabilities on it because many people took buses. The bus companies have told us that the relevant information would not be released — Buddy, sorry, why was the bus on fire? What did they think the vehicle was? Did they regard it as their private car? Our request for their release of the information has been declined. They have given people certain minor advantages but then refused to give them same afterwards.

Chief Executive Donald TSANG visited Britain last month and he met Mr Gordon BROWN. When he saw the BBC, he dashed forward at once. He was scared when he saw us in Hong Kong and he again "malaproped" that he might be "long-winded", what can we do? Long-winded — was really long-winded at that time, and he said every enterprise should shoulder social responsibilities and refrain from layoffs. Buddy, to shoulder social responsibilities, they definitely should not lay off employees, but these are franchised companies and the MTRCL and the bus companies have monopolized the services provided. We cannot say that we do not want such services, in other words, they can ask us "to pay before using the road" as though they are robbers. They have not discharged their social responsibilities but the Government does not bother them. I would like to ask what the Government is for. What is such a Government needed for?

The Government has appointed so many Under Secretaries and Political Assistants and stated that they would attend meetings at this Council and be engaged in social interflow with us, which means they are going to engage in a battle of words and retort with us, right? The Political Assistants will approach us and they will say "'Buddy Yuk-man', please do not make trouble to such an

extent next time". What is the size of his shoe? Do not throw shoes. The Under Secretaries are here to give cover to the others. It is revealed that they are not here to ask the social enterprises to shoulder social responsibilities or warn them that they would be sanctioned, or they would no longer be given the franchise if they do not provide concessions. Yet, the Under Secretaries have not done anything of the sort.

Our Government is elected by more than 800 persons; all of them made money unjustly in the financial market and played deceitful financial tricks, and made considerable profits. These are "big bricks", who dare defy them? All of them are listed companies. Honourable colleagues, this proves that if a person tells you that the Government elected by a small number of people will work for the common good, he must be deceiving you, right? We have degenerated into the present state precisely because the Government is controlled by a small number of people, hence serving just a small number of consortia. I have just said that the utilization rate of the Octopus card is astonishing, so as long as the major transport operators could become public companies, people will benefit directly.

I oppose such a behaviour of the Government. Thank you, President.

**MR TAM YIU-CHUNG** (in Cantonese): President, high travelling expenses is the major concern of New Territories West residents because the district is remote. Various parties have made efforts in the past few years and successfully strived for the formulation of some concessionary measures by the bus companies and the West Rail. These measures have nevertheless alleviated the burden of travelling expenses on the public, but the bus companies have recently announced that the Same Day Return Discount and the \$2 concessionary elderly fare offered on Sundays and public holidays will be cancelled one after another starting from the beginning of next year. Such an action means fares will be substantially increased in disguise. According to our calculation, the travelling expenses of long-distance bus passengers will immediately be increased by 5% to 10%. In particular, our economy is now greatly affected by the financial tsunami and cast further hardship on the residents who are already leading very difficult lives. The Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) is strongly dissatisfied with the bus companies' indifference shown to problems faced by the people. Experience in the past few years reveals that the bus companies' provision of fare concessions has not created too much of a burden on

the companies themselves, whereas oil prices have cast the greatest impacts on their revenues. In the few months, however, fuel costs have substantially reduced, dropping by two thirds as compared with the peak prices. Nevertheless, the bus companies have not reduced fares as a result, conversely, they have increased fares in disguise.

Today, the bus companies restrained their disastrous actions at the last moment and have readily accepted good advice. They announced that the \$2 concessionary elderly fare on Sundays and public holidays would be maintained, which is welcomed by us. However, I really do not understand why the bus companies have ever considered cancelling the \$2 holiday fares for the elderly. Actually, there are relatively fewer passengers on Sundays and public holidays, if elderly people can enjoy fare concessions, they can leave home more often and they would be accompanied by family members, which is good for them. Also, the fixed costs of the bus companies remain unchanged, so if there are more passengers, they will generate revenues. This will also demonstrate that the bus companies care about the elderly, which will improve their images and generate revenues at the same time, why not go ahead with it? Unless the bosses of the bus companies feel itchy because of the dry weather and want to be scolded in order to stop the itching. If that is really the case, there will be no way out. In fact, the Mainland offered free rides to the elderly, quite a few elderly people have often told me that they do not have to pay when they take buses on the Mainland, and they think that they have been unfairly treated in Hong Kong. If the bus companies operate in the opposite direction, they will only drive the passengers away. If the concessions are really cancelled, more elderly people, especially those who live in New Territories West, may choose to spend their money on the Mainland.

Apart from the cancellation of fare concessions by the bus companies, another potential problem of extremely great concern to the New Territories West residents is whether the West Rail Line Monthly Pass scheme will be cancelled after June next year. At present, most passengers travelling to work in the urban areas on the West Rail have bought the West Rail Line Monthly Passes. Only \$400 are charged for a monthly pass (only \$300 were charged at the very beginning). If the West Rail Line Monthly Pass is cancelled, it is tantamount to depriving the residents of their rights. So, we hope that the Government, in the course of urging the bus companies to provide fare concessions over a long period of time, will pay particular attention to urging the MTRCL to retain the West Rail Line Monthly Pass concession.



Besides the problems of buses, ferry services is also quite a serious issue.

Earlier on, the Tuen Mun to Tung Chung ferry service was suspended because of mismanagement. The company taking over the operation now can only provide limited services using small ferries during the peak period. It can only meet the demand of a few hundred passengers every day against the thousands of passengers travelling to work between Tuen Mun and Tung Chung, hence it is evident that the service is extremely inadequate, and many passengers have to switch to the much longer bus rides which charge higher fares. There is no longer an effective market and this is the paramount reason why the Government should provide the service. Nevertheless, we have not seen the Government providing any assistance in expanding the ferry service.

Concerning ferry services, I must talk about the fares of ferry services for the outlying island. As we all know, the residents of the outlying islands do not have other modes of transport to choose from, and they often have to rely on ferry services. Some ferry routes such as the outlying island ferry routes from Mui Wo, Ping Chau, Yung Shue Wan and Sok Kwu Wan to Central will have their fares increased effective from July this year onwards, and the average rate of increase ranges from 5.5% to 23%. In other words, a passenger will pay \$1.5 to \$3.9 more for a trip on weekdays and \$1.8 to \$5.7 more for a trip on weekend and public holidays. On average, 20 000 passengers have to spend more on travelling expenses every day. A recent survey by the DAB showed that only 2.7% of the respondents considered the fares of ferry services for outlying islands reasonable; the percentage scored the lowest on the opinion polls of respondents among all transport operators. The excessively high fares charged by ferry services is a serious problem found totally unacceptable to the residents of the outlying islands. We think the Government should proactively introduce all kinds of measures to reduce the fares of outlying island ferry services such as the measures for increasing the non-fare box revenues of the ferry operators; setting up a fund with an objective to upgrading ferry services to provide support to the ferry operators and proactively promoting tourism in the islands, as well as exploring and organizing more local culture events for attracting tourists.

**DR RAYMOND HO** (in Cantonese): President, the impact of the hard-hit global economy caused by the financial tsunami has been deeply felt by Hong Kong people. In the past three months, various sectors of the community made various kinds of appeals to the Government with a view to having the existing

burdens alleviated and avoiding a difficult situation to be encountered in the future. Also, various measures were taken to increase income and decrease expenditure. For the sake of survival, enterprises would consider sales promotion, transformation, wage reductions and even layoffs. Conversely, for the lower and middle class wage earners, when spending on the four main necessities of clothing, food, accommodation, and travelling, they can only choose to buy fewer new clothes, eat simple and light food, and reduce domestic energy consumption; travelling is the only expenditure item that they have no way to control.

Guangzhou started implementing the "Preferential Scheme for Public Transport and Metro Fares" at the beginning of last month for a trial period of one year. Under the scheme, concessions of varying extent are provided to ordinary people, students, elderly people and people with disabilities. Among them, students are entitled to a half-fare concession for travel on the Metro, elderly people are entitled to a half-fare concession or free travel on the basis of age while people with disabilities can enjoy free travel on public transport. In implementing this measure, the Guangzhou Government has undertaken to pay a total of RMB 1.8 billion yuan as subsidies within three years. The SAR Government should take this policy implemented in Guangzhou as a precedence.

Beijing hosted the Olympic Games, but after the Olympic Games and the Paralympics were rounded off, the single fare arrangement implemented before the Olympic Games are still maintained. Passengers can take various lines within the metro network and each of them only have to pay a fare of RMB 2 yuan, which is a measure taken to attract more long-haul passengers living in the remote areas.

The fare concession for people with disabilities is also a concern of this Council. We have had several debates on this subject in the hope that the Government would address squarely the difficulties encountered by people with disabilities for the sake of social integration. Although the previous motions were passed by this Council, the Government has not taken proactive actions to implement effective measures to assist people with disabilities who have waited bitterly for years. Article 50 of the Law of the People's Republic of China on the Protection of People with Disabilities specifies that the blind who are holding valid documents can use local public transport free of charge, including public buses, trams, subways and ferries. Also, Guangzhou as mentioned above also provides free travel to people with disabilities who are holding valid documents. It is worth the efforts of the Government to learn from these examples.

At present, cities of different dimensions in various parts of the world have implemented a measure known as "zero-fare public transport". As the name suggests, the objective is to provide local people with free public transport. However, in a densely populated city like Hong Kong, it is rather difficult and even impossible to implement such a measure, but the implementation of such a measure can be considered in smaller residential areas. Many big cities have implemented "limited zero-fare public transport", that is, providing limited free public transport; for example, providing elderly people with free travel during non-peak hours or providing free shuttle bus services within these areas. I trust we can proactively consider doing so.

President, in the past, this Council repeatedly asked the Government to address travelling expenses problem squarely. The Government should try its best to convince and encourage public transport operators to shoulder the social responsibilities due to them, and provide the public with more comprehensive fare concession measures. This would enable people to maintain a balance in essential living expenses under tough economic circumstances so as to reduce grudges in our society and maintain social harmony.

President, I so submit.

**MR LAU WONG-FAT** (in Cantonese): President, hit by the global financial tsunami, our economy is rapidly deteriorating, news of layoffs and wage reduction have been incessantly heard, and people are perplexed and uneasy about the future. This motion on alleviating the burden of travelling expenses as proposed by Mr CHEUNG Hok-ming is indeed worth serious consideration and implementation by a people-oriented government who cares about the weal and woe of the people.

The financial tsunami highly lethal, it arouses public panic which will in turn seriously suppress consumer sentiments. If the Administration allows the phenomenon to ferment, the vicious cycle thus arisen will cause our economy to deteriorate further, and the lives of people even harder.

The travelling expenses in Hong Kong are relatively high, and this has all along been criticized by the general public. At times of economic difficulties, travelling expenses become the burden of the public, affecting their activities and their consuming behaviours, such that they cannot be underestimated.

Under the current circumstances, public transport operators should keep abreast of the times and reduce fares or increase concessions to encourage the passengers to use their services; the best strategy is for them to promote more sales for lower profits. In fact, there will be a win-win situation. Recently, some department stores and some participants in the Computer and Communications Festival have held a grand sale which attracted many people to go on a shopping spree. This is a successful example of promoting more sales for lower profits in a sluggish market.

A few days ago, local franchised bus companies announced the cancellation of the concessionary fares for the elderly for Sundays and public holidays and the Same Day Return Discount which were provided in the past three years. These measures are tantamount to fare increases in disguise in an adverse market, which are unwise. I have just heard that the four bus companies have announced that they will half withdrawn their proposals, which can be considered a right step forward. I hope that the leaders of these companies can continue to demonstrate their wisdom at a macroscopic scale and examine the current situation and public feelings, rather than doing inappropriate things at an inappropriate time.

President, in alleviating the burden of travelling expenses on the public, the Government has the responsibility to take up the role in assisting to lobby; this will not only practically alleviate people's hardship but also inject new vitality into the efforts to resist the financial tsunami, promoting domestic consumption and economic activities.

With these remarks, President, I support the motion.

**DR PRISCILLA LEUNG** (in Cantonese): I believe that all modern societies advocate that enterprises should shoulder social responsibilities. Therefore, a lot of people are highly concerned about the issues associated with the fares of the MTR, buses and green minibuses. I trust that these large enterprises have always had close links with Hong Kong people and are well known to us. Yet, time and again, at the critical moment of an economic crisis, they would break the heart of Hong Kong people.

I remember very well a few years ago, my parents told me very proudly that "we visited the Ocean Park free of charge today". They felt so proud because they were elderly people in Hong Kong, and they could visit the Ocean

Park free of charge. However, I recall that the Disneyland was criticized when it was first opened because it had allegedly failed to take into account the feelings of the local people and to win the support of Hong Kong people. In fact, whether or not an enterprise, a large enterprise in particular, wins the support of the local people is closely linked with its business development. I believe that, in an economic downturn, many people will have a fear of unemployment, and the entire community is very much concerned about the physical health of the elderly and the spiritual health of children.

I remember that in May this year, I visited some families in one of the poorest housing estates in Hong Kong, the Fu Cheong Estate, and I stayed in their homes overnight. A few families have given me a deep impression; they are single-parent families and their children have not visited the parks nearby for a year because these families need to drink from the same pot of soup which was meant for several days. Since the parents of these children want to save money for the extra expenses on their studies, they can only spend as less on travelling as possible. Therefore, the lively children I met actually have autistic tendencies. Not only the children but the elderly also have such tendencies. The excessively high travelling expenses are among the main reasons why they do not want to leave home for social contacts on Sundays and public holidays.

As far as I remember, in the first half of the year, as inflation intensified, the Government provided additional concessions, and we also suggested increasing travelling allowances. We did so because there was inflation; now that there is a financial tsunami, people have become even poorer and the basic travelling expenses may exactly be the obstacles to the normal social contacts of the elderly, children or young people living in remote areas.

Therefore, I particularly support the motion today and all the amendments. In my opinion, if the MTRCL, bus companies and green minibus companies can consider the issue from a longer-term point of view, and be willing to tide over difficulties with everybody in an economic crisis, they may enable people who have never had a chance to enjoy normal social contacts to visit certain places that they may not even have a chance to visit before the emergence of the economic crisis, such may be very basic facilities like the Kowloon Park or some larger public parks. I think that, when people feel pessimistic, taking measures as such may gain back the respect of many Hong Kong people for these large enterprises, and these enterprises may also win our high regard. As Honourable colleagues have already discussed other points, I do not intend to repeat. Thank you, President.

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

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): Mr CHEUNG Hok-ming, you may now speak on the amendments. You may speak up to five minutes.

**MR CHEUNG HOK-MING** (in Cantonese): President, regarding my motion today, a total of three Honourable colleagues have proposed amendments. There is no contradiction between their amendments and my original motion, and they have just made improvements on the requests I made. For example, the amendment proposed by Mr WONG Kwok-hing mainly asks for the inclusion of green minibuses to the modes of transport providing concessions, and the utilization of Octopus card to receive concessions on all types of public transport. We support these requests.

Concerning the proposal made by Mr Andrew CHENG about the further extension of the existing monthly ticket schemes, and making such schemes a permanent arrangement, as the motion proposed by the DAB also asked for the extension of the monthly ticket schemes to urban routes, so his amendment is not in any way contradictory to my original motion.

As regards Mr Andrew CHENG's request for the establishment of a fare stabilization fund, the DAB has suggested the same during the rail merger, and the Secretary Dr Sarah LIAO indicated at that time that the matter would be explored further. Now, we hope the Government would undertake without delay to consider the expedited establishment of the fare stabilization fund.

President, the DAB expresses support for the aforesaid amendments. I do not have anything else to add. Thank you.

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese): President, I would like to thank Honourable Members for expressing their views. I am now going to make an overall response.

Just like the public, the Government is very much concerned about the fares for public transport services. But what has actually happened is that we

also need to consider if the operators will still be able to provide efficient and appropriate services. In respect of the fare levels for public transport services, we have put in place a fare adjustment mechanism for effective regulation of the service quality of basic fares. Of course, besides the basic fares, the Government often encourages the public transport operators to provide concessions.

Taking franchised buses as an example, we have put in place a very comprehensive mechanism that allows the Chief Executive in Council to fully consider and balance the relevant factors against one another such as the acceptance and affordability of the public so as to prescribe reasonable fare levels. When we last extended the franchise of the bus companies in 2006, we added a fare adjustment mechanism which allowed fares to go upward and downward, so that corresponding bus fare adjustments could be made in light of the upward and downward changes in the current economic circumstances and operating costs. Having considered the formula outcome and all other relevant factors, the Administration can initiate a downward bus fare adjustment.

Moreover, the franchised bus companies have agreed to provide \$2 concessionary elderly fare on Sundays and public holidays for a period of three years and provide Same Day Return Discounts on some routes. Some Honourable Members have suggested that when the Government holds franchise negotiations with the bus companies next time, it should add a condition specifying that the companies should provide concessions to the disadvantaged or specific groups. We are of the view that, specifying in the franchise agreement that the bus companies should provide fare concessions to specific groups of passengers in specific ways will have financial impacts on the operators, which will be reflected in the basic fares. This issue calls for extensive public discussions. On the other hand, there is a suggestion that all passengers should be given allowances. We think that this does not comply with the principle of prudent and optimal use of public money. I agree very much with the question just raised by Ms Miriam LAU about the suggestion for the Government to provide 100% concessions in an across-the-board manner.

In fact, for those in need, the Government has always implemented targeted measures to provide them with assistance. For instance, the Government provides allowances to financially needy students travelling to and from schools, implements a fare concession scheme for the elderly, and provides rent and licence fee concessions to public transport operators providing elderly fare concessions.

The Government has always encouraged public transport operators to adjust downwards their fares or provide concessionary measures as far as possible in light of their operation and economic circumstances, in order to reduce people's expenses on public transport. Actually, the major public transport operators have currently provided different kinds of fare concessions to passengers, which help alleviate the burden of travelling expenses on the public.

Regarding franchised buses, the Government has always encouraged the operators to make their best efforts to provide concessions to passengers including the elderly. Several bus companies have responded to the Government's encouragement and the community's appeals, and announced this morning their decisions to extend the period for the concessionary elderly fare on Sundays and public holidays to 31 January 2010. The Government welcomes this decision of the bus companies. Furthermore, the bus companies have been providing half-fare concession to the elderly, and the New Lantao Bus Company Limited has provided fare concession to the elderly at less than half of the fare on 10 bus routes on weekdays. In the past few years, the major bus companies offered a day of free ride for all senior citizens on the annual Senior Citizens Day, that is, the third Sunday of November each year. In addition, the franchised bus companies provide half-fare concession to children aged under 12.

The bus companies provide sectional fares on around 70% of (around 400) bus routes benefiting 680 000 passengers each day. Also, besides short-haul bus routes, the bus companies provide more than 220 bus-bus interchange concessions on around 70% of (around 400) bus routes benefiting 125 000 passengers each day. Among these concessions, there are 55 discounts for interchange among buses of different companies. The Transport Department and the bus companies will continue to negotiate the provision of more bus-bus interchange concessions on suitable routes.

Furthermore, the New Lantao Bus Company (1973) Limited is providing daily travel passes. The Transport Department also welcomes and encourages other bus companies' proposing the introduction of daily and monthly travel passes.

Concerning the suggestion of revising the scale of fares under the Public Bus Services Ordinance, at present, the scale of fares of various franchised bus companies have set out different kinds of routes, for example, the highest fares to



be charged by leisure routes, routes providing late night services, express routes, cross harbour routes and routes with different journey distance. These categorizations reflect that the routes in different groupings have different nature, journey distance, districts served and vehicle types. We will from time to time review the appropriateness of these groupings in the light of practical operation.

About railways, during the rail merger last year, fares were adjusted downwards. In fact, the MTR Corporation Limited (MTRCL) introduced quite a number of fare concessions in the past in the light of the overall economic situation of Hong Kong and its market strategy.

Many Honourable Members have just referred to the MTR Fare Savers which is one of the promotional measures of the MTRCL. The MTR Fare Savers are set up in 2002 in the hope of giving fare concessions to encourage people who live or work farther away from MTR stations to walk there to use railway service. In the past year, the number of Fare Savers increased from 21 to 27. The MTRCL would continue to respond to market needs and consider introducing new Fare Savers taking into account such factors as the actual number of passengers and potential growth, availability of other transport modes for interchange with railway, market situation and competition with other transport modes in the district. The MTRCL will conduct annual review on the Fare Saver Scheme when deemed necessary.

The MTRCL also provides the East Rail Line Monthly Pass and the West Rail Line Monthly Pass concessionary schemes. The holders can take unlimited rides on the East Rail Line or the West Rail Line respectively within the month of ticket issue. The introduction of these monthly passes is mainly to tie in with the commencement of new railway services.

Of course, the MTRCL also provides other concessions but I am not going to repeat them long-windedly. As to the Free-ride Day for the elderly on Sundays and public holidays, we understand the voices and appeals of the community in this connection and we have proactively encouraged the MTRCL to consider reintroducing the concession.

On the fares of outlying island ferry services, we understand that ferry services are very important to outlying island residents and are their major modes of transport to other places. In recent years, the operation of outlying islands

ferry services has been extremely difficult. Under the principle of not providing direct subsidy to daily operating expenses, the Government has adopted measures to help reduce the operating expenses of outlying island routes and increase the non-fare box revenue of ferry operators so as to maintain fare stability as far as possible.

Focusing on outlying island routes, we successfully obtained the approval of the Town Planning Board in 2007 to relax land uses at Central Piers No. 4, 5 and 6 so that the operators can sublet the upper decks for commercial activities, streamlined the procedures for approval of applications for subletting premises at the piers, and retrofitted these piers with fire prevention facilities.

In mid-2008 when new licences were issued to four outlying island ferry routes plying between Central and Mui Wo, Sok Kwu Wan, Yung Shue Wan and Peng Chau, the Government introduced additional helping measures. For instance, the Government launched in August this year a one-off \$2 million scheme of providing free ferry tickets to encourage schools, non-government organizations and community as well as district groups to organize activities to Peng Chau, Mui Wo and Lamma Island. Up to the beginning of this month, the Transport Department has approved more than 620 applications, and it is expected that more than 82 000 passengers will travel by ferries to and from these three outlying islands.

At present, most ferry services provide fare concessions to children, elderly people and people with disabilities. The Government also provides under the Student Travel Subsidy Scheme travelling allowances (including ferry fares) to financially needy students travelling to and from schools.

We have undertaken to review the long-term development of outlying island ferry services in the hope of enhancing the long-term financial viability of outlying island ferry services and maintaining fare stability. We will conclude the review as soon as possible.

It is suggested that the Government should provide subsidy to public transport operators to urge them to provide half-fare concessions on Saturdays, Sundays and public holidays. We think that public money must be properly used for its designated purpose and to help those in need. For instance, the Government launched the pilot Transport Support Scheme to provide

time-limited travelling allowances to unemployed people and low-income employees with financial difficulties residing in four districts, namely Yuen Long, Tuen Mun, North and Islands. A review will be conducted at the end of the one-year trial period, and the relaxations under the Transport Support Scheme were implemented on 2 July 2008.

After the implementation of the relaxation measures, a good and many new applications have been received, which reflected that, in reviewing the pilot scheme, the Government has really pinpointed the specific situation of the four designated remote districts. The formulation of the relaxation measures, including raising the monthly income ceiling for eligible persons by 16%; allowing eligible persons living and working in the same designated remote district to apply for allowances, and extending the duration of the subsidy period to 12 months, has fully taken into account the district-based and time-restricted nature of the subsidy. If the eligibility and subsidy period are further relaxed, the subsidy will become a different form of subsidy for those on low incomes and will deviate from the policy intent.

We understand that, under the relaxation measures, the community still has lots of appeals and they want the further relaxation and extension of the Scheme to all districts in the territory. Yet, I must emphasize that the Government needs to prudently consider these opinions lest the Scheme should be deteriorated and deviated from the policy intent of encouraging the residents of the remote districts who have fewer job opportunities to find jobs and to stay in employment "in the outside".

Since the relaxation measures under the Scheme have only be implemented for around five months, the Labour Department in charge of its implementation will continue to monitor the implementation of the Scheme and listen to the views of Honourable Members and various sectors of the community. If necessary, the Government will conduct a review one year after the relaxation measures have been implemented (in July 2009).

President, I understand Honourable Members' concerns very well and I fully understand people's appeals for reducing travelling expenses.

The Government will continue to encourage various public transport operators to provide concessions in light of individual operation to alleviate the

burden of travelling expenses on the public. Also, the Government will continue to reflect to the public transport operators the appeals of the public and passengers for concessions to be provided, so that they will understand and consider the earnest hope of people for fare concessions when they make the relevant decisions. We hope that, while maintaining reasonable fares, various operators can continue to provide efficient and appropriate public transport services operationally and financially.

I hereby finish summing up my response. Thank you, President.

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

**MR WONG KWOK-HING** (in Cantonese): President, I move that Mr CHEUNG Hok-ming's motion be amended.

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

"To delete ", as the people of Hong Kong has long been bearing" after "That" and substitute with "the fares of local public transport are escalating, causing the public to bear"; to delete "and" after "a heavy burden of travelling expenses" and substitute with "for a long time, coupled with the fact that"; to add "further" after "this Council urges the Government to adopt"; to add ", green minibus" after "MTR Corporation, bus companies"; to delete "studying suitable options" after "high fares of outlying island ferry services," and substitute with "actively studying various suitable options, including substantially increasing the non-fare box revenue of ferry operators or the Government directly operating the services, etc."; to add "and, according to the request of the residents and using more consistent standards" after "the 'Ride 10 Get One Free' Promotion"; to delete "and" after "set up more MTR Fare Savers" and substitute with "as well as"; to delete "and" after "existing monthly ticket schemes"; and to add "; and (g) on the basis of the above measures, further studying in a proactive manner the utilization of Octopus card which is widely used by the public to provide all people in the territory with concessions on monthly tickets that are valid for use on all types of public transport, hence will provide convenience to the public and not

lead to excessively high administrative and operating costs to the various public transport operators, thereby alleviating the burden of travelling expenses on the general public, particularly the working class" immediately before the full stop."

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

**PRESIDENT** (in Cantonese): I now call upon Mr WONG Sing-chi to move his amendment to Mr WONG Kwok-hing's amendment.

**MR WONG SING-CHI** (in Cantonese): President, I move that Mr WONG Kwok-hing's amendment be amended.

**Mr WONG Sing-chi moved the following amendment to Mr WONG Kwok-hing's amendment: (Translation)**

"To add "and local franchise bus companies have recently announced the cancellation of fare concessions for the elderly on holidays and same day return fare concessions which were provided in the past three years, causing the travelling expenses of the elderly and grassroots to increase, this Council expresses condemnation in this regard; since public transport operators have continued to increase their fares," after "the fares of local public transport are escalating,"; to delete "studying in a proactive manner the utilization of" after "(g) on the basis of the above measures, further" and substitute with "utilizing"; to add "and continuing to provide the current fare concessions for the elderly on holidays and same day return fare concessions provided by local franchise bus companies," after "all types of public transport,"; and to add "the elderly and" after "particularly"."

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

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

(Members raised their hands)

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

(Members raised their hands)

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

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That Mr WONG Kwok-hing's amendment, as amended by Mr WONG Sing-chi, to Mr CHEUNG Hok-ming's motion be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

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

**PRESIDENT** (in Cantonese): Mr Andrew CHENG, as the amendments by Mr WONG Kwok-hing and Mr WONG Sing-chi have been passed, I have given leave for you to revise the terms of your amendment, as set out in the paper which

has been circularized to Members. When you move your revised amendment, you may speak up to three minutes to explain the revised terms in your amendment, but you may not repeat what you have already covered in your earlier speech. You may now move your revised amendment.

**MR ANDREW CHENG** (in Cantonese): President, I move that Mr CHEUNG Hok-ming's motion as amended by Mr WONG Sing-chi be further amended by my revised amendment.

President, I do not have anything to add, I only want to obtain the support of Mr Abraham SHEK who was the only one raising his hand to indicate opposition just now.

**Mr Andrew CHENG moved the following further amendment to the motion as amended by Mr WONG Kwok-hing and Mr WONG Sing-chi: (Translation)**

"To add "; and (h) discussing with the MTR Corporation to establish a fare stabilization fund to be underpinned by the proceeds from properties and make monthly ticket schemes a permanent arrangement" immediately before the full stop."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That Mr Andrew CHENG's amendment to Mr CHEUNG Hok-ming's motion as amended by Mr WONG Kwok-hing and Mr WONG Sing-chi be passed.

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

(Members raised their hands)

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

(Members raised their hands)

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

**PRESIDENT** (in Cantonese): Mr CHEUNG Hok-ming, you may now reply and you have two minutes six seconds. This debate will come to a close after Mr CHEUNG Hok-ming has replied.

**MR CHEUNG HOK-MING** (in Cantonese): President, more than 20 Honourable colleagues have spoken in the motion debate today, which proved that Honourable Members are very much concerned about the subject of the motion. The contents of the speeches made by several Honourable Members today are consistent, all of them want the Government and the public transport operators to listen to our voice, and alleviate people's burden in respect of travelling expenses.

A while ago, the amendments of a few Honourable colleagues were passed, which proved that the motion debate has the support of Honourable Members.

President, this morning, the bus companies which made a quotation for an unreasonable amount, with the intention of obtaining a hard bargain, now offered to give back half of it to the public. It is my hope that they will also give the public the remaining half. Furthermore, I hope the Government would listen to people's voices in respect of the issues involving the MTRCL and the ferry operators, and reflect our views. Thank you, President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mr CHEUNG Hok-ming, as amended by Mr WONG Kwok-hing, Mr WONG Sing-chi and Mr Andrew CHENG, be passed. Will those in favour please raise their hands?

(Members raised their hands)



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

(Members raised their hands)

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

### **BUYING BACK THE SHARES OF THE LINK**

**PRESIDENT** (in Cantonese): Second motion: Buying back the shares of The Link. Members who wish to speak in the debate on the motion will please press the "Request to speak" button.

**PRESIDENT** (in Cantonese): I now call upon Dr LEUNG Ka-lau to speak and move his motion.

**DR LEUNG KA-LAU** (in Cantonese): President, I move that the motion, as printed on the Agenda, be passed.

President, I move this motion today to discuss three main issues. The first one is whether the Government should interfere with commercial operations; the second one is the consideration of the taxpayers' interests and the third, is the consideration of investors' interests.

Many people opine that the Government should not interfere with commercial operations because our competitiveness can be enhanced under a free market. In fact, I agree to the concept of "small government, big market". But the problem is that most of the markets nowadays are not absolutely free. The Government may, for various reasons, have to influence the market, especially the public utilities. If the livelihood and interests of the people are affected, the Government will exert influence on their operations through for example, imposing licensing requirements, shareholding and encouragement of competition

so as to ensure reasonable returns for these companies on one hand and keeping the prices at an affordable level to the public on the other. The shopping arcades under The Link take care of the daily necessities for 3 million residents of public housing estates. It is absolutely a public utility company. The so-called "small government, big market" is a kind of leverage deflection concept practised by the Government to balance society's interests. If the Government is unable to influence The Link, that means the deflection is lost. How can we expect from the Government to deflect the heavy weight and maintain a balance of society's interests?

When approving the listing of The Link three years ago, the Government hoped that the Housing Authority (HA) could focus on housing development and no longer involve in any commercial operations. Thus, there was a need for divestment and listing. During the past three years, many newly built shopping centres were not handed over to The Link because the Government knew that it was not feasible for them to do so. In the end, the Government has to continue to participate in commercial operations.

In the past decades, the Hong Kong Government has been in control of land supply, rendering the land premium in Hong Kong much higher than that in many international cities. This policy has brought tremendous benefits for the Government and most investors, thus creating considerable wealth for Hong Kong. However, not everyone in Hong Kong can adapt to the rules of the game and bear such extremely high land premium and rental. Therefore, the Government has a responsibility to provide a shelter for those who are unable to weather severe storms so that they can have a more relaxed room for survival.

As a doctor, if I want to cure a disease with a heavy medicine that carries a lot of side effects, I am certainly obliged to supplement it with a dosage that can soothe those side effects. As the Government's high land price policy has resulted in high land premium and high rental, it also has the responsibility to provide a shelter for those who cannot afford them to have a room for easy survival. The land premium in New York is not low either. If you live in Manhattan, the rental you pay may invariably be higher than that in Hong Kong. If you cannot afford to live in Manhattan, you can move to Brooklyn. If you still cannot afford the rental in Brooklyn, you can move to New Jersey where, I was told, the rent may be cheaper. In Hong Kong, I think most businessmen can hardly afford the rental in the Central District. But what should they do if they cannot even afford the rental of public housing shops under The Link?

The second issue is the taxpayers' interests. Many Honourable colleagues and newspaper articles have expressed their concerns that the Government's buyback will turn The Link into a social enterprise, resulting in making use of public money to subsidize shop tenants and residents of public housing. But if we look back on the past, the HA generated an average of \$2.5 billion annually from operating public housing shopping arcades, which was the second largest source of revenue apart from building and selling of public housing units. Basically, public housing is an investment with guaranteed returns. Even if the Government buys back The Link, we can still be benefited from its corporatization, lower operating costs, higher cost effectiveness, enhanced flow of people and reduced vacancy rate. All these will increase returns for the Government.

Buying back The Link is a long-term investment, which is different from the nature of consumer vouchers or tax rebates. Consumer vouchers and tax rebates are expenses, meaning that money is to be spent and will be gone. The Link, however, remains a substantive thing, carrying an annual return probably better than the return from the investment of the HA's money from selling its assets. In 2007, the rate of return on the HA's investment was only 1.9% compared with The Link's approximately 5% return amid the bad business environment. If the Government or the HA is willing to buy back The Link, they will neither suffer any loss nor throw the money into the sea. Rather, they have put the money into much better use than making their own investment.

What about other investors of The Link? If the Government demands The Link to reduce the rent, thus affecting the interests of other investors of The Link, why are they obliged to share this social responsibility with the Government? Investment in Hong Kong is absolutely liberal. One can invest in some very aggressive products to earn the largest yield. But there are many investors who may, for various reasons, prefer to invest in some low-risk products to earn a lower return. Hence, the people do have a lot of choices. I hope people can understand that The Link should belong to the latter kind of investment. It is a very stable investment product, providing a steady return although the rate of return may be relatively low.

Three years ago when The Link was first listed on the stock exchange, the share price was \$10. As of today, it is around \$14. In addition, dividends totaling \$2 have been paid during the past three years. In other words, if investors bought The Link's shares when it was first listed on the stock exchange,

they would have got \$16 or a 60% return which is actually not bad. There is really no need for The Link to demand a rise in shop rental under such unfavourable business environment.

If investors think that the Government's buyback will result in a decrease in the rate of return or will affect their interests, they may consider giving up their shares of The Link because there are plenty of investment opportunities in Hong Kong. My speech shall end here for the time being. Thank you, President.

**Dr LEUNG Ka-lau moved the following motion: (Translation)**

"That, The Link Real Estate Investment Trust ("The Link"), being the largest landlord of retail shops in Hong Kong, has a total of 11 000 tenants providing services of daily necessities to three million residents in public housing estates, yet since its listing, The Link has deviated from its original principle and philosophy and increased rents every year, causing great burden to the lower class and small shop tenants, and despite the increase in shop rentals by almost 30% in 2007 and the recent economic downturn in Hong Kong, The Link still increases rents against the market trend, thereby reducing room for survival of the grassroots and causing social discontent; hence this Council urges the Government to balance the community interests at large in handling the issue of rental of public housing shopping arcades, and consider various possible means to buy back sufficient shares of The Link to become the major shareholder, so as to influence the management of The Link Management Limited to take into consideration its corporate social responsibility."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Dr LEUNG Ka-lau be passed.

**PRESIDENT** (in Cantonese): Four Members intend to move amendments to this motion. This Council will now proceed to a joint debate on the motion and the four amendments.

**PRESIDENT** (in Cantonese): I will call upon Mr CHAN Kam-lam to speak first, to be followed by Mr Alan LEONG, Mr Vincent FANG and Mr LEUNG Kwok-hung; but no amendments are to be moved at this stage.

**MR CHAN KAM-LAM** (in Cantonese): President, there have been endless disputes since the announcement of the listing of The Link Real Estate Investment Trust (The Link) in 2004. The first one was a judicial review which was followed by an abortive listing of The Link. The Link was eventually listed after a verdict by the Court of Final Appeal allowing the asset divestment by the Hong Kong Housing Authority (HA). Subsequently, a foreign hedge fund has become the biggest shareholder, leading to the subsequent reshuffle of The Link's staff at the managerial level. As of today, incidents such as rent increases by The Link, complaints by shop tenants who staged strikes to present their petitions are heard from time to time. Hence, many people consider it an erroneous move to support the listing of The Link at that time.

However, we should take an objective view. The setting up of The Link is mainly to enable the HA to concentrate its resources on construction of public housing so as to meet the housing needs of the grassroots. This point was in fact raised in as early as 2000 and such a direction was also reaffirmed by the HA's review in 2002.

Secondly, as we all know, there were incessant complaints by shop tenants against the outdated facilities, mismanagement and loss of pedestrian flow in the shopping arcades under the HA's management. These were not due to the quality of the management staff, but because of problems in its own system, including the officials' strict compliance with regulations and stringent restrictions on management resources, which basically failed to respond to the demand for flexibility and a changing nature of the community. Hence, privatization of public housing shopping arcades and the introduction of commercialized quality management were widely acceded to by the community.

Furthermore, at a time when the Hong Kong economy had gradually rebounded from the economic doldrums, the suspension of sale of Home Ownership Scheme flats and public rental housing flats had also resulted in unstable financial situation of the HA. So, there is a need for the listing of The Link so that the HA could have adequate resources to fulfil its goal of maintaining the average waiting time for public rental housing at three years. After years of consultation, the listing of The Link can be said to be widely supported by the community.

Of course, today, on seeing that under the rental policy of The Link, some shop tenants are faced with exorbitant rent increases while some were even being refused to obtain tenancy renewal, the Democratic Alliance for the Betterment

and Progress of Hong Kong (DAB) is extremely discontented. We have also led many shop tenants onto the street and made contacts with The Link's managerial level. In fact, the occurrence of such situations is due to a lack of communication between The Link's managerial level and shop tenants, and they have failed to be genuine partners. Take the improvement on the shopping arcades as an example. The shop tenants have full understanding of the need. After extensive capital were invested by The Link to upgrade the shopping arcades, many shop tenants also agree that the environment of shopping arcades has improved significantly, especially in those where upgraded works have been done. These include the Tsz Wan Shan Shopping Centre, Hau Tak Shopping Centre, Wong Tai Sin Shopping Centre and many others. Apart from marked improvement in pedestrian flow, the business environment as a whole is much better than before. By referring to the minutes of the Legislative Council Panel on Housing on 13 April 2007, we can see that many shop tenants also support the work of The Link.

However, the relationship between The Link and shop tenants has turned sour because of the unreasonable and disrespectful attitude of The Link's rent control staff when they are facing the shop tenants. The DAB considers that The Link's managerial level should be held responsible for today's situation. We recommend that The Link's managerial level should set up a communication channel with the shop tenants in order to facilitate a sincere exchange of views. We believe this can resolve their misunderstanding and conflicts, thus truly implementing the long-emphasized ideal of "LINK can only fully succeed if our Tenants succeed".

President, I propose an amendment today mainly to urge the Government to put up specific requests to the managerial level of The Link in the discharge of its corporate social responsibility. Today, The Link should pay more attention to the operating environment of the shopping arcades when the small shop tenants are facing a rough time in the market under the impact of the global financial tsunami. Unfortunately, as reflected by some shop tenants, The Link still continues to adjust the rents upwards upon renewal of tenancies recently. The DAB considers that rents should be adjusted downwards instead. The Link should improve the business environment and strengthen mutual trust between itself and the shop tenants in order to ensure a better balance of interests for the shop tenants and small investors. President, we also hope that Members will carefully consider whether the buyback or even "nationalization" of The Link can resolve the problem.

First of all, Members can take a look at the public housing shopping arcades under the management of the Housing Department today. In retrospect, the quality of estate management by the Housing Department before the listing of The Link was obvious to all and shop tenants were also fully aware of this. Shopping arcades rely on pedestrian flow which will bring business to the shop tenants. If we turn the clock back, asking the Government to put the 180 shopping arcades under The Link back into its hand again, or intervene with the management of The Link, do we really hope for a relapse of the public housing shopping arcades to the era of poor management? Today, from the management of public markets by the Food and Environmental Hygiene Department, we can see it very clearly. We do not hope that today's public housing shopping arcades will return to its former state. Some people may say that a buyback by the Government does not necessarily mean that it will directly participate in the management of the company concerned. The former Kowloon-Canton Railway Corporation, the MTR Corporation Limited (MTRCL) and the Airport Authority today are absolutely controlled or even wholly owned by the Government. But they are examples of corporations conducting their business successfully according to the commercial principles. Undoubtedly, these are successful public enterprises. However, let us think clearly what are the factors that have led to their success. This is precisely because of the Government's non-interference. Many Honourable colleagues have tried to exert influence on the management of the MTRCL through the Government as its majority shareholder. How many successful instances are there? Members should have a pretty good idea. So, even if the Government is willing to buy back shares of The Link in order to become a major shareholder, or even buying back all its shares, the business of the shopping arcades should still be conducted according to commercial principles. It can neither propose a substantial rent cut nor arbitrarily interfere with The Link's management work.

In addition, we understand that the community are keeping a wary eye on hedge funds and worried that The Link will be controlled by hedge funds at the expense of the interests of small shop tenants. However, among the shareholders of The Link, over 90% are small investors. Many of them are long-term investors, hoping to earn stable dividends. Therefore, from the perspective of the small shareholders, the entire management approach will be changed after a buyback by the Government, causing share price to plummet. Is this fair to them?

Finally, Dr LEUNG Ka-lau considers that it will only cost the Treasury \$6 billion for the buyback, on the basis of the existing share price. I just want to say that even if the Government re-deploys its "royal brokers" in the buyback of The Link, the Government has to disclose its shareholding because according to the existing disclosure arrangements, a single shareholder holding more than 5% of the shares of a company is required to make disclosure. Members will recall that the Government was also required to make disclosure of its shareholding in accordance with the regulations of the Hong Kong Exchanges and Clearing Limited (HKEx) after buying its shares last year. As a result, the share price of HKEx surged sharply due to speculation activities and at one time reached more than \$200 per share at its peak. But nowadays, the HKEx shareholders who have bought the share at high prices also blame the Government for its acquisition of the shares. So, I am afraid that the buyback of The Link's shares by the Government will lead to another round of euphoria in the market again. We think this is unacceptable.

President, the community should carefully assess the pros and cons of buying back The Link's shares. In our opinion, the problems of The Link are mainly related to communication between itself and the shop tenants and to the determination of rental level, which are not so serious as to warrant the most drastic remedial measures by the Government. In addition (*The buzzer sounded*)  
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Thank you, President.

**MR ALAN LEONG** (in Cantonese): President, in fact, how would relentless rent increases originate from misunderstanding? This is obviously due to a lack of corporate social responsibility on the part of The Link.

President, since the public housing shopping arcades and car-parking facilities of the Housing Authority (HA) were sold to The Link in 2005, The Link has been conducting its business entirely on the basis of commercial interests at the expense of corporate social responsibility. Moreover, as a result of the incessant rent increases by The Link, many shop tenants are driven out of business because they are unable to afford the exorbitant rents. In view of the economic downturn, the Housing Department has taken the lead in waiving one month's rent as one of its supportive measures for the small shop tenants in its 19 public housing shopping arcades. However, The Link has not followed the



example of the HA or Housing Department in waiving or reducing the rents. On the contrary, it has significantly increased the rents despite the recent economic downturn in Hong Kong. Take the Yu Chui Market at Sha Tin under The Link as an example. The monthly rental of a frozen poultry stall with an area of around 80 sq ft has surged from \$5,000 to \$23,000, effective in December. The rate of increase is stunning.

President, according to the briefing papers on The Link's business strategy, we can see that a lot of investment has been made in renovation of shopping arcades, holding of large-scale activities, enhancement of the air-conditioning systems, revitalization of "mushroom-shaped food kiosks" and so on. The Link hopes that these improvements could become justifications for its rent increases. But we cannot help but ask whether those grass-roots families in Lok Fu Estate, Sau Mau Ping Estate and Yau Tong Estate have made any demands for a five-star luxurious shopping centre downstairs. As we all know, President, "fleece comes off the sheep's back". All renovation costs of shopping centres will be passed on to the rents of shop tenants, and such will become an oozing force in disguise to the less competitive shop tenants.

President, whenever we reflect such problems of The Link to the Government, its responses are almost the same. Basically, the official reply will be like this: "The Link, a private organization completely independent of the Government and falling outside the purview of the HA, cannot deviate from its market principles. It will certainly have to wind up if rentals are too high and shop tenants can no longer run their business. So, the array of shops there means that there is no problem." The Government will give us a reply more or less like this. However, President, I think the Government's reply has evaded the crux of the problem skilfully. The crux of the problem is that the crazy rental increase by The Link has only invited those large consortia and chained stores which can afford high rentals to set up business in its shopping arcades while driving away those small shop tenants which cannot. Even though there are still some shop tenants which can afford the rentals of the shopping arcades, the rising commodity prices have seriously affected the room for self-employment of the grassroots and damaged the arrangement for facilitating the grassroots to spend money within their means. Turning a blind eye to the issue on the pretext that it does not fall within the purview of the HA, the Authorities concerned is adopting an irresponsible attitude.

President, here I would like to mention the judicial review by the old lady, Ms LO Siu-lan, in her challenge to the privatization of public assets three years

ago. On giving its judgment to the judicial review, the Court of Final Appeal made a very clear statement: Under section 4(1) of the Housing Ordinance, the Housing Department does have a responsibility to ensure the provision of suitable collateral facilities in the housing estates for the convenience of residents to meet their daily needs. At the same time, the Court of Final Appeal judges ruled that if the assets were sold to The Link only, the Government could still, through The Link as a third party, continue to ensure the provision of these services. They therefore ruled against the old lady, LO Siu-lan.

Of course, at that time, there was no evidence and it was impossible to put up any evidence as the assets had not yet been sold to The Link, showing that the Government could not, through The Link as a third party, continue to ensure the provision of these facilities as stipulated by law. However, President, the evidence has gradually come to light three years later.

If the Government still turns a blind eye, thinking that it does not have any responsibility to ensure the provision of suitable facilities to the public housing tenants, then the Government would have made a grave mistake. President, it is very simple. Since the public housing shopping centres have been operated by The Link, there is no place for the kaifong wearing shorts and slippers to eat a bowl of porridge or wonton noodle at the price of \$10 downstairs. Of course, the kaifong can still go out in shorts with slippers on. But the price of porridge or wonton noodle is no less than \$20 now. Of course, we all know why. Because some old-fashioned cafes or restaurants in many public housing shopping arcades have been forced to spend a lot of money on sophisticated renovation, thus leading to rising costs. If more and more shop tenants running a small business patronized mainly by the kaifong are driven away from these public housing shopping arcades, will we eventually be able to quantify that the kaifong are no longer be provided with suitable services in the shopping centres of their housing estates by the Government through a third party, as it is providing at present? If this is the case, the Government may be accused of committing an offence.

So, it is not as simple as a failure on the part of The Link to fulfil its corporate social responsibility. Rather, the Government has been vested with a legal responsibility of ensuring the provision of these services and facilities under section 4 of the Housing Ordinance.

President, on behalf of the Civic Party, I propose this amendment today. I do have the responsibility of elaborating further the grounds on which the Civic

Party has proposed the total buyback of The Link. First, President, the Civic Party is not asking the Government to intervene with the operation of the market at will so as to expand its footprint in the market. On the contrary, President, we should discuss the issue from the perspective of rectifying erroneous governance. The Chief Executive said earlier, and I quote: "We have to get rid of the dichotomy that government intervention is all evil and free market is omnipotent. On the contrary, government intervention is essential in a market failure and government monitoring is called for when people's interests are jeopardized." (End of quote) In fact, President, the worries raised by the community concerning privatization of public assets during the listing of The Link in 2005 have gradually emerged. When the interests of the grassroots have been jeopardized, the golden rule that "the free market is omnipotent" will no longer apply to the relationship between The Link and public housing tenants. The public hope that the Government can, through the HA, provide public housing facilities so as to demonstrate its responsibilities and commitments to the lower strata of society.

President, if the Government fully understands that it has to discharge its responsibility under section 4 of the Housing Ordinance, it had better adopt some measures so that the public housing residents can enjoy these services. Should the Government fail to do so, it may be subject to legal challenges in future.

As to why I propose that 100% of the shares of The Link be bought back, it is because if a buyback is necessary, it will be meaningless if less than 100% of its shares are purchased. For at least — as time is now running out — some small shareholders will think that their interests have been jeopardized. Thank you, President.

**MR VINCENT FANG** (in Cantonese): President, there is only one reason to support the buyback of The Link's shares, and that is, The Link has broken its pledge by imposing a high increase on the rents of its shopping arcades, markets, and parking spaces, which has exceeded the affordability of the shop tenants and the public. As I said time and again, if the market is robust and business is booming, the shop tenants may still find it affordable. However, The Link still insists on imposing a rent increase even though economic recovery seems to be forlorn amid dampened consumer sentiment and declining business under the impact of the financial tsunami. This makes it indeed hardly acceptable.

Let us review the reasons behind the privatization of the shopping arcades of the Housing Authority (HA). It was, of course, due to its lack of funds for further development. Facing the problem of earning a low return rate with huge expenses spent on maintaining a large pool of management staff, the HA realized that there was no way out unless these facilities were revitalized through management by a private company.

So, at the first listing of The Link, the Liberal Party gave its support because the Fund offering subscription of the shares was internationally renowned and the management company concerned at that time had also promised to accord first priority to the interests of the original shop tenants and the residents.

However, the listing was eventually shelved, leading to the withdrawal of the Fund which had originally undertaken to make such an investment. Eventually, a situation arose whereby the company investing in The Link and its management strategy have deviated from their original commitments. Such resulted in lots of controversies relating to The Link over the past few years.

At the debate on public markets, I queried why under The Link's management, the profit for half a year already exceeded \$800 million. Despite the fact that the major reason was a huge rental increase, the rental rate and the tenant retention rate have reached almost 90% and more than 70% respectively. Meanwhile, the same property would face the problem of low revenue and low rental rate if managed by the Government, thus reflecting the Government's extremely poor management.

I myself am engaged in the fashion retailing business and also served as a representative of the retail industry, and I am sure that I am more knowledgeable about shop rentals than any colleagues here. In the selection of a shopping space to run a business, we will certainly look at the district concerned and see whether the commodity prices are more or less the same. Secondly, we will see whether the conditions of the shopping arcade concerned, such as the pedestrian flow and their spending ability, are desirable in addition to the passage flow in its internal design. If all aisles lead to a dead end, no one will rent the shops at the end of an aisle. Moreover, the management and service quality is also very important. All these factors explain why the rentals of different shops in the same shopping arcade can vary so greatly. Some shopping arcades are unable to attract tenants even though rent-free concessions are offered because every one

would avoid spending sundry expenses that are bound to be wasted. On the contrary, shop tenants are willing to pay a higher rent if the conditions of a shopping arcade are favourable. Our shop tenants are not the kind of people who want both to have the cake and eat it.

According to the shop tenants and small traders operating businesses in the shopping arcades under The Link, these shopping arcades, after refurbishment, are really very nice. The quality of management has improved and many activities are held, thus attracting more flow of people. They are therefore willing to pay higher rents. However, they should be offered concession in return for their willingness to stay put during the decoration period. Rental increase should be imposed only when their business has stabilized upon the completion of renovation. And even if rent is to be increased, the rate should be reasonable by taking into account the customers' spending ability. After all, The Link's shopping arcades mainly serve the public housing residents living in the superstructure of the shopping arcades and in the areas nearby. There are few customers from other districts. The proposal that the shopping arcades be managed by the HA or the Government as before is opposed by all shop tenants. So, the Government should do some soul searching.

Therefore, we oppose Mr Alan LEONG's proposal of a complete buying back of all the shares of The Link because it is nationalization in disguise. It is another matter as to whether the Government has such a large sum of money for the buyback and whether the other party is willing to sell. Most importantly, it will send an undesirable message to the outside world that private investment seems to be something not encouraged by the Government, and that it is going to take the socialistic route.

Shop tenants are most dissatisfied with The Link on two grounds. First, the increase in rental levels has deviated from the spending ability of shop tenants and residents in the vicinity; secondly, profit has been a premise and no concern is given to the shop tenants. For shop tenants who have been operating their business there for several decades, The Link wants to drive them away simply because there are many other potential tenants. It should bear in mind that it is very difficult to run a business at the commissioning stage of a new shopping centre and these shop tenants have overcome it.

Therefore, the Liberal Party hopes that The Link will adhere to the following principles: First, the income and consumption index of the local residents should be referred to in determining the rental levels; second, in respect

of the mix of shop tenants, a certain proportion of the original tenants should be maintained in order to protect those who have served the local residents for long and maintain the characteristics of the shopping arcades, thereby avoiding monopolization by big consortiums and chain stores; third, it should continue to improve the facilities and ancillary services of the shopping arcades for the convenience of shop tenants and improve the pedestrian flow; and fourth, The Link should appreciate the difficulties in the operating environment of shop tenants in the light of the current financial tsunami which has led to an economic recession and serious decline in people's spending ability. It should offer a rent reduction to shop tenants who have been given an increase recently. For shop tenants whose tenancies will soon expire, it should check if there is room for downward adjustment, or should at least offer a rent freeze until the economic environment has improved.

Even though the Government and the Legislative Council do not have any power to interfere with the commercial decision of a private company, they should adopt unconventional measures during extraordinary times. We hope that the Government will actively discuss with The Link on various proposals of rent reduction and rent freeze in order to help the shop tenants tide over the economic recession.

If The Link still does not understand its social responsibility arising from the fact that the shopping centers and markets under its management are public housing facilities, and refuses to respond to the demands of the Legislative Council and the market, the Liberal Party will support the Government to buy back its shares in order to become its controlling shareholder when necessary so that the Government can play a leading role in its rent determination strategy. Nevertheless, it is still inappropriate for the Government to take up management work.

President, the Government publicly stated yesterday that it would not consider the buying back of The Link's shares. Why did the Government reject the proposal outright before listening to Members' views? No matter how adequate the Secretary's reasons are, it has only once again reflected that the Government will act arbitrarily, without attaching importance to public opinion and ignoring the views of Legislative Council Members, as well as refusing to make perfect or improve what it has done. After privatization of The Link, the Government has totally withdrawn from its role and Members' comments are mere empty talk.

President, I would like to take this opportunity to say a few words to The Link, as I believe they are listening to this debate. The TCI is so discerning that it has recognized the quality of these assets, which include their prime locations at densely populated areas in the vicinity of the MTR stations. But these are the fruits of the long-term planning and investment of the Hong Kong Government. The Link, whilst reaping the profits, should return some of them to society. Moreover, a successful company should highly treasure its corporate image. But unfortunately, there has been an avalanche of negative news since the listing of The Link. Every year, it was criticized by the people. Every year, strikes were staged by its market tenants in its shopping centers with posters being put up everywhere. Such an image does not in any way match with a well-managed company.

In the light of the profitability of The Link, I believe the TCI is also keen on holding this investment project. If this is the case, I sincerely hope that its senior management or managerial level will seriously review their business concept, bearing it in mind that they have to tide over the difficulties together with the Hong Kong people because these are their customers.

I hope all Honourable colleagues will support my amendment. I so submit. Thank you, President

**MR LEUNG KWOK-HUNG** (in Cantonese): President, four years ago when Christmas was approaching, the Government indicated its wish to give presents to the people of Hong Kong, which was the listing of The Link at the stock exchange. When it was listed, the initial allocation of shares was in the ratio of 1:9. In other words, 90% would be allocated to the strategic investors and 10% to the individual shareholders. Such an allocation was obviously designed to benefit strategic investors.

I, together with other opposing Members, said that this was not feasible. So, the Government changed its course by reversing the ratio to 9:1. The people of Hong Kong were very happy then, thinking that they were given a bag of Christmas gift and blamed us for stirring up troubles in Hong Kong and working against China. They just hurled all kinds of abuse at us.

More than that, the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) and the Federation of Trade Unions launched a

demonstration, threatening to chop off my hands, the claws of evil, in order to stop me from stirring up troubles in Hong Kong. Four years have passed and Christmas is approaching, the shop tenants of The Link are protesting in an endless stream. In Sun Tin Wai Estate, my constituency, restaurants have turned into elderly centres and almost all stalls in the market are empty. As for Yu Chui Court, almost all shops are closed. The operator subcontracted by The Link has driven them away so that the shops can be run by his own people. The Link objected to the idea of setting up a public library at Kai Tin Shopping Centre in Lam Tin and insisted on preserving the space for a large Chinese restaurant for the sake of making money. As you can see, the fact that The Link gets rich is solely because the Government is sending off benefits.

The assets of the Housing Department and the Housing Authority (HA) all belong to the people of Hong Kong. They are meant to provide housing for those who have suffered under the "two high" policy: that of "high land price and high rent", so that the people in Hong Kong can have a reasonably inhabitable space to live in without having to pay a high rent.

The Link's assets comprise the parking lots and markets of the public housing estates. According to the Housing Ordinance, these parking lots and markets are built to serve the residents of the relevant housing estates. In order to offer favoritism, and to leave a name in history, the Government has accomplished the world's largest privatization project steaming with arrogance. Mr LEUNG Chin-man, the Permanent Secretary at that time, was haughty and overweening. His followers resorted to wanton insults and even instigated others to use violence against us because we were fighting for the interests of the public housing residents, grassroots, small traders and shop tenants.

President, the throwing of bananas by me and whether or not the bananas were hurled at the Bureau Director were only acts of limited violence, done only as a demonstration. On that day, those people threatened to kill me. They dashed into the car park of the Legislative Council. At the same time, I was arrested by the police who told me that the arrest was carried out to protect me, for they said if they didn't do so, hundreds of people would rush in and I could hardly keep my life. I said that I was not scared, but they still arrested me.

Hysterically instigating the general public, turning them into a philistine while benefiting itself with a slice from the public property, they are actually working to the detriment of the million or more public housing residents and



small shop tenants. Such actions were led by the Government and the conglomerates followed suit. The Democratic Party, DAB and Liberal Party were all in favour of the privatization and that really made me feel very sad.

So, having a foresight, I had already said long ago that it was not feasible. Now things have come to point that some people suggest buying back The Link. Surely I agree to it. But I have to warn the Government. Why does the Government refuse to buy it back? There is a reason behind. The Government has never exercised its influence over a public utility of which the Government itself is the major shareholder. The Government dares not buy back because it is so afraid of scathing public criticism and offending the big consortia.

Honourable Members, the Government does not have to buy it back either. But the point is: does the Government have the courage to effect requisition of the assets in accordance with Article 105 of the Basic Law? The Government does not. It has the courage to kill all chickens and fixed damages for each chicken killed. The operators were left with no options. Now, the disaster is extended to public housing and the public housing residents are severely victimized. Grievances have reverberated throughout. Nine out of ten stalls and shops are deserted. What kind of a situation is this? It is the public housing residents who suffer. They are defined as the underprivileged by the Government because public housing applicants have to go through a means test. Is it not a case of robbing the needy to aid the wealthy?

The people of Hong Kong are in dire misery, as described in the poem: "Up to the sky and down underground as he could go, but in neither place could he find her shadow." Hoping the consortium to turn sympathetic is really futile. Am I right? We urge the Government to implement benevolent policy and stay away from tyranny, but it has openly refused our request. President, the Government does not give face to you or us. When discussion has yet begun, the Government has already indicated its reluctance to listen. Only the Bureau Director is here today. What is she coming for? I really want to ask if she is here to announce the edict. Is she going to give the speech she has delivered yesterday again? Does she come here to stress the Government's decision of not buying back, to say that Legislative Council Members are idiots, and to express that she has already given us face by listening to our speeches here? What kind of attitude is this? When the authorities concerned were being interviewed yesterday, did they not know that a debate would be held today?

Our Members, by way of analogy, was saying something like "Mammy does not want to sell you" when people sold their children. The Government also said similar things like "Mammy does not want to sell you" when it was selling its children. It can be seen from many revolutionary model operas in the past that the parents were left with no choice but had to sell one of their children in order to raise the other two. However, how was the Government's situation then? The Government was rich. Hong Kong was one of the financially soundest places in the world without any internal or external debt. It was the Government which presented to us some data saying that the HA could be running out of money, thus creating the public opinion favouring the sale of the assets. Consequently, it was able to "turn on the water" for the wealthy and enable foreign consortia to earn the money of the Hong Kong people. Most of the small shareholders took a little slice of the benefit on that day. They all got a piece of candy. The shares are now sold to the consortium. Is it equivalent to selling our assets to the consortium in a very cheap and rock-bottom price?

Mr YAU Shing-mu was here for a meeting yesterday. He used to criticize the Government when he was studying at The Chinese University of Hong Kong, but then he also wrote articles for *Hong Kong Economic Times* in support of the Government. Therefore, he is the right person for the Under Secretary for Transport and Housing. Now I would like to play the role of Santa Claus and give a present to The Link. President, do not panic; I will not throw it out because it is just too heavy. Whoever gets hit will find his head covered with bumps and bruises. On this present, it reads: "The greed for wealth will link to hell" and "The Link gets rich, the HA officials get promoted, everyone is honking after power and money". Man, the officials get promoted and they get rich. The other side of the present reads: "The HA officials get promoted and The Link gets rich". This is a real coffin, President. George Bush once indicated that his shoe size is 10. This coffin is only size 4, a small one tailor-made for the little devils or villains to lie in. I do not know whether the Bureau Director will accept this present. The coffin, which symbolizes "The HA officials get promoted and The Link gets rich", is for the Bureau Director. Maybe it is not for her because she was not Bureau Director at that time. This coffin should be given to the crafty scoundrel Michael SUEN and LEUNG Chin-man.

We advocate a buyback, a strategic buyback, in other words, a buyback up to the level at which the Government can have a say in the matter. If the Government has the courage to buy back, then it has to exercise its right to speak, unlike its performance in the MTR issue. Does the Government have the

courage to do so? Has Donald TSANG ever said something about the notion of Scientific Development? He was just mimicking remarks from others and passing them off. Does a notion of Progressive Development exist? Why does he not take one step forward? Why does he not do anything for the people of Hong Kong? Why does he not demonstrate his daringness and determination like what he had done when subduing the financial predators by buying out over 20% of Hang Seng Index constituent stocks? The financial turmoil calmed down as a result. Does he have the guts to do so anymore?

If this does not work, why do we not simply buy it out or effect a requisition of its assets? Everything else is ready; all that is needed is the heart of determination that the Government is lacking in. The heart of determination was abandoned in a garbage bin yesterday and was taken away by dogs and even wolfhounds. Since the reunification, the Government has been subcontracted, the 800 people have subcontracted it. Why not let these 800 people benefit from it? Man, the benefits have all gone to the foreigners, and what is even worse, Lehman Brothers minibonds were brought in. What kind of a Government is this? "The Link gets rich, the HA officials get promoted". Do you understand? This coffin is made for bandied about and be thrown into shatters.

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

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese): President, the Hong Kong Housing Authority (HA) divested its retail and car-parking facilities in November 2005. The divestment exercise was conducted by establishing The Link Real Estate Investment Trust (The Link REIT) and arranging for its public listing on the Stock Exchange of Hong Kong. After the divestment of the relevant properties by the HA, both the Government and the HA no longer hold any equity interest of The Link REIT or its management company, that is, The Link Management Limited (The Link Management).

The main objective of the divestment exercise is, as recalled by many Honourable Members just now, to enable the HA to withdraw from commercial operation so that it can focus on its function as a provider of subsidized public housing. Proceeds from the divestment will help improve HA's financial position in the short to medium term. Upon divestment, the relevant facilities

are owned and managed by a private organization with a view to improving their operational efficiency to the benefit of both commercial tenants and residents, which was also mentioned by a few Honourable Members just now, and the quality of these facilities has actually improved.

To ensure good corporate governance and the continuous provision of retail and car-parking facilities to public rental housing (PRH) residents and other residents after the public listing of The Link REIT, we have introduced various regulatory measures, which include regulating the operation of The Link REIT by way of the Real Estate Investment Trust Code of the Securities and Futures Commission (SFC) and relevant legislation; specifying in the land lease the use of the divested facilities and disallowing the arbitrary change of their use; prohibiting the divestment of the shops in PRH estate shopping centres under the deed of assignment of retail facilities; and ensuring the continuous letting of a certain amount of floor area at concessionary rental to non-profit making organizations for the provision of social welfare or educational facilities.

The HA divested a total of 180 property portfolios throughout the territory, including 149 integrated retail and car-parking facilities, two independent retail facilities and 29 independent car-parking facilities.

After the public listing of The Link REIT on the 25 November 2005, proceeds valued at some \$34 billion were generated for the HA, which has greatly improved the HA's financial position and provided it with adequate cash flow to meet its operational needs in the short to medium term to cater to the housing needs of the low-income group. This shows that the objective of the divestment exercise has been achieved.

The Government has all along been very concerned about the needs of PRH residents for retail, car-parking and various facilities in their daily life, and has been maintaining contact with The Link Management in this respect. The Link Management also sends representatives to attend meetings of Estate Management Advisory Committees from time to time in order to listen to residents' views on their services. It has undertaken to continue to maintain communication with commercial tenants and residents and deliver services which cater to the needs of PRH residents.

We think the objective of the HA's divestment of its retail and car-parking facilities has been achieved. Neither the Government nor the HA has any plan

to buy back The Link REIT units, and the HA does not have any intention of further divesting its retail and car-parking facilities.

President, I so submit. I will give a consolidated reply with the benefit of Members' views. Thank you, President.

**MR WONG KWOK-KIN** (in Cantonese): President, public housing estates provides residence mainly to the grass-roots people in Hong Kong and public housing policy is an important policy to stabilize the society. When public housing is built, facilities such as shopping centres and markets will usually be provided inside or in the vicinity for the convenience of residents. In order to provide low-priced commodities to the residents, shop tenants are subsidized in the form of low rentals.

Growing up in a public housing estate, I remember that commodities sold there were not only cheap but also of a wide variety. There was also a full array of shops selling unique goods. Grocery stores are one of these examples with unique features. Up to now, there are only very few grocery stores still operating in the shopping centres. But according to the recent price comparison activities conducted by the Consumer Council and some organizations, it is found that the price of the same commodities is lower in these small shops than in large-scale supermarkets.

There have been a lot of changes since the Hong Kong Housing Authority (HA) has sold its 180 public housing shopping arcades, markets and parking facilities to The Link Real Estate Investment Trust (The Link). First of all, an exorbitant rent increase is the specified action taken by The Link when tenancy agreements or renewal of tenancies are signed. Secondly, The Link has begun to conduct grandiose renovation to the shopping centers and markets in order to plan afresh the mix of shops and commodities sold in the shopping centres and introduce large chain stores so as to improve the business environment there. It would have been benevolent to turn the shopping centres which were worn out and desolate under the management of the HA into something clean and good-looking, thus attracting more customers to boost consumption. However, the original purpose of providing public housing shopping malls has disappeared after renovation and rent increase. As a shop tenant of the Lok Fu Shopping Centre said at the City Forum a few days ago, the public housing shopping arcades mainly provide services to public housing residents who want to be

supplied with daily necessities rather than having the pleasure of shopping in high-class shopping venues in Mong Kok, Causeway Bay and the Central. Therefore, what is the point of introducing large chained stores or luxurious shops into these public housing shopping malls? After refurbishment and re-planning, these shopping malls see a rent hike, which has resulted in an increase in the commodity prices. In an economic downturn, the tenants are suffering from an operating environment that is deteriorating.

In fact, we think there was a lack of careful consideration on the part of the Government when it had decided to sell the public housing shopping arcades, markets and parking facilities. At least, it has not considered the daily needs of the public housing residents and the room for survival of small shop tenants. Let us take a look at Singapore. They would set up some commonplace shopping centres near public housing estates to provide daily necessities to the residents, thereby preserving the characteristics of community small traders. Some well-managed small shopping centres have even become tourist attractions. It is said that the public housing policy in Hong Kong has drawn reference from Singapore. But why has our approach in running these shopping centres deviated from this policy? Today, we have made a mistake in selling most of the HA's shopping centres. Should the Government think of all possible remedial measures to ensure that the public housing residents can buy daily necessities at cheap prices and the small shopping tenants who have not been driven away to still have a room for survival? We consider the buyback of The Link is one of the remedial measures which warrant our consideration, as this can inhibit The Link from imposing an incessant rent hike regardless of the social situation.

So, President, the Federation of Trade Unions supports the motion and the amendments on the buyback of the share of The Link. I so submit.

**DR PRISCILLA LEUNG** (in Cantonese): This motion debate today is on "Buying back the shares of The Link".

The incident of The Link Real Estate Investment Trust (The Link REIT) was the then initiative of the Housing Authority (HA) to privatize and arrange for the listing of its shopping centres, which I have all along had reservation about as I also grew up in a public rental housing (PRH) estate. At that time, I had great concern on the public listing of The Link REIT.

However, I am very ambivalent today about discussing the motion moved by Dr LEUNG Ka-lau on buying back the shares of The Link REIT. Regarding this issue under discussion, the situation seems to be one in which we are trying to rectify a recent mistake with a new proposal which is possibly another flawed policy. It is like the situation whereby we are trying to make a sharp turn when the train is running at full speed, which may very possibly bring about serious consequences.

I fully understand and have heard from many commercial tenants of The Link REIT that ever since 2005 when The Link REIT took over the management of PRH estate shopping centres and underwent privatization, rentals have increased significantly. To be more objective, I also heard some members of the public comment that there was indeed improvement in PRH estate shopping centres after they have been taken over by The Link REIT. Regarding the changes brought about upon the public listing of The Link REIT, we have all along been taken a very ambivalent attitude.

However, if we recklessly decide to solve this problem and suggest that the Government buy back all or part of the shares of The Link REIT with public funds, I would have great reservation on such suggestions because history cannot be reversed so easily. Actually, HA's shopping centres have been sold to The Link REIT, which has already been listed, and apparently what is done cannot be undone. I salute those Honourable Members who dismissed all dissenting views and opposed the public listing of The Link REIT despite being criticized harshly and extensively in this Council in 2005.

However, today we are trying to reverse the decision by buying back the shares of The Link REIT. Actually, it is just very easy for us to express agreement because apparently we will receive support from many commercial tenants of The Link REIT. However, this will bring about a lot of entangling problems and will affect another group of stakeholders or will even create impact on the established rules of the economic game in Hong Kong, which in turn will give rise to rounds of litigations.

Therefore, regarding this motion today, basically I cannot support the buy back proposal regarding The Link REIT put forward by the Government for the following reasons: First, criticisms about fairness will arise if public funds are to be used to buy back the shares of The Link REIT. For example, commercial

tenants who have to put up with the high rentals of private shopping centres may query whether the Government is being fair and whether it should also provide funding to acquire shares of shopping centres managed by other private developers. Secondly, if the Government reduces the rentals significantly and provides concessions to commercial tenants after buying back the shares of The Link REIT, will it cast doubts on whether the Government is interfering with market prices? Thirdly, many shopping centres have been renovated after The Link REIT took over their management. If the Government really buys back all the shares of The Link REIT or becomes a controlling shareholder and takes over the management again, will it be able to maintain the relatively sound management system that prevails? If the service is to be maintained at a high level with low rentals charged, who will be held responsible for any financial shortfall or even the "bursting" of The Link REIT?

As a listing company, The Link Management Limited (The Link Management) has an obligation to be accountable to all shareholders. It will not be in the interests of many shareholders to reduce the rentals recklessly unless The Link Management is solely owned by the Government. As I said just now, it may give rise to different legal proceedings. Therefore, I understand the adversities faced by small commercial tenants amid the financial tsunami. However, the buy back proposal is not a feasible solution to the problems arising from The Link REIT.

I think enhancing tax incentives is a more effective way to help small commercial tenants and small and medium enterprises (SMEs). Such incentives may include providing tax rebates, freeze or waiver of various licence fees, suspending the sewage charge, reducing the additional charges for water-intensive industries, requiring power companies to provide concessionary electricity tariff for SMEs, holding over provisional tax for the current year, or providing rental subsidies to small commercial tenants in order to provide support to small commercial tenants of The Link REIT and those putting up with the high rentals of private enterprises in a fair manner and making the best use of various policy incentives and pressure to request The Link REIT to fulfil its corporate social responsibility by refraining from a significant increase of its rentals amid the financial tsunami.

After carefully going through the original motion moved by Dr LEUNG Ka-lau and various amendments proposed by Honourable Members, I notice that in the wording of Mr CHAN Kam-lam's amendment, he mentioned "proactively



putting up specific requests to the management of The Link Management Limited or providing policy incentives, etc, to urge the management of The Link Management Limited to respond to the demands of the community, which include" the four proposals that follow ..... Among various amendments, I think the one proposed by Mr CHAN Kam-lam is more practicable.

Therefore, with my strong ambivalence, I find myself unable to support either the original motion moved by Dr LEUNG Ka-lau or the other amendments requesting the Government to buy back all or part of the shares of The Link REIT. I can only support Mr CHAN Kam-lam's amendment.

Regarding buying back all the shares of The Link REIT and shifting all the financial risks to members of the public, that is, to make taxpayers bear these financial risks, the many taxpayers whom I consulted expressed reservation about these buyback proposals. Therefore, such are my remarks on the original motion and other amendments today. Thank you, President.

**DR LAM TAI-FAI** (in Cantonese): It has been three years since The Link Real Estate Investment Trust (The Link REIT) was listed. Ever since it took over the management of the properties from the Government in November 2005, there have been widespread discontent and grievances among commercial tenants about the constant and outrageous rent increases despite the recent economic downturn.

The faltering economy and the sluggish market in the wake of the financial tsunami have made business more and more difficult for the retail sector, and rent increases imposed by The Link Management Limited (The Link Management) have greatly increased the operating costs, adding further burden to commercial tenants. The reason provided by The Link Management was of course that rent increases despite the economic downturn were commercial acts in response to market situations. I am not bold enough to say that their behaviour is unscrupulous and infuriating, but imposing rent increases despite the recent economic downturn is absolutely an unwelcomed, repulsive and irksome act.

Actually, the society is also very dissatisfied with The Link Management's rent increases, yet it feels very helpless with regard to its imposition of rent increases disregarding its social responsibility. The Link Management is of course indifferent to the aspirations of society, and I cannot see any chance of its

awakening within a short time and reducing its rentals as the Housing Authority (HA) did. Actually, I also heard lots of dissatisfaction expressed by media friends who have been criticizing The Link Management for taking the lead in setting the trend of increase in prices and charges. I do not know whether the trend of price increase of the Ngong Ping 360 is a result of this as well.

As the incident evolved, a proposal of buying back the shares of The Link REIT was put forward in the hope that the Government would become the major shareholder and, in such a capacity, urge The Link Management to reduce or not to increase its rentals. President, requesting The Link Management to reduce or not to increase its rentals is definitely a step in the right direction and should be pursued indomitably because this is also an obligation on the part of the society. However, as to whether the buy back proposal should be adopted and whether it is the optimal or a feasible proposal, I think the Government should conduct thorough investigation and examination in this respect. It should also deal with it cautiously because the prevailing market value of The Link REIT exceeds \$30 billion, and I believe not all members of the public may agree with using a few billion dollars of public funds to implement the buying back proposal. Consensus in this regard has not been reached yet. From another perspective, technically, there is sale to every purchase, that is, there must be a purchaser before there is a seller, and the Government must not proceed with this move without calculating the costs. If the Government buys back the shares at the prevailing market price, will it necessarily become the major shareholder? I am not bold enough to say so for sure.

Even if the Government has really bought back the shares and become the major shareholder, does it necessarily mean that it can disregard the interests of minor shareholders and reduce the rentals once the shares were being bought back? Even if this objective is achieved, I believe another problem will arise. It is because when rentals are reduced, the income of The Link REIT will inevitably decrease, which will in turn cause a fall in its share price. In that case, the fortune of minor shareholders will definitely shrink. As rental reduction will cause a decrease in profit, dividend payments will surely dwindle. Retirees who planned to live on the dividends of their shares will surely suffer very badly. When the income of The Link REIT drops, its disposable funds will decrease, which will probably cause The Link Management to refrain from offering any pay rise to its employees or to reduce its establishment. In that case, will it give rise to another social problem? When the income of The Link REIT decreases, The Link Management will have an excuse to reduce its efforts

on improving the shopping atmosphere and enhancing the environment. In that case, will a chain effect be triggered, thereby creating an impact on the business of other commercial tenants, and in turn dragging down sentiment of consumption at shops under The Link REIT? What I am worried most is that while this will bring benefits to one group of people, another group of people will be victimized, giving rise to another problem. At that time, it will be impossible to strike a balance.

In that case, can we adopt other means to achieve rental reduction without having to use public funds? For example, a board of directors must have been established by now. Can we actively and vigorously fight for discussions with the board members, executive directors, non-executive directors, individuals and so on, in the hope that they will listen to the aspirations of society and adopt a long-term perspective for their business operation? Actually, they do have surpluses. Can they put aside part of their surpluses to provide for rental reduction at critical times? Or can we adopt some means or think of ways to enable some interested, righteous people or people with a conscience to become members of the board of directors? This I am not sure. Besides, can we think of some ways to discuss in detail with its chairman (Chairman Mr SALLNOW-SMITH) or its management hoping that they will, at the prick of their own conscience, give regard to their social responsibility, and also hoping that, in the face of public criticisms and pressure exerted by the mass media and us, they will change their mind and follow the example of the HA to reduce their rentals? Actually, the most effective method is for the Government to step up its efforts to assist commercial tenants of The Link REIT to apply for the finance scheme so that they can obtain loans expeditiously. Of course, I also agree with the suggestion made by Dr Priscilla LEUNG, that is, to consider whether other means are available and whether anything can be done to hold over or reduce government fees and charges whenever possible with a view to alleviating commercial tenants' financial burden on another front before rental reduction is offered.

In sum, after balancing the interests and potential risks of various parties, I do not agree with buying back the shares of The Link REIT, but I agree with stepping up efforts to appeal to and urge The Link REIT to reduce its rentals and improve the shopping environment. I support Mr CHAN Kam-lam's amendment.

President, I so submit.

**DR RAYMOND HO** (in Cantonese): President, as we all know, The Link Real Estate Investment Trust (The Link REIT) is a fund established by the Hong Kong Housing Authority (HA) by way of divesting and securitizing its commercial properties and car parks, and it is also listed in Hong Kong. The public offering of The Link REIT was originally scheduled for December 2004. However, the filing of an application for judicial review with the High Court by a public rental housing (PRH) resident during the public offering period succeeded in compelling the HA to announce the postponement of the listing arrangement and preventing The Link REIT from listing. Although The Link REIT ultimately relaunched its public offering in November 2005 and was successfully listed on the Stock Exchange of Hong Kong, it has all along been the focus of concern in society. Starting with the abovementioned litigation, to a hedge fund of the United Kingdom becoming the substantial shareholder by means of share acquisition, changes in the management, the principle and concept adopted in its property management, and the setting of rentals of its shopping centres and car parks have all been the focus of constant disputes in society.

I can still recall that the HA suffered a lacking in recurrent source of income as a result of the indefinite cessation of production and sale of Home Ownership Scheme flats. It is not sure whether or not the Government was so keen to expedite the divestment of the facilities of the HA to meet its funding requirements that it failed to give detailed consideration to and make proper arrangement for circumstances which may arise after the public listing of The Link REIT, and has thus given rise to quite a number of undesirable and worrisome situations.

Actually, the current undesirable situation is mainly caused by the discrepancy between the operating principle adopted by The Link REIT and the expectation of the society. Since its public listing, The Link REIT has been following the mode of operation of a private enterprise in all respect with the objective of making the most profits. However, its shopping centres and car parks are still closely related to the daily life of the public, particularly that of PRH residents. Therefore, members of the community have all along been hoping that The Link REIT can also fulfil its expected social responsibility to cater to the interests of society.

If the Government had maintained sufficient shares of The Link REIT and become its major shareholder at the divestment of HA's facilities and its public listing, it would have been able to maintain its influence on the decisions of The Link REIT and respond more actively to the aspirations of society. If this

mistake is to be rectified now, the Government will have to spend a substantial amount of public funds to buy back sufficient shares. As the shares were sold at a low price, to buy them back at the current high price is a losing deal requiring payments from taxpayers. Besides, I have reservation in principle about the buying back proposal. Although the establishment of The Link REIT has a unique background and its properties and car parks are closely related to the daily life of PRH residents, the Government should not acquire a large amount of shares of a private enterprise in order to obtain its management right whenever the interests of the enterprise are different from those of the society. Otherwise, the Government will probably have to become the major shareholder of many private enterprises in the end, which is tantamount to moving towards practising a socialist system with state-owned enterprises.

The Government should only urge The Link REIT to respond to the aspirations of society through other means, including the provision of incentives. As for The Link REIT, it should also consider making greater commitment to its corporate social responsibility, having regard to the unique background of its establishment. It can also enhance its communication with tenants of its properties, resolve contradictions on tenancy conditions, promote understanding and reduce grievances through different channels. Actually, fulfilling its corporate social responsibility is also helpful in improving its corporate image and enhancing its commercial reputation. As Hong Kong is now facing an economic downturn, I hope The Link REIT can tide over the difficult times with commercial tenants and the public.

President, I so submit.

**MR LEUNG YIU-CHUNG** (in Cantonese): President, about four years ago when the Government was actively making preparations for the sale of its facilities by establishing The Link REIT, an adjournment debate was proposed in this Council by Mr Albert CHENG. Unfortunately, as it was only an adjournment debate in which it was not necessary to take a vote on the public listing of The Link REIT, so there was no clear voting record on the stance adopted by various political parties and different Members on an issue with such a significant impact on the livelihood of the people.

However, President, when I went through the record of the speeches on the adjournment debate back then, I still remember that I was quite infuriated when I

spoke because I could neither understand nor accept the Government's act of forcing through the privatization of the public rental housing (PRH) estate shopping centres and car-parking business under the Housing Authority (HA), which has put PRH residents and numerous small commercial tenants in the present predicament. I remember I repeatedly requested the then Secretary Michael SUEN and the Government to hold it back before it was too late. Regrettably, the Government has just turned a deaf ear to my warning. At the same time, the Government received support during the debate from quite a number of political parties, including the Democratic Party whose member Mr Albert HO expressed that he could not but give his support as there was no turning back. Mr Ronny TONG suggested then that one way for the Government to return wealth to the people was by arranging for the listing of The Link REIT. I remember there was also the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB), which was very special in that they opposed rent increases of The Link REIT in the propaganda campaigns launched from time to time outside this Council on the one hand, while expressing support to the privatization of The Link REIT throughout the meeting in this Council on the other. This reflects that many political parties had been saying one thing and doing another, which was one of the reasons for the successful listing of The Link REIT.

President, regarding the situation then, I remember Mr SUEN, who was responsible for promoting the listing of The Link REIT back then, had been saying repeatedly that the Government believed, on the basis of partnership and mutual benefits between The Link REIT and commercial tenants, the reasonable demands of commercial tenants could certainly be dealt with properly and hence a win-win situation would be achieved. President, I remember during the adjournment debate on the listing of The Link REIT, Secretary Michael SUEN also made the following remark, "many commercial tenants have expressed concern over the future tenancy arrangement to be made by The Link Management. They are particularly concerned about whether The Link Management will increase rents substantially to the neglect of the market discipline. But as stated in the Offering Circular of The Link REIT, rent increase is not a main objective in the business plan of The Link Management. Its prime objective is to cut expenditure and improve the economic efficiency of the shopping centres by, among other things, stepping up publicity and promotion, improving the environment of the shopping centres, and attracting more customers to boost patronage to commercial tenants. It is only on these premises that there is room for The Link Management to adjust the rent in

accordance with the business situation of individual trades and industries." These were the remarks made by Secretary Michael SUEN.

Secretary Michael SUEN also pointed out at that time that, "In the Offering Circular The Link Management has proposed a series of measures on operational enhancement. We believe these measures will not only benefit The Link Management. They will also benefit the commercial tenants, car park users and even the general consumers, including public housing tenants." If such remarks made by the Government were right, there would not have been the motion today. This motion is moved exactly because these remarks were all lies and nonsense.

Today, as we can see, it has been three years since The Link REIT was listed. It is true that PRH estate shopping centres are much more better looking than before, but the flow of people has not increased by an extent expected by The Link Management. It is because after all such shopping centres located in PRH estates are neighbourhood shops. Therefore, the change in their image does not necessarily bring in more customers, and on such a premise, the improvement may not necessarily be significant. However, most ridiculous of all, The Link REIT increased its rentals outrageously on the ground that the appearance of the shopping centres had changed, which is in complete disregard of the business environment of small commercial tenants and even forced those who had been operating their business there for years to move out. I think this practice is contrary to the undertaking made when The Link REIT was listed. Therefore, President, may I ask what else can the Government of the Hong Kong Special Administrative Region (SAR) say now, when it affirmed that the listing of The Link REIT would achieve a win-win situation then? Does the Government still maintain that The Link REIT can bring significant help to the community of Hong Kong?

The privatization of The Link REIT is definitely one of the major flaws in governance made by the SAR Government over the past few years. May I ask the existing SAR Government whether the responsibility of such a policy failure should be borne by the then Secretary Michael SUEN or the incumbent Secretary Eva CHENG or whether it should be borne as a collective responsibility as suggested by Chief Secretary Henry TANG?

No matter what, the SAR Government is inexcusable. To restore order out of chaos, the only way out now is to buy back the shares of The Link REIT and restore the original appearance of PRH estate shopping centres, markets and

car parks, particularly amid the financial tsunami, so as to provide better protection to the livelihood of the grassroots. I think these endeavours can brook no delays and should be pursued expeditiously. Of course, I know regardless of what we say today and whether or not the motion today will be passed in the end, the Government will insist on a refusal to buy back the shares of The Link REIT. However, I would like to warn the Government solemnly that the problem will definitely not come to an end at the conclusion of the debate today. In different districts and PRH estates and even throughout the territory, there will surely be more and more voices of opposition from residents and commercial tenants against The Link REIT's ruthlessness and the Government's shamelessness. I hope the Government will stay vigilant and act prudently.

President, I so submit.

**MR TOMMY CHEUNG** (in Cantonese): President, frankly speaking, whoever takes over the management of the properties of the Hong Kong Housing Authority (HA) will not outperform it as it is the best landlord in Hong Kong. Take the current financial tsunami as an example, the HA took on board the views of the public and became the first to reduce its rentals so that about 6 000 of its commercial tenants would only have to pay 50% of their rental in January and February next year. Its sister department — the Food and Environmental Hygiene Department (FEHD) — should well be ashamed of itself. Even though I have repeatedly requested the FEHD to provide rental reduction for its markets and shopping centres, the authorities have not taken any heed of my request and were reluctant to note good advice even during the oral question session today.

This shows that among all the big landlords in Hong Kong, there is none that can compare with the HA. Whichever landlord taking over the management of HA's properties will surely be compared unfavourably. How can anyone outperform it? Therefore, when the sale of the retail and car-parking facilities was discussed at the HA back then, I was the first one to express opposition, and I have been opposing it all along.

However, we have to understand the historical reason behind. Back then, the HA had a "cash crunch" and had to cash in some funds to reduce its deficits by listing its divested assets. As the popularity of Real Estate Investment Trusts (REITs) began to grow in the financial market of Hong Kong at that time, it was an opportune time to sell assets. At the same time, the problem of the poor



management of government facilities has long been denounced. After balancing these factors, it is understandable that the sale of the HA's assets was adopted as a means to solve the above problem.

I can clearly remember that The Link Management Limited (The Link Management) initially undertook not to impose rent increases if there was no improvement in the pedestrian flows and business volume in the shopping centres. Even though its Chief Executive Officer has changed, as a company of integrity, it should not forget the undertakings it has made in the past.

I do not oppose reforms. Undoubtedly, only when shopping centres are renovated and the environment improved can the pedestrian flows and business volume be boosted. I also notice that according to the findings of a customer survey carried out at the shopping centres in July by an independent firm engaged by The Link Management, almost 60% of the respondents agreed that the renovated shopping centers were able to induce them to spend more therein.

Just that The Link Management has already increased its rentals substantially at tenancy renewal on the ground that the shopping centres had been renovated, before commercial tenants were able to feel the improvement in pedestrian flows, hence resulted in an avalanche of complaints. Although The Link Management clarified that the 30% rent increase would not be imposed across the board and the average rate of rent increase was only 9.8% over the past year, an increase of almost 10% is already a great burden when the economy is in the doldrums. Commercial tenants who were imposed a rent increase of 30% or at an exponential rate suffered even more.

Actually, if The Link Management could change its aggressive attitude, that is, if it had increased its rentals at a later stage after the renovation works had been completed for a period of time, when commercial tenants could truly experience the increase in the pedestrian flows and achieve actual increases in business volume, there would not have been the bulk of grievances as shown today.

The Link Management has been indifferent to the difficulties faced by commercial tenants in such a way, and it has been especially insensitive to problems faced by the catering industry. Regarding the findings of a survey conducted by The Link Management which revealed that the tenancy renewal rate was as high as 76%, I am sure only very few of them were tenants operating

eating premises because I heard that many members in my industry who had been operating their business in the shopping centres under the HA for many years had also left after The Link Management took over.

The problems faced by food premises are more complicated than those faced by other retail outlets. For food premises, any change, no matter whether it is involving 10 000 sq ft or 1 sq ft, would require a plan to be re-submitted and a licence application to be lodged once again with the FEHD, the procedures of which are very complicated. Besides, food premises also need plenty of complementary hardware — kitchens, seats, lighting and so on, which requires large amount of investment. If The Link Management arbitrarily requires food premises to move from large shops to small ones, from the ground floor to upper floors and from shops in the front to those at the back, and requires that new tenancy agreements be drawn up with a tenancy period of only three years, a great impact will be created on food premises, which will have to bear huge operational risks.

A tenancy period of three years was generally offered in the agreements between the HA and food premises in the past. Why was the tenancy period so short? Because the industry had no cause for worry, and the HA used to renew their tenancies every three years over the past three to four decades. Therefore, they would think that entering into tenancy agreements was a safe and sound practice. However, it is not a safe and sound arrangement at all to rent a shop premises from The Link Management if a tenancy of only three years is offered.

Therefore, I would also like to make use of this opportunity to urge The Link Management to acknowledge the operation of food premises and offer tenancies of at least six years to those with a shop area of less than 10 000 sq ft and tenancies of at least nine years to those with a shop area of over 10 000 sq ft in order to alleviate their operational pressure. Moreover, even if rent increases are imposed, they should not be based on open market rental but should instead be based on negotiation with reference to the actual increase in business volume. This way, the industry will not have so many grievances. After all, I only hope that The Link Management will listen more and understand more about the needs of the industry.

I appreciate the proposal of buying back the shares of The Link Real Estate Investment Trust (The Link REIT) with public funds brought forward in the

original motion today, with a view to inducing The Link Management to discharge its social responsibility. Earlier, when moving a motion urging the Government to salvage public and public housing estate markets comprehensively, I mentioned that we had to work out approaches to counter The Link Management's rent increases despite the recent economic downturn so as to prevent small commercial tenants in Hong Kong from being pushed to the corner.

Regarding some Members' proposal of buying back all the shares of The Link REIT, I am concerned about whether the Government should spend such a huge amount with the present heavy financial burden and backpedal by buying back the assets sold in the past. After all, buying back the shares is no easy feat because there might well be situations when shareholders ask for an elevated price which may not be affordable by the Government.

I understand that even if the Government acquires more than 20% of the shares, over 70% of the equity is still in the hand of the others, and how to convince other shareholders to support the policy of not imposing rent increases when there is no increase in the business volume is yet to be known. However, I believe that it all depends on the lobbying and communication efforts to be made by the Government after it becomes the major shareholder. As proposed in Mr Vincent FANG's amendment, proactive negotiation should be conducted with The Link Management to enable all shareholders to understand that the landlord has to tide over the difficult times with the tenants, be it by rental reduction or rental freeze or installing better complementary facilities. As long as the business environment is improved and commercial tenants are making profits, a win-win situation will be achieved in the end.

President, I so submit.

**MR ALBERT HO** (in Cantonese): President, four years ago, when the Democratic Party gave its consent to the listing of The Link, we had three expectations: First, The Link was expected to bring improvements to the management mode of the HA with enhanced flexibility and a "customer first" principle. Second, faced with various concerns expressed by shop tenants, the then Chief Executive Officer of The Link, Mr Victor SO, gave repeated assurances (and I quote): "We will discuss rent issues with shop tenants and will not kick them out easily, unless someone violates his agreement." He also said, "If the business of shop tenants is not good, consideration will be given to

calculating rents in accordance with the sales of shop tenants on a partnership basis." Mr Michael SUEN, the then Secretary for Housing, Planning and Lands also gave the following assurance in this Council (and I quote): "The Government believes The Link and shop tenants can definitely come up with ways to properly deal with the reasonable requests made by shop tenants on a partnership and mutually beneficial basis. Second, small shop tenants still have enormous room for survival." (End of quote) We hoped all these pledges could be fulfilled one after another. Third, The Link was also expected to bring operational improvements to attract more customers, stimulate business, and improve the overall business environment. It was believed, even if rents were slightly raised, objection would not be too strong should shop tenants be able to earn more profits.

Today, President, after the lapse of four years, The Link has become the largest unscrupulous owner in the territory. It has resorted to frenetic rent increases, refusal to negotiate, evictions, and deliberately making things difficult for shop tenants upon tenancy renewal by requesting them to spend enormous amounts of money on renovation. Those who are spared from evictions are allowed to operate only on a temporarily basis. As a result, shop tenants often find themselves operating with anxiety. At present, all tenants not to the liking of The Link will eventually be exterminated through ways and means. Today, the pledges made at that time and the trust of the Government at that time have all vanished into thin air. The Link has failed to live up to the expectations of the people and shop tenants. The so-called "partnership" and "mutually beneficial basis" have been completely forgotten. For The Link, there are only money in its eyes and profits in its head.

President, the behaviour of The Link today really makes people seethe with anger, with small shop tenants driven to such a state that they can only complain incessantly. There is no denying that the Democratic Party did not oppose to the listing of The Link at that time. Now we agree that our judgment was wrong. At that time, we thought that things would be taken seriously as a number of pledges had been written in black and white. We had the assumption that the Government would not make irresponsible remarks, and government officials could perform their gate-keeping roles properly in ensuring The Link could meet public expectations and fulfil the pledges made at that time.

The Democratic Party did not oppose the listing of The Link at that time, not because we fantasized it would act like a charitable organization such that

rents would never be raised and the mix of tenants would never be changed. However, much to our surprise, the Government has gone so far as to completely ignore the statutory responsibility conferred on it under section 4(1) of the Housing Ordinance, whereby the Government is responsible to provide housing and ancillary facilities, including shopping arcades, recreational facilities, and so on, for the enjoyment of public housing residents. It has surrendered its statutory responsibility through the sale of all these subsidiary assets, including such facilities as markets and shopping arcades, to The Link. We are extremely furious and regrettable about this. Of course, for the wrong judgment it has previously made, the Democratic Party has to express deep regret and apology.

President, since the listing of The Link, it can be said that things have ended up in a mess, thereby leading to an all-losing situation — The Link has lost its reputation; shop tenants have lost their livelihood; and the Government has lost its credibility. What is more, it can almost be said that the topic of so-called privatization of government assets has been given a death sentence as a result of the case with The Link. Four years ago, there were already heated debates in the Government on whether privatization of government assets was necessarily evil. Although different voices were heard at that time, quite a large number of people considered, having regard to the prevailing economic environment, privatization of assets would probably help ease the financial pressure of the HA, enhance the overall operational environment and efficiency and, in the long run, facilitate effective and reasonable implementation of the overall housing policies in the territory. No one could have expected such an all-losing situation in the end.

Apart from feeling angry today, we think that the Government should mend the fold, before it is too late, by considering and implementing the buyback option. It is extremely regrettable that today the Secretary has continued to gloss over The Link on behalf of the Government by stubbornly denying its wrongdoing and refusing to take responsibility for The Link's violation of trust. Although the Democratic Party may not be 100% against any privatization policies, we very much believe in persistence. Any schemes of this sort must be implemented through enactment of legislation to give this Council an opportunity to give detailed deliberation to ensure an adequate regulatory system is in place so that public interests will not be compromised.

Therefore, the Democratic Party today supports Dr LEUNG Ka-lau's motion. Thank you.

**DR SAMSON TAM** (in Cantonese): In response to an adjournment debate held in December 2004 on the divestment of the HA's assets, the then Secretary for Housing, Planning and Lands stated that the main objective of the HA's divestment is to enable the HA to withdraw from commercial operation, so that it can focus on its function as a provider of subsidized public housing and alleviate the dire financial hardships faced by it at that time. After the sale of the assets, the financial problem faced by the HA was resolved immediately and the HA was even "flooded with cash", but has the Government then thought of the possibility of stifling the viability of numerous small shop tenants in selling the assets? Having seen so many instances of unreasonable rent increases, of tenants being forced to surrender their tenancy, resulting in the creation of strong public grievances, will the Government think of assuming responsibility for all these?

In the past, shopping arcades under the HA were actually part of the supportive facilities of public housing. The primary role of these shopping arcades was to provide services to residents living in the vicinity, especially public housing residents. However, with the sale and listing by the HA of all its assets, including shopping arcades and car parks for approximately \$30 billion, these supportive facilities, originally serving the public housing estates, have instantly turned into a money-making tool for shareholders. Are all these totally beyond the Government's expectation at that time? If not, could this be the result of negligence on the part of the Government in formulating its strategies as well as its failure to preserve a proper mechanism for performing its monitoring or influencing role?

During the HA era, small shop tenants mainly provided commodities and services required by residents living in the vicinity in their daily lives. Generally speaking, the prices of the commodities were relatively cheap, because the rents payable by the tenants were relatively low. Therefore, businesses could be operated at lower costs. At present, given a marked change in their target clients, the shop tenants managed by The Link no longer provide public housing residents with daily necessities. Instead, luxury commodities have gradually been introduced into the shopping arcades with a view to boosting profits. The Link has made it very clear that it will undergo transformation in the hope of competing with other private shopping arcades in order to make more money. As a result, there has been a constant need for The Link to renovate its shopping arcades to introduce more chained shops operating under large consortia, just for the purpose of attracting more people and customer flows to their shopping arcades for spending, so that more profits can be raised.

Actually, since the divestment of the assets, the new management has indeed made a lot of efforts. On the surface of it, there is indeed a substantial improvement with the management of the shopping arcades. However, after taking a closer look, many people have reservations about their operation strategies and query about the reasonableness of the policy of The Link in positioning its shopping arcades as high-end ones in order to attract first-class shop tenants. Although a substantial increase in rents can definitely push up returns in the short run, can this operating policy, which is no different from those adopted by other major shopping arcades, be sustainable in the long run? When the previous mode of operation as small shopping arcades no longer exists, Hong Kong is absolutely bound to suffer losses.

President, regarding the issue of buying back shares from The Link, the Government is definitely in a dilemma because, if it buys back the shares at this stage, the market prices of the shares will definitely be pushed up, thus benefiting fund investors. Therefore, should the Government really opt for this option, it must wait for a suitable opportunity and employ suitable means before the principle of making reasonable use of public money can be complied with. On the other hand, should the Government adopt an indifferent attitude at this stage, public grievances will continue to mount. The problem, if further delayed, might turn into another time bomb.

Whether or not the Government will ultimately decide to buy back shares from The Link, we should consider simultaneously what the Government can do at this stage to help those small shop operators who cannot afford to pay the exorbitant rents to weather the economic storm, for the purpose of retaining and continuing the "Hong Kong spirit" of these small shop tenants who have all along strived for self-improvement and struggled for survival. I propose that the Government provide proactive support and assistance for small shop tenants and join them in their fight against the management of The Link in order to discharge its responsibility of deciding to sell out the HA's assets and thus affecting small shop tenants today.

In my opinion, the current debate on buying back shares and the numerous amendments are highly controversial. Personally, I am inclined to be in favour of the amendment proposed by Mr Vincent FANG. I hope, if necessary, the Government can buy back sufficient shares from The Link until it can cast an impact on the management.

President, I so submit.

**MR WONG YUK-MAN** (in Cantonese): President, before discussing today's motion, let us refer back to history by sorting our documents. There is a large pile of documents on my desk. We from the League of Social Democrats (the League) have all along opposed the listing of The Link and its privatization. Years ago, two Members of this Council, LEUNG Kwok-hung and Albert CHAN, were besieged because they were the only ones who had a clear mind. At that time, I was working as a host for radio programmes, I received a phone call from one of my audience who accused me of obstructing him from making money. Nevertheless, we have been consistent in our stance. Time offers the best evidence. Today, Members are cursing The Link. However, those who join in the cursing today were adamant at that time in supporting the listing of The Link.

Earlier on in the meeting, Mr Albert HO admitted his wrong judgment and said they have to admit their mistakes now. Today, they are going to vote in favour of this motion. As the saying goes, "we could still return to our right track". Am I correct? We should "understand that the past is beyond recall, but the future is still within our grasp; and having not dwindled far astray, we could still return to our right track." While their move to declare their stance is welcome, one would ask why did they act so foolishly in the beginning? Why are small shop tenants still suffering terribly even though they choose to step out today in a bid to settle the matter by offering their apology at the top of their voice? I think they should apologize to these small shop tenants.

As for the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB), it has been consistent in maintaining its position of being an enemy of the people. Therefore, they will definitely oppose today's motion. We will not find it strange for them to act in this manner. On the contrary, we respect them for their consistency. They have never changed their position. They have been adhering to their position in this manner from the very beginning.

Hence, I do not understand why CHAN Kam-lam should propose an amendment. There is no need for him to do so. He can simply oppose the motion and all the amendments. His amendment points out that The Link has "been increasing its rents, adding burden to shop tenants; and despite the impact of the financial tsunami on the economy of Hong Kong recently, The Link has not immediately lowered the rents in response to the market downturn, thereby making the operation of shop tenants more difficult". We find this really ridiculous. Perhaps some people might find our buying-back proposal unrealistic. In particular, it is impossible to buy back 100% of the shares.



Even though the League is the most leftist, our proposal is the most conservative. Our proposal of buying back no less than 25% of The Link is worthy of consideration. However, it does not matter. Buying back 100% of the shares is certainly the best option. As we are leftists, we certainly consider this option most preferable. Without privatization, these assets will definitely revert to the status of publicly owned.

However, the DAB proposes that the Government request The Link to lower its rents to tide over the difficult times with the community. Buddy, The Link has already cleared all the hurdles. Now that the privatization exercise has been completed, and The Link is not a mode of public transport — the relevant motion was discussed today too. Those modes of public transport will simply pay no attention to the Government. Even though they will be monitored by the Government, they will continue to act as enemies of the people. Despite that the Government is its major shareholder, the MTR Corporation Limited has been acting in a similar manner too. Therefore, when it comes to the Government's request for The Link to lower its rents, we have actually raised this point in many of the questions raised previously. The Government would simply reply that "it is unrealistic to do so". There is nothing that the Government can do. If you do not believe me, please ask the Secretary. She has repeated this reply many times before. How can the Government ask The Link to lower its rents? The Link is not one of those modes of public transport which are regulated by a fare adjustment mechanism that allows fares to be adjusted upward and downward. How can the Government ask it to lower its rents? What can be done to enable the Government to actively request The Link to lower its rents? I believe this is quite puzzling.

Actually, CHAN Kam-lam should not have proposed an amendment. He should simply vote against everything and then act consistently. If he acts like this, I would still respect him. But the amendment proposed by him today is an indication of his admission that The Link has been extremely greedy and broken the promises made when it was listed, and yet there is nothing that the Government can do.

Actually, when The Link was first listed, even a blind man could predict the outcome from his observation. I do not know whether supporters of the listing of The Link have ever contemplated the outcome? On 1 June 2005, Albert CHAN proposed a motion requesting for the shelving of the privatization exercise. Let us refer to the voting record. The Democratic Party voted against Albert CHAN. Both the DAB and the Liberal Party were very influential at that

time. Some non-affiliated Members, including some from the so-called democratic camp, TAM Heung-man, Joseph LEE, and many others, were also against Albert CHAN. As regards Abraham SHEK, his opposition to the motion is deemed reasonable, as he was a representative of major property developers. Let me count the number of the opponents. Today, however, most of them support LEUNG Kwok-hung's amendment. Do Members find this very ridiculous?

Actually, we have prepared a lot of materials. However, it is not very convenient for us to speak with the help of these materials. We have convened a party group meeting and produced a document entitled a concrete proposal by the parliamentary group of the League of Social Democrats in response to the option of buying back shares of The Link. In addition to the amendment proposed by LEUNG Kwok-hung, we have also come up with a concrete proposal of our own after discussion, and hope that it can be implemented by practical means. If Members are interested, I can provide you with a copy of the document. Members may also find it on the Internet, because we have not attached it to the Legislative Council papers. Here are two copies of the documents containing the oral or written questions raised by Members from 2004 to 2008 in relation to The Link. This one is about the adjournment debate held on 1 December 2004, and this one contains the highlights of the speeches delivered during the discussion held on 1 June 2005 in respect of a motion on putting the privatization exercise on hold. All these can be found here. The good thing is that they are all recorded in black and white.

Nevertheless, it is still OK for us to "return to our right track". This is why we welcome the Democratic Party's U-turn. As Members are aware, this motion is not binding. We are merely engaging in empty discussions here. In the course of doing so, of course we have to give someone a tongue-lashing. The Link is heartless and unjust; it is an unscrupulous capitalist. We can see that most of it is foreign-funded. Sometimes, I will imagine that WEN Jiabao and HU Jintao should really summon Donald TSANG and give him a good dressing down. Now we can see that the Central Government is going to hand out a generous sum of money to rescue both the market and the people. And yet our Government is still acting indifferently. Am I correct? Even though it has the means to help the lower and middle classes, it has done nothing at all. As in the case of this matter, if it has the gut to (*The buzzer sounded*) ..... then I will praise you for your terrific performance, and your popularity rating will surely surge immediately .....

**PRESIDENT** (in Cantonese): Mr WONG Yuk-man, your time is up.

**MR WONG YUK-MAN** (in Cantonese): Thank you, President.

**MS LI FUNG-YING** (in Cantonese): President, during the debate conducted early this month on the formulation of public housing and public market policies, a lot of proposals were put forth by this Council to the Government. Though the topic of discussion today is public housing shopping arcades, the problems faced by us are even more complicated compared with the debate just mentioned, because we are discussing not only issues of improving the hardware for some shopping arcades and markets, but they are also combined with a variety of factors involving public shopping arcades, management rights, shareholders' interests and social responsibility, as well as value preference. I have noted with concern that the viability of small shop operators and traders of shopping arcades managed by The Link is narrowing. As this point was already raised by me during the debate held early this month, I would not repeat it here. However, I am not optimistic about the possibility of widening their viability in concrete terms.

President, it is mentioned in the original motion that "since its listing, The Link has deviated from its original principle and philosophy", and these wordings are also retained in some of the amendments. However, what are the principle and philosophy of The Link? The mission statement posted on its website reads, "To build The Link as a market-driven and value-creating asset manager offering inviting shopping experiences to customers; prosperous business opportunities to tenants; and rewarding financial returns to investors." (End of quote) These are the current principle and philosophy of The Link. In view of this, rents are considered an important indicator for manifesting value-creation. A substantial raise in rents on shop tenants and traders is a manifestation of the result of value-creation. Therefore, the request made in today's debate for The Link to freeze or even reduce its rents can be said to be contradictory to its mission, or its principle and philosophy.

I understand the reason for Members to mention the original principle and philosophy of The Link. Actually, during the adjournment debate conducted in December 2005 on the listing of The Link, Michael SUEN, the then Secretary for Housing, Planning and Lands defended The Link by saying, "Its prime objective is to cut expenditure and improve the economic efficiency of the shopping centres

by, among other things, stepping up publicity and promotion, improving the environment of the shopping centres, and attracting more customers to boost patronage to commercial tenants. It is only on these premises that there is room for The Link Management to adjust the rent in accordance with the business situation of individual trades and industries." (End of quote) The Secretary also held the view that, on a partnership and mutually-beneficial basis, The Link and shop operators could definitely find proper ways to deal with the reasonable requests of shop operators and resolve the problems of both parties, thereby achieving a win-win situation. President, I wonder how then the Government can offer a satisfactory explanation for the current situation of small shop operators and traders. However, for these small shop operators and traders operated under The Link, they can no longer cherish the false hope of winning. They should consider themselves extremely lucky had they not been exterminated by The Link.

In order to resolve the problems of frenetic rent increases and the stifling of the viability of small shop tenants and traders, The Link must modify its so-called mission of building itself as a market-driven and value-creating asset manager. As a number of shopping arcades managed by The Link are operated by the grassroots and small shop tenants and traders, The Link must strike a balance between its value-creating role and social responsibility. Insofar as this point is concerned, the original motion and its amendments share the same view. However, Members are divided on how to achieve this target. Regarding whether the Government should buy back shares of The Link, I do not have an established stance. I am worried, however, that distant water cannot put out a fire close at hand. Buying back shares of The Link and re-engineering the property rights and management of the shopping arcades under The Link are all major issues, which cannot be achieved within a short period of time. As a result, the hardship faced by small shop tenants and traders might not be resolved promptly. But I do not rule out the possibility that this option can offer a long-term solution to the problem caused by The Link's disregard for the interests of small shop tenants and traders.

President, I am more concerned about the current situation. The re-engineering of more than 20 of its shopping arcades by The Link is now underway as asset enhancement projects. Here is a footnote posted on The Link's website concerning the relevant projects, "Asset enhancement works deferred due to improvement in trade mix generating higher rental income". This footnote is a clear indication that The Link acknowledges the fact that asset enhancement is achieved through rent increases, and that no asset enhancement

projects will be carried out without rent increases. This is profiteering in its most naked and blatant form. Despite the so-called deferment of asset enhancement works, a number of works are still underway in full swing. Small shop tenants and traders have to, on the one hand, face the impact of the economic downturn and, on the other, accept frenetic rent increases proposed by The Link under the pretext of asset enhancement. This situation must be rectified immediately. Given the assurance given the then Secretary for Housing, Planning and Lands in promoting the listing of The Link that The Link and shop tenants are in a mutually-beneficial win-win situation, the Government has an unshirkable responsibility to urge The Link to discharge its social responsibility and alleviate the pressure of the affected shop operators and traders.

Thank you, President.

**DR JOSEPH LEE** (in Cantonese): President, regarding the motion today — I have to thank Mr WONG Yuk-man for mentioning my name earlier — I think some of the Members here were also in this Chamber in 2005 raising their hands in favour of the privatization of The Link. However, we have realized there are some problems today. Therefore, we think that the Government should buy back the shares of The Link and then take the matter in its own hands.

I would like to draw an analogy for Members. The Government's original intention of establishing the Hospital Authority (HA) in 1990 was actually the same as setting up The Link. It was felt that the management of public hospitals at that time was inefficient and, hence, it was hoped that, through the establishment of the HA to achieve better management of resources, the health care services provided in Hong Kong can be improved. To date, however, the management of the HA is still not very efficient.

We can see that the waiting time of surgery out-patient cases is very long, with the longest waiting time up to six years. Generally speaking, patients have to wait more than 10 weeks before they can receive treatment. What can we do? Should we propose all HA employees be turned back into civil servants for management by civil servants? Judging from this logic, this is not necessarily an appropriate solution, and the same goes for The Link.

The original intention of establishing The Link at that time was to achieve effective management and efficient use of resources. I believe the reason for

Honourable colleagues here, whether they describe themselves as "making a U-turn" or "not making a U-turn", to make this decision at that time was that they hoped such organizations as The Link (though it is described as a freak today) could enable government resources to be utilized more effectively without the need to take up management of the shopping arcades, as what the Government or the HA was doing then. This was the original intention at that time. At least, it was for this original intention that I supported the project at that time.

Today, Honourable Members here, including the Secretary, might feel disappointed or helpless about The Link's behaviour. What can we do in response to the frenetic rent increases? We see that the 180 or so shopping arcades are all situated in public housing estates. What are they intended to be used for? According to the Housing Ordinance or the original intention, these shopping arcades are built to serve the people in the neighbourhood. As the people living in public housing estates are generally the populace or the grassroots, these shopping arcades provide them with convenient and inexpensive spots for shopping, spending and eating. So, there is no problem at all.

I believe many of my colleagues here have never envisaged that the shopping arcades today can be so glamorous — we learned from a television programme this morning that shop tenants with a different taste are required to move out of a shopping arcade in Lok Fu which has shifted to selling high-end commodities. This is something which should not have happened. Back in 2005, I think no one would have envisaged the emergence of such a corporation which had changed our original intention.

It is precisely for this reason that we hold this motion debate today to discuss whether the Government should buy back all the shares of The Link or adopt the proposal made by Mr CHAN Kam-lam. In my personal opinion, the number of the shares to be bought back and the way of buying back the shares, or even adopting Mr CHAN Kam-lam's proposal, are not the crux of the matter. Most importantly, what means does the Government have to influence The Link, so that the 180 shopping arcades situated in public housing estates can really achieve the objective of providing their neighbourhood with inexpensive and quality goods?

Yesterday, I raised a question at a meeting of the Housing Authority but no one was able to answer me. My question was: Over the past three years, has there been an increase in the average income of the households living in the

housing estates where the 180 shopping arcades are situated? Has their income been increased to such a level that they can afford high-end spending? This is the first point. Second, for the target clients of the shopping arcades managed by The Link, are they residents of the housing estates or people not living in the housing estates?

Yesterday, I heard some very interesting remarks made by the staff of The Link — it was revealed from the a study conducted by them on spending benchmarking — that spending in the shopping arcades of The Link was not higher than that in the shopping arcades situated near Kowloon City or Kowloon Tong. The remarks must be right because a comparison made between the shopping arcade in Lok Fu and the one in Festival Walk will definitely show that spending in the former is not as high as that in the latter. However, it must be borne in mind that the residents patronizing these two shopping arcades are totally different, despite the fact that they are merely separated by one street.

I find the logic of this sort of sophistry very problematic. The problem is that the management approach currently taken by The Link is not compatible with our original intention, and this has led to the occurrence of the phenomenon today — there are voices calling on the Government to buy back the shares of The Link or manage The Link with other approaches. As suggested by Mr LEUNG Kwok-hung today, can assets be acquired by virtue of the Basic Law? Insofar as this issue is concerned, I think it is the unanimous hope of all my colleagues here that the Government can see clearly that The Link has simply failed to satisfy our original intention of entrusting these shopping arcades to it for management.

What other solutions can the Government offer if it disagrees with the buying back or other options? This involves more than rent increases. What can the Government do to make The Link do what it should do, that is, manage the shopping arcades to provide service to the public? Well, I am not even saying anything about social responsibility.

Perhaps The Link does not agree with me. As pointed out by Ms LI Fung-ying earlier — The Link has to make money and operate on commercial principles, and so all its shopping arcades must serve other purposes. This does not matter, but it must be stated clearly. In any case, I think the Government is responsible for this. Regardless of the approach to be adopted, The Link must ensure that the shop tenants and residents in these housing estates can continue to enjoy the services provided in the shopping arcades instead of changing

everything on the basis of the major principles of commercial operation, thus causing the shop tenants and residents to sustain losses. This is why I hold the Government responsible for this.

Hence, I support today's original motion and amendments. Thank you, President.

**DR PAN PEY-CHYOU** (in Cantonese): President, I have to declare my personal interests first because I should consider myself a shareholder or boss of The Link as I have in hand a very small amount of its shares. But today, I feel very much ashamed for what The Link has done.

In the winter of 2005, The Link finally went listed after overcoming enormous difficulties. In another winter in December 2008, Hong Kong experienced a financial tsunami which started on the other side of the Pacific Ocean, causing the people of Hong Kong to face a bitterly cold Christmas.

Now we can hear Christmas bells and music when we go out onto the streets or to various shopping arcades. The music is reminding us of the approach of Christmas. Christmas should have been an occasion for celebration for all. However, the management of The Link, which is totally indifferent to the critical crisis faced by the Hong Kong people and small shop operators, has wielded its big axe of "rent increases" at them. This has reminded me of the renowned novel, *A Christmas Carol*, written by a great British writer, Charles DICKENS.

The protagonist of the novel, Mr SCROOGE, was an extremely selfish, greedy and merciless businessman. On the eve of Christmas, he was at work in his freezing cold office, with a clerk, or his assistant. He had absolutely no idea of how the people around him were leading their lives, and there was nothing on his mind but his own business. However, after a spate of wonderful experiences, he came to realize that there was something even more valuable than money in his life. After the experiences he went through that day and three dreams, his life began to change.

The Hong Kong Federation of Trade Unions already raised opposition to the listing of The Link four years ago. I would like to correct the remarks made regarding this by colleagues from the League of Social Democrats. On this



issue, our position has remained unchanged, and this is traceable from the records. We are also very proud of these records. However, anyone who see what The Link has been doing lately will feel extremely angry.

I can use only the words "extremely critical" and "bottomless abyss" to describe the crisis faced by small operators and traders as well as the public at large today. However, the management of The Link is still sharpening its axe in a bid to raise rents at this very critical moment. Could it be the case that it will not, unless it witnesses, as with the protagonist of the novel, *A Christmas Carol*, the miserable condition of hell then it would demonstrate its corporate conscience by loosening its grip a bit?

As Members are all aware, it is extremely difficult for us in this Chamber to urge the Government to buy back The Link because of the practical and operational difficulties involved. In any case, however, the Government should seize this opportunity and learn from the gist of its experience to avoid repeating the mistakes in future. Furthermore, it should strive to co-ordinate and guide the management of The Link with a view to altering their short-sighted practice of killing the goose for its golden eggs.

Corporate conscience can actually bring commercial benefits because, in the long run, corporate image and the public impression of the enterprise can then be improved, thereby bringing profits. We are not requesting the enterprise to demonstrate universal love or to disregard commercial principles. We merely hope it can refrain from acting in such a short-sighted manner in its operation and, instead, look at the issue with far-sightedness.

With these remarks, I support the motion.

**MR JEFFREY LAM** (in Cantonese): President, various trades and industries in Hong Kong are being hit seriously by the aggravating financial tsunami. The public, affected by a spate of incidents involving company closures and redundancies, has faltered their confidence in spending, while there has been a marked fall in business in the retail and catering sectors. For small shop tenants in the shopping arcades run by The Link, they are faced with operational difficulties as their clients are mostly public housing residents, and the profits they make are minimal. Worse still, The Link, the largest owner of retail shops in the territory, has on the contrary, sought to increase rents at a time when the

economy is in the doldrums, and it has also made it clear that, after the renovation of its shopping arcades, market rents have to be paid by tenants when renewing their tenancies.

I understand that The Link, as a listed company, has to take into account its shareholders' interests. Therefore, it cannot operate its business without making profits. However, with over 11 000 tenants under it, The Link must discharge its social responsibility as the services required by 3 million public housing residents in their daily lives are involved. However, since 2007, The Link has imposed a rent increase of 30%. According to a recent survey conducted by a watchdog, Linkwatch, rents in the markets run by The Link in Sha Tin and Tin Shui Wai are on average 60% higher than the rents paid by the markets managed by the HA, with the highest level nearly double those in HA markets. I have also heard tenants complain The Link double the rents on recent tenancy renewals. With the increase in rents, the operating cost will only be shifted on to consumers. Under such circumstances, the burdens of small shop tenants and the grassroots will aggravate. In order to save money as far as possible, the people might cut on spending. As small shop tenants cannot keep their business afloat, they can only wind it up. Actually, exorbitant rent is one of the major reasons leading to recent waves of closures and layoffs in the retail sector. Should The Link continue to increase rents, a wave of closure might be erupted among shop tenants, thereby causing such social problems as unemployment and layoffs. This will only further aggravate Hong Kong's overall economy.

President, I recall that during the initial listing period of The Link, the then Chief Executive Officer of The Link assured this Council that, according to the Offering Circular, rent increase is not The Link's major business strategy and that they will strive to communicate with shop tenants and maintain rents at reasonable levels having regard for the market situation. Now The Link has opted for increasing rents against the market trend, does that mean it has deviated from its original principle and philosophy? Last month, the HA decided that, starting from January and February next year, the rents paid by the tenants of the shops under its 19 shopping arcades, markets and factory buildings would be waived by half, thereby benefiting a total of 6 000 tenants. This decision reflects that even the HA, on seeing the prevailing critical situation, would take immediate action to alleviate the pressure arising from costs on shops. What will The Link do to boost the sales of its tenants as its most important business partner? The Link still insists that there will be no rent reduction. Instead, it will allocate \$30 million to undertake publicity activities in a bid to boost the

customer flows of shopping arcades and stimulate spending. However, for the small shop tenants who are in dire straits, they would prefer The Link to save these \$30 million, and to offer them rent reductions instead to help them ride out on the bitter winter.

Dr LEUNG Ka-lau has proposed that the Government buy back the shares of The Link to regain the controlling power. However, is this solution feasible and most preferable? I remember it was the intention of the HA to implement the notion of "big market, small government" when it decided to sell its assets to The Link for management. Now that the assets have been sold, should the community and Government respect the free-market principle? If we buy back the shares, are we backtracking and denying the notion of "big market, small government"? In a society practising free economy, if the Government decides to intervene in the operation of the market without careful consideration, will it set a bad precedent? By then, will the same consideration be extended to various policies and different trades and industries? Will the Government be required to buy back the assets already sold? These issues must be considered very seriously.

It is actually not as simple as what other people think if the Government is to opt for buying back the shares. What price should the Government offer to buy back the shares? Will the buying back lead to fluctuations in share prices so that speculators will have a chance to speculate on The Link's shares in the market? Will the interests of the shareholders be affected? All these should warrant our consideration.

President, during this difficult time, I think what the shop tenants aspire most is to have costs lowered so that they could sustain their livelihood. If shops are left vacant because the tenants cannot afford the rents, it is not going to benefit the rental income of The Link either. I believe this is something that The Link would not like to see. I hope The Link can demonstrate the corporate moral and social responsibility required of businesses by reducing rents expeditiously, pulling together its shop tenants at times of trouble and tiding over the hard times with them together. Such a move will enhance management and publicity, stimulate customer flows and sales of its shopping arcades, thereby reviving the confidence of the public in spending and achieving a win-win situation.

President, I so submit.

**MR CHEUNG KWOK-CHE** (in Cantonese): President, in November 2005, this Council passed the motion on the sale of valuable shopping arcades, markets and car parks managed by the Housing Department (HD). At that time, the mainstream voices in society and major political parties in this Council were in favour of the motion because the shopping arcades and car parks inflexibly managed by the HD under the bureaucratic style of governance at that time. Furthermore, there were administrative hurdles one after another, and civil servants were harbouring the mentality of it is better to do nothing for fear of making mistakes, at the same time maintaining an indifferent attitude towards the way forward and future development. With a sharp rise in the vacancy rates of shopping arcades, markets and car parks, the rents collected were unable even to offset the salary paid to civil servants. The Government's move to sell its shopping arcades for profits could not only resolve the problem of facing public accusations, but also bring revenue to the HD, thereby thoroughly implementing its concept of outsourcing government services and capping government funding.

It was pointed out by a minority of opposition voices at that time that the shopping arcades, markets and car parks managed by the HD were primarily visited by the grassroots for their daily necessities. These places, if privatized, would definitely lead to soaring rents. In the end, traditional trades and industries and small shop operators would definitely be sacrificed, and the public at large would directly become victims. Regrettably, after an old lady, Madam LO Siu-lan, lost her litigation, there came the formal establishment of The Link, to be followed by frenetic rent increases as well as voices of discontent from the grassroots. Today, Members of this Council have to, once again, refute its previous convictions for the sake of public opinion.

Actually, The Link, being a listed company, has not violated any principles if it raises rents under the commercial principle. It seems that no one is justified to demand it to fulfil so-called social responsibility. However, some of the approaches taken by The Link should be condemned. For instance, in order to bring in large tenants, it has made things difficult for small shop operators by increasing rents rampantly, with a view to achieving the objective of reaping exorbitant profits within a short period of time, and also by entering into agreements with those shop tenants to share profits. However, businessmen with insight even will not act in this manner because it is like killing the goose that lays golden eggs. However, for certain funds set up outside Hong Kong, their investment mottos are "to kill when the time is ripe" or "get away after making enough profits". They would not be affected by high rents and the

bursting of bubbles because they would have already pulled out. In the end, these problems will have to be faced by the grassroots.

The most direct way of solving the abovementioned problems is to buy back The Link. President, TCI, a hedge funds company as well as the largest shareholder of The Link, is currently holding 18% of the shares of The Link, while more than 50% of the remaining shares are being held by retail investors. Therefore, the Government can become a major shareholder by simply buying an additional 20% to 25% of the shares. Today, with cash reserves of nearly \$60 billion, there should be no problem for the Housing Authority to buy back The Link. The Government should have a say in The Link to prevent The Link from making decisions without regard to public interests. In terms of the current share prices, it will cost the Government \$5 billion to \$6 billion to buy back 20% of the shares. The price is indeed very low if the Government can thus prevent The Link from increasing rents unreasonably.

I must point out that the purpose of buying back The Link is to have a say in it. However, bureaucratic governance must not be brought in, and commercial operation must be continued. At the same time, the well-being of the public at large must be catered for through monitoring of rent increases. As most of the markets, shopping arcades and car parks managed by The Link are places frequently visited by the grassroots, good management has now upgraded the standard of living of the grassroots. Therefore, I propose that the Government should, in addition to buying back The Link, pay up to buy its experience in commercial management as well.

President, I so submit.

**MR IP KWOK-HIM** (in Cantonese): President, there had been extensive discussion in the community on whether shopping arcades and car parks in public housing estates should be divested long before the listing of The Link in 2005, with some people supporting the idea while some others opposed. I believe Members have already heard a lot of views and arguments put forward by both the advocates and opponents. Generally speaking, the mainstream opinion is inclined to supporting the idea.

A survey conducted at that time indicated that 60% of the public were in favour of the HA's divestment of its assets for sale. Major local newspapers were also supportive of the HA's decision to divest its assets, some upholding the

view of a free economy, others supported on the ground of easing the HA's deficit, still some others supported on the rationale that it would enhance the quality of services and operational efficiency of shopping arcades, and so on.

Therefore, the DAB believes the listing of The Link was based on public opinion. Furthermore, judging from the financial deficit recorded by the HA at that time, the HA would not have sufficient resources to sustain its public housing construction projects without the listing of The Link. This would be even more unfair to the grassroots who were already on the Waiting List. Therefore, the DAB considers the remarks made by Mr LEUNG Kwok-hung in his amendment that "this Council expresses deep regret at the Government's disregard for the interests of public housing residents, shop tenants and the general public at that time" untenable.

In all fairness, since the listing of The Link three years ago, we have actually seen relatively drastic reform and a considerable number of new looks in public housing shopping arcades under the management of The Link. With a series of renovation projects and the provision of additional facilities, there has indeed been marked improvement in customer flows. This was also the major reason for the DAB to support the listing of The Link at that time. As a member of the HA at that time, I had purposefully visited a number of shopping arcades, including the ones in Wah Fu and Lok Fu, and noted that some shopping arcades in relatively remote housing estates were almost completely empty. We could even find an entire floor of a shopping arcade in Sham Shui Po being left vacant without a single tenant. This mode of management, such as an "isolated seedling", was difficult to sustain because it had failed completely to act in according with the market mechanism.

As for The Link, it has been able to introduce improvements after taking over these shopping arcades. Therefore, I believe it can revive the shopping arcades. It was also for this reason I supported the handing over of shopping arcades to The Link for management. On the other hand, however, many District Council members had recently related to me that, under the commercial principle, The Link had constantly raised the rents on its shopping arcades and car parks in order to seek maximum returns. What is more, it had even refused to discuss rent increases and tenancy renewal with small shop tenants. Yesterday, some shop tenants told me outside the entrance to the Legislative Council that they were forced to wind up their businesses because The Link had simply refused to negotiate with them. After the closure of their businesses, The Link would determine new rents and lease the shops to groups which could afford

exorbitant rents. Consequently, public housing residents would be deprived of their means of buying daily necessities at cheap prices. For me, this is hardly acceptable. Therefore, The Link deserves to be condemned by the community.

We understand that The Link has already become a private enterprise. Its "big boss" is no longer the HA, but big and small fund unit holders. Hong Kong is a free-economy society, and respect for private assets is one of its keys to success. We have no intention to follow the criticisms made by common people by citing such ambiguous concepts as "social responsibility" in order to intervene with the operation of private enterprises. However, the assets of The Link comprise primarily of public housing shopping arcades in the territory. Furthermore, these shopping arcades have a direct bearing on public housing residents, who represent 40% of the population of the territory. Their target clients are not only public housing residents, but all people in Hong Kong. Hence, there is a need for The Link to be supervised and monitored by the community.

The DAB is of the view that the conflict between enterprises discharging their social responsibility and enterprises seeking maximum returns should not be very serious. At present, many of the private enterprises in Hong Kong, such as CLP Power Hong Kong Limited, the Hongkong Electric Company Limited, the Kowloon Motor Bus Company (1933) Limited, the New World First Bus Services Limited, ferry companies, and the MTR Corporation Limited, are closely related to the livelihood of the people. President, you do know that these are all listed companies as well as providers of services for the public. If some of them are found to be heartless or unjust in their operation, should all of them be "nationalized" or bought back by the Government? This appears to be unrealistic. This is also the major reason for Mr CHAN Kam-lam to propose his amendment.

Therefore, we believe investors of The Link are pleased to see that The Link has been able to revitalize the shopping arcades. If businesses are thriving, shop tenants will be able to pay higher rents. In the end, both the owner and shop tenants will be benefited. It is definitely not the wish of the investors to see The Link focus merely on immediate benefits by increasing rent rampantly like killing the goose that lays golden eggs without regard to the long-term development of businesses.

With these remarks, President, I support Mr CHAN Kam-lam's amendment.

**MR JAMES TO** (in Cantonese): President, perhaps let me discuss from the legal point of view what can be done to address the present situation.

President, the major premise is that it is stipulated clearly in section 4(1) of the Housing Ordinance that "the Authority shall exercise its powers and discharge its duties so as to secure the provision of housing for various kinds or classes of persons (including residents)". And, according to the Interpretation in section 2, "housing" includes premises for commercial and business purposes. Conceptually, the Housing Authority (HA) is obligated to provide its tenants with these facilities, including commercial facilities. Section 4(2)(e) of Housing Ordinance even clearly provides that such facilities should be provided having regard to the interests, welfare and comfort of the tenants and so on.

President, according to a ruling made by the Court of Final Appeal (CFA) on the listing of The Link at that time, the Government is obligated to discharge its duties in accordance with the Housing Ordinance. However, it can also delegate or outsource its duties to others, though whether compliance with the Housing Ordinance can be ensured if the Government outsource its duties to others through listing was still uncertain at that time. Consequently, the CFA ruled in favour of the Government as we could not produce evidence (or it could be said that no one had the evidence) to prove that the Government had violated the Housing Ordinance, or that the responsibilities set out in the Ordinance could not be discharged as a result of listing or privatization.

However, as at today, I hope the Government can really consider the matter carefully. Even if many or some residents are satisfied with the present condition, and only a fraction of the residents are convinced that the Government cannot satisfy their needs, the Government is still susceptible of having failed to discharge its responsibility. In particular, those residents have been living there, and those housing estates are low-cost housing estates. In other words, there are certain restrictions on their income. If their income gets higher and higher, their rents might be doubled or increased by 50%, and they might even face eviction. Therefore, the nature of the residents is still the same. They are still low-income earners, and there is no denying that some of these low-income earners are still living in those housing estates. The entire institution or system has been designed in such a way that their purchasing power, affordability and ability to purchase daily necessities through these commercial facilities will still have to be taken into account.



If this premise remains unchanged and so long as some people — at present, some tenants have found it really impossible for them to continue to live in their original units because they cannot meet the HA's income level required of its tenants. Some tenants might also be classified as "poor households" (though "poor households" can actually receive some sort of rent assistance and *ex gratia* payment). In short, Members definitely know that those people are really living in those housing estates — so long as those tenants complain that the commercial facilities in their housing estates cannot meet their needs, I believe the situation has already reached a very critical state. Of course, the Administration can argue that "if the relevant tenants cannot afford to buy certain commodities in their own housing estates, then they can travel to nearby housing estates for shopping." However, the Administration must understand (transport affairs are actually within the ambit of the Secretary. It is good for her to take charge of these two areas) that, given their meagre income and the fact that some of them are Comprehensive Social Security Assistance recipients, it is simply impossible for them to go or travel to nearby housing estates to enjoy the services provided by those facilities.

Fine, if the situation has reached such a state, then the Government should be considered as breaching the law. In order to address this situation, only the following possible approaches can be adopted. First, unless the Government scraps the Housing Ordinance or amends the relevant provisions of the Housing Ordinance by making it clear that the Government is only required to provide low-cost housing but not other facilities. Should that be the case, the expression "housing" should be deleted and substituted with "commercial" instead. However, a great turbulence will definitely be caused as a result.

The second possibility is for the Government to provide these facilities on its own. Even though some of the facilities might have already been sold to The Link, some car parks or other facilities might still be retained by the Government itself — some colleagues have also mentioned this in other forums. As the HA has not make full use of plot ratios, there might still be a chance to revise the plans of the shopping arcades so that an additional shopping arcade can be built to compete with The Link, even though the facilities in many housing estates have been sold to The Link. Of course, there is the question of whether the Government will violate the Ordinance and be sued by The Link as a result. This will depend on what is stipulated in the listing documents, and this is a separate issue. Theoretically, however, it is feasible for the Government to build new shopping arcades to compete with The Link. However, the Government should then be responsible for the provision of these shopping arcades by itself.

The third possibility is for the Government to urge The Link not to adopt such an extreme approach and policy.

The fourth possibility is buying back shares. Today, some of our colleagues have already raised the relevant situation for discussion. If the Government cannot sort out everything, there is nothing we can do but to buy back the shares. When it comes to buying back shares, the acquisition value will definitely be pushed up because everyone knows that the Government has the intention to buy back shares. In that case, how much will it cost the Government to buy back the shares? Are there any other alternatives to achieve this objective? Or (it might be very bold of me to raise such a proposal) if the amounts involved in the two aspects have been calculated, will it be possible to, under certain circumstances or under the design of certain systems, provide rent subsidies to tenants — of course, the rates of subsidy have to be specified in the terms and conditions of agreements — to enable tenants to provide certain necessities at extra-low prices? Of course, it is actually very complicated and difficult to do so.

However, my final conclusion is, under the present circumstances, chances are very high that the Government has violated the provisions of the Housing Ordinance, that is to say, is breaching the law.

**MR LEE CHEUK-YAN** (in Cantonese): Mr James TO pointed out earlier that the Government might have violated the provisions of the Housing Ordinance because The Link is obligated to provide services for public housing residents. I am in full agreement with this remark. However, upon its listing or privatization, The Link has been monitored by another watchdog, the Securities and Futures Commission (SFC), which will remind The Link of its obligation to serve its shareholders. Therefore, the whole thing is like a fast knot. So long as the Government does not buy back shares, such a conflict will never be resolved.

In their speeches, many Honourable colleagues compared The Link to a vampire or an unscrupulous enterprise pushing small shop operators into a corner, boosting prices, and ridiculously forcing public housing residents (the poorest strata) to make purchases at high prices. I totally agree with their comments too. Nevertheless, I also sympathize with The Link because its obligation is to suck blood unscrupulously. To facilitate the operation of a capitalist society, enterprises are duty-bound to pursue maximum profits upon their privatization.

It is simply unnecessary to talk to them about corporate social responsibility because their first and foremost responsibility is to make money. Perhaps they consider donating a few bucks while making money is a charitable act in fulfillment of its corporate social responsibility. Therefore, when some residents made accusations against The Link to me, I would tell them that the culprit was the Government. It was the Government's privatization decision that turned The Link into a vampire or a freak. It is just the responsibility of The Link to act in this way. This is why sometimes I did not blame the top-level staff of The Link because I understand it is their responsibility to act in that manner. Secretary, if someone has to be blamed, it must be the Government — you were not in charge at that time — a path of no return was taken when the decision to privatize was made. Now we hope the Government can accept the buyback option so that it can, once again, manage the shopping arcades, especially those which are closely related to the livelihood of the people, to give small shop tenants some room for business, to give public housing residents an opportunity to patronize small shop tenants without being exploited by major consortia, and to buy at lower prices. The only way out for the Government at present is to accept the buyback option. President, the Government might be extremely reluctant to opt for this option, but sometimes it is right to make a U-turn. If it had erred in the beginning, it must make a U-turn now.

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

On the other hand, having listened to the speeches delivered by Mr IP Kwok-him and Mr CHAN Kam-lam, I find the DAB really special, for they are simply "two-faced" hypocrites. I am saying this because they really seek to take advantage of everything. When faced with supporters of The Link, they would say that they had raised opposition in this Council to the buyback option, but supported and praised the management work of The Link. However, when faced with small shop operators complaining of being pushed into a corner by The Link and paying exorbitant rents — the findings of a survey we saw yesterday revealed a gap of up to 60% to 80% between the rents payable by the markets managed by The Link and those charged by the Housing Department — the DAB would tell them that they had condemned The Link and had once led small shop operators to stage protests, saying that The Link's approach was unacceptable. The DAB is simply behaving as if it is suffering from schizophrenia with its act of pleasing the two parties. It is really exceptional. In doing so, the DAB will not offend anyone. Please do not act in such a

hypocritical manner! You were actually lying when you expressed support for small shop operators who are being pushed into a corner. If you really support them, you should support the buyback option. Only in doing so can you give them real support. This is because only by supporting the buyback option can you render support for rationalizing the entire system.

The Government can then intervene in social policies. For instance, the Housing Authority (HA)'s policy of freezing rents is a social policy. From the angle of making money, the HA should not freeze rents. However, at this time when the territory is hit by the financial tsunami and there are calls for rent freezes and reductions, the Government should be able to do it, given that the HA is under its control. The Link is different, because it is not under the Government's control. However, the Government will be able to do so should The Link be bought back. In that case, The Link will serve a social purpose, a social objective, and even the objective of protecting the people's livelihood, instead of simply making money. The DAB has not only failed to support the buyback option; it has even sought to cheat small shop operators of The Link by promising that it will help them to stage protests. I have the feeling that it is really doing whatever it wants. In the end, the DAB can only indulge in playing the game of "two-faced" hypocrites without any position.

It is basically ridiculous for the DAB to say that there is no conflict between corporate social responsibility and shareholders pursuing maximum returns. Frankly speaking, the two are contradictory. The point is whether the so-called corporate social responsibility is being treated like an act of charity or is it genuine corporate social responsibility as such. I have never seen any enterprises around the world which can really fulfil their so-called corporate social responsibility. For instance, faced with the current financial tsunami, what social responsibility has The Link fulfilled? Has it lowered the rents? Not only has it not reduced the rents, it has, on the contrary, raised rents under the current situation and continue to bring in consortia, just because consortia can afford exorbitant rents. Small shop operators are still being pushed into a corner, and prices are being boosted by rent increases. As a result, the operators can only transfer price increases on to public housing residents. Basically, there are serious conflicts between the two, and it is simply impossible to argue otherwise. Regarding the question raised by the DAB earlier as to whether everything should be nationalized, I must point out frankly that there is indeed a need to consider nationalizing everything involving monopolization of commodities or services relating to people's livelihood. Just like the buses

mentioned by us earlier on, it is simply impossible for so much work to be done. As for ferry services, the Government might, in the end, be required to offer assistance for the continuous provision of the services. This is actually the case, as consideration for social policies and people's livelihood are involved. In my opinion, the only way out for the Secretary is to buy back shares. Thank you, Deputy President.

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

**MR WONG KWOK-HING** (in Cantonese): Deputy President, the issue relating to The Link is about the privatization of public assets. What actually are the implications of this privatization of public assets to the numerous residents and the grassroots living in housing estates?

I think it is now time for the Government, as the policy-making authorities, and the Secretary to have some reflections. In the face of the financial tsunami, the Housing Department and the Housing Authority (HA) both waived the rent of commercial tenants under their management for one month, so as to assist small shop tenants. However, The Link Management bucked the market trend by increasing the rent heftily twofold or threefold, thus forcing small shop tenants to wind up their businesses. This also indirectly affects the living of residents in housing estates. May I ask the Government and the Secretary if the Government has to assume responsibility? Is it necessary for the Secretary to conduct a review? Is there any need for the Secretary to have a little reflections?

Just now, when the Secretary gave her first reply, she said that "the goal was achieved" — I could hear these words very clearly — after divesting the assets to The Link, that is, the HA received \$34 billion. Does the Government mean that after achieving its goal, it can totally disregard the torment suffered by residents in public housing estate throughout Hong Kong and their milking by The Link Management? I believe that in merely saying that "The Link Management can strengthen communication and residents in housing estates can get the services they need", it has totally disregarded the reality. To put it more harshly, this is being irresponsible. I call on the Government to consider ways to save the small shop tenants in the shopping centres managed by The Link Management. This is the Government's responsibility. What is this talk about nationalization? The existing shopping centres are in fact public assets, only

that the Government changed its policy and privatized them. This is how the history is like.

Deputy President, as the incumbent Chairman of the Panel on Housing of the Legislative Council, I invited representatives of The Link to attend a meeting of the Panel yesterday, hoping that The Link could sympathize with the difficulties facing shop tenants and reduce the rent. That was our hope. Yesterday, The Link assigned a member of its senior management, Mr Ian David Murray ROBINS, to attend the meeting and we welcomed his presence. However, what response did he give? Although over a dozen Members had spoken one after another on the difficulties that shop tenants are facing in strong terms, his response was that no across-the-board rent reduction would be made and consideration would only be given on an individual basis to tenants, that in future, more resources would be devoted to improving operation. This is all that he said.

The Link is accountable to its shareholders in its operation and Members have already talked about this. My question is whether or not the Government has to assume responsibility for setting this monster free to gnaw at residents of public housing estates. I call on the Government to give a reply.

Yesterday, The Link gave a detailed account of and tabled the figures for the past few years. Deputy President, among them, there was a very shocking figure, that is, in the past three years, only 76% of the original tenants could renew their tenancy agreements successfully. Deputy President and Secretary, this figure precisely tells us that among the original shop tenants in housing estates, only three quarters could survive in this situation of constant rental increases, whereas a quarter, that is, 24% of them have closed down or wound up their businesses and left those shopping centres.

Frankly speaking, the tenants who were forced to wind up their businesses and close down had all along provided quality goods and services at low prices to residents. These shop tenants who had established rapports with residents over the years were forced to close down. Why is the situation like this? They accounted for 24% of the total. At present, we are often talking about the need to help small and medium enterprises. However, the Government, by selling these public assets for good, has forced some SMEs — these enterprises were small rather than medium — that is, small shop tenants, to wind up their businesses. Has the Government ever genuinely assisted them? This figure is most self-evident.

Furthermore, Deputy President, what I want to say is that The Link Management, by contracting out an entire shopping centre of a housing estate to a contractor, has given rise to instances of multi-level subcontracting. Such exploitative practices have led to many tragedies and I have also personally handled this kind of cases. These contractors have the daring to take advantage of both sides by pocketing the rates waivers offered by the Government to shop tenants. Moreover, they adopt an attitude of "those who submit will prosper and those who resist shall perish" with regard to these shop tenants. Once the tenancy agreements expire, the rents are either doubled to force shop tenants to leave or they are required to carry out renovation as per requirements. Otherwise, their tenancy agreements will not be renewed. In fact, the shop tenants are all being robbed by subduing force. Is the Secretary aware of this?

In these circumstances, it is impossible for this 24% of tenants to operate, so can the Government just turn a blind eye? In the midst of the financial tsunami and with shop tenants in housing estates facing such a situation, the Government still vows that it will enforce section 4 of the Housing Ordinance by providing services to residents. May I ask the Secretary how can cheap and quality goods and services be provided to residents in public housing estate? Many doctors practising in public housing estates have been forced to close down their clinics and leave these housing estates, so even health care services for the grassroots have been dealt a serious blow. Are we saying that the Government needs not assume any responsibility? Does the Government think that this is what "achieving the goal" means? I hope that today, the Secretary can provide us with an account. I believe the Government absolutely has to assume the responsibility.

**DEPUTY PRESIDENT** (in Cantonese): Your speaking time is up.

**MR RONNY TONG** (in Cantonese): In fact, the underlying rationales for the two subjects discussed today are completely the same. My assistant has drafted a speech for me in the afternoon, but now I can only put it aside because I think many of the fundamental principles have not been sorted out clearly.

Deputy President, just now, when Dr LEUNG Ka-lau moved his motion, he cited some figures, saying that Members could see that before the acquisition of the relevant facilities by The Link, the rate of return achieved by the Housing

Department was 1%, but it was now 5% or even higher, so this proved that the commercial principle was effective. Deputy President, this is precisely the core of the problem. The SAR Government is a big corporation and in providing facilities such as housing estates, does it aim at getting a return or does it have some other objectives? If its aim is to get a return, in that case, of course, the Government has failed completely, so to sell the facilities to The Link is reasonable and the outcome can even be said successful. However, Deputy President, we only have to look at the Housing Ordinance to see clearly that the aim of the SAR Government in providing public housing facilities is not to get a return but to provide facilities suited to the needs of housing estate residents. Deputy President, this is stated very clearly in the legislation.

We definitely do not agree with Mr Vincent FANG — now he is not here but I hope he can hear this outside — he said that this was socialism. I am sorry but I think he has got it wrong. This is a fundamental responsibility of the Government. If the Government fails to do even this, it is not fit to be the Government. Initially, when I looked at the wording of Mr Vincent FANG's motion, I thought that I could lend it support, but after listening to his speech, I think our positions in this regard are poles apart as he just does not have a clear idea of what socialism is.

Deputy President, at present, legislation has been put in place and even without it, the SAR Government, as a Government of the people and a people-based Government, has the responsibility to provide appropriate facilities in housing estates. Now that the Government has failed to even do this, so has it broken the law? I agree with the comments of many Honourable colleagues and I also believe that it is probably illegal for it to behave in such a way. I look forward to seeing a member of the Hong Kong public taking the Government to Court again. However, this is not the issue that we are discussing today. Deputy President, if the Government cannot fulfil its incumbent responsibility and even breaks the law, what else can we do or what opinion should we offer? Deputy President, I think the only approach is to buy back 100% of the shares.

Deputy President, why do we propose buying back 100% of the shares instead of 25%, 75% or 95% of the shares? There are two reasons. First, Deputy President, all along, the Government has declared, and history also shows, that the Government's principle is it will never exercise its power as a shareholder to influence the operation of a listed company. All along, the Government has said that it would not become involved and would not exercise



any influence because it is convinced that the operation of listed companies should adhere strictly to commercial principles.

Deputy President, this morning, I said that the SAR Government had a 75% stake in the MTR Corporation Limited (MTRCL), so is it a major shareholder? It definitely is. However, has the Government ever exercised its power as a major shareholder to bring benefits to the public? Has the MTRCL ever provided concessions to students? Has it ever provided concessions to the elderly? Has it ever provided concessions to people with disabilities, over which we have lobbied for 10 years? No. The Government will not do so. If it does not do so even though it has a 75% stake, I believe it would not do so either even if it has a 95% stake. This is the first reason.

Deputy President, the second reason is that in a commercial society like this which practises capitalism, no matter you like it or not, the system is like this. Deputy President, perhaps it would not be like this 50 years later but it is still like this at present. Under such a system, we must respect the rights of minor shareholders. In calling them minor shareholders, they are not necessary minors, Deputy President, only that they are in the minority in terms of the shares they hold. Deputy President, this is the case both for The Link and the MTRCL. Many of the shareholders are international investors. In buying these shares, they have a positive outlook on these companies and believe they are profitable. If we tell them only after they have bought the shares, "Sorry, this company is not allowed to make any profit or cannot make so much profit", this kind of behaviour would run completely counter to commercial principles. Even with minority shareholders who have only 1% of the shares, their rights to such shares should still be respected. Therefore, if we talk about buying back 75%, 25%, 85%, 95% or 99% of the shares, it is all of no use.

The two reasons cited by me just now are both sound and I cannot see any evidence that can prove our position to be wrong. First, the Government will not do such a thing and second, this runs counter to the fundamental principles of a commercial society, nor does doing so respect the rights of minority shareholders, so one will likely be sued by the minority shareholders. Instances of the big bullying the small do exist in our laws. Insofar as listed companies are concerned, majority shareholders cannot bully minority shareholders. Therefore, the various proposals put forward by a number of Honourable colleagues are in fact of no use and these colleagues are only deceiving

themselves. If the Government really makes use of public funds to buy back 75% or 95% of the shares, this will only benefit the major market manipulators that speculate in shares out there. However, this will not serve the purpose that we hope our Government will achieve.

For this reason, Deputy President, we absolutely believe that of all the motion and amendments today, except the amendment proposed by Mr Alan LEONG, none of them is worthy of our support. Not a single one of them is. "Long Hair" demands that no less than 25% of the shares be bought back, that means it will do just to buy back a proportion anywhere between 25% and 100%. However, the problem is that even if we buy back 99%, this will not work and only buying back 100% is worthy of support. If it is said that we should not buy back 100%, in that case, there is nothing else we can do. Since the Government has acted counter to its fundamental responsibility and the requirements of the law, other ways of punishing it should be available and it also deserves lambaste by the public. Not only will the measures proposed by Honourable colleagues be of no use, they will also run counter to many principles in which we have conviction. Moreover, they will also waste our public funds. *(The buzzer sounded) .....*

**DEPUTY PRESIDENT** (in Cantonese): Your speaking time is up.

**MR FREDERICK FUNG** (in Cantonese): Deputy President, first, I wish to make clear that all along, the HKADPL and I have reservations about and oppose the sale of public assets by the Government, including the sale of the shopping centres and car parks in public housing estates to The Link, because their purpose is both to serve residents as well as to make money. This is akin to the spirit of public enterprises. However, after their sale, they are no longer public enterprises, rather, they have become private companies and the aim is purely to make profits.

I remember that back then, when the Government sold the shopping centres in public housing estates, the reason behind this move was very clear, that is, the Housing Authority (HA) was experiencing financial difficulties. After the sale, the HA would have the revenue to meet its needs in administration or housing development. However, if we think more deeply, we will ask why the HA should experience financial difficulties? For many years, its finance had

recorded surpluses, so why did it begin to fail? The main reason is that the Government, in order to prop up the market, and also because of the desirability of a so-called free economy in a free market, and to enable this free market to continue to function, it declared a moratorium on the sale and construction of Home Ownership Scheme (HOS) flats. Since the moratorium on the sale and construction of HOS flats has caused the HA to incur huge financial losses, the Government sold the shopping centres and car parks as a remedial measure.

Deputy President, here, I wish to sidetrack a little. The some \$20 billion to \$30 billion derived from the listing of The Link was originally intended as the reserve of the HA or as its funds for public housing construction in the future. However, little did it occur to anyone that this would pose two problems for our HA: First, an annual revenue of about \$4 billion from the operation of shopping centres and car parks was lost and second, the HA did not focus on its proper endeavours, instead, it made use of this sum of money to trade in stocks. I do not know if I should call it trading in stocks or speculating in stocks. About a month ago, the Secretary told us that last year, that is, in 2007-2008, a loss of \$2 billion had been recorded. I believe it will be even worse this year and the news I got is that the loss is close to \$5 billion now. Members can judge if this is the adverse effects arising from the desire to have surpluses and to pursue profits under a free market economy.

Deputy President, when The Link was listed, the HKADPL and I have issued the stern warning that the so-called enhancement of the efficiency and flexibility in operating public housing estate facilities through private management could not be cited as a pretext, nor could the commercial approach alone be adopted as the principle and criteria of operation because this would make the shopping centres and car parks entirely profit-oriented in the future, instead of taking as their goal the service of the residents. We can see that in recent years, this is precisely the outcome.

Deputy President, I will try to use several typical examples to illustrate the problems that have arisen after the shopping centers were sold. I trust the Secretary still remembers that two years ago, there was a Fung Tak Restaurant in the Tsz Wan Shan Shopping Centre. I used to have tea there quite often. Moreover, I had meal there on its last day of business. In fact, its business was quite good but it turned out that The Link Management would not and was unwilling to renew the tenancy agreement with it, on the ground that it would not be feasible to operate the restaurant in the conventional way. However, since

even the boss himself thought that it should be operated as such, why was it necessary for The Link Management to tell the operator that he should not continue with the operation in this way but should turn the restaurant into a modern one instead? There was no possibility to reach an agreement, so I had a meal that it served on its last day.

Regarding the second example, the Secretary may not be aware of this but if she had the chance, I would ask her to take a look at the cafeteria in the shopping centre in Ho Man Tin Estate. I often have tea and sometimes even have dinner there. The decoration in the restaurant used to be the rather conventional type found in cafeterias in Hong Kong. However, about a month ago, when I went there, I was struck by all the changes as everything had become all glistening and shiny. There are French windows all around as well as partitions and the restaurant is on a par with the up-market restaurants at other places. Even the lighting was colour-tainted. I asked the boss why the restaurant had changed in such a way. It was then revealed that The Link Management said that if he wanted to renew the tenancy agreement, he had to change the setting of the restaurant which had to be modern, so it was changed into its present look. Subsequently, after having my meal on that occasion, I found that it was 10% to 15% more expensive than in the past, so this is how the situation is like after renovation.

The third example can be found in Lai Kok Estate. The Link Management converted some closed-down stalls into larger shops and in fact, this is the right thing to do. However, these shops were subsequently let out as supermarkets. When I visited the housing estate again, all that I could see was supermarkets and what I found in the streets was also supermarkets. When I went to Sham Shui Po, I could also only find supermarkets. It is also like this in Tsz Wan Shan and Ho Man Tin. I could only find supermarkets everywhere and the special characteristics of Hong Kong have completely disappeared.

Another example is that, Secretary, please take a look at Fu Cheong Estate. Fu Cheong Estate is a new housing estate that was completed about five years ago and the shopping centre is quite nice looking. However, the restaurants that opened there could never sustain their operation even though they tried to attract customers with low prices. Why? I wonder if the Secretary is aware of this. This is because among the residents of Fu Cheong Estate, 50% of the families are on CSSA. This means that this estate is a rather poor one. However, The Link Management decorated the shopping centre magnificently but so far, the vacant

shop designated for use as a restaurant has not been let out yet. Some vacant shops have a floor area of almost 3 000 sq ft. The entire customer service centre looks very high-end and beautiful. There are sofas in it but evidently, it is not intended to serve people living in Fu Cheong Estate. It is probably intended for business discussions. Again, this shopping centre has been turned into one that is not intended for local residents. Secretary, do you know that this is how the situation is like? To make the shopping centres so glamorous and magnificent is like a gorgeously dressed-up lady going to a poor district, swaying and swinging all the way. In the end, this does not go down well with the districts concerned and the residents feel that it is unbecoming of her to come to their districts. Why is it necessary to turn things that are originally full of special characteristics in Hong Kong into such appearances?

Finally, I am still of the opinion that although profit is important in a commercial market that attaches importance to profits, and although the Chief Executive said, "The market is not omnipotent. Intervention is not necessarily an evil.", his actions tell us that the Government still believes in the market and does not believe that when the market refuses to perform certain tasks, it is necessary for the Government to perform them. It is now time for the responsibility to be given back to the Government, so that it will buy back The Link and the shopping centres will once again serve people in our neighbourhoods. Thank you, Deputy President.

**MR PAUL CHAN** (in Cantonese): Deputy President, when the Government decided to list The Link back in that year, on the one hand, the Government had the financial need to do so; on the other, it was also hoped that by means of commercial operation, the services provided by shopping centres in housing estates could be improved.

In fact, after the listing of The Link, we can see that after the renovation and reorganization of shopping centres operated by The Link Management, there really is a makeover and the services have also been improved. This represents a kind of progress. Therefore, the Government's decision back in that year to list the shopping centres in public housing estates in the stock market was justified to some extent.

When The Link was first listed, initially, it did not ask for a lion's share when increasing the rent. Unfortunately, in the second or third year of its

operation, there was a major change. In the final analysis, this is attributable to the changes in its shareholding structure. Compared with the time when The Link was first listed, a number of overseas investment funds have become its shareholders. After these investment funds had moved into The Link, they resorted to some short-sighted business tactics, in the hope of reaping handsome profits within a short time, and then realize their gains and make their exit. As a result, the business tactic of The Link Management is to force shop tenants out through hefty rent increases, hoping to raise the share price of The Link through speedy renovations and boosting its assets value, and then realize their gains and make their exit without regard to the well-being of tenants. Just like all Honourable colleagues, I condemn this business tactic of The Link.

On another front, when the Government listed The Link, in fact, it made a blunder in this exercise because it did not make reference to the listing of the MTR Corporation Limited when a certain percentage of the shares was retained. I have looked at the information. When The Link was initially listed, a group of cornerstone investors was identified, in the hope that through their long-term stakes in The Link, The Link could become a kind of long-term investment and it would be able to improve the services of the shopping centres in housing estates progressively. Unfortunately, when The Link was actually listed afterwards, the Government did not invite these cornerstone investors, nor did it retain a sizeable proportion of the shares. As a result, this gave some people the opportunity to take advantage of such a situation and short-sighted investment funds moved in, thus giving rise to the situation nowadays. The officials responsible for policy making and implementation back then must assume ultimate responsibility and be held responsible to some extent for the adverse consequences that arisen today.

Going back to the present situation, the motion proposes that the business tactic of The Link be influenced through buying back its shares. I believe that doing so is of no use unless it is a full buy-back. There are three reasons: Firstly, there are quite a number of overseas funds among the shareholders of The Link. If they adopt a united stance on this issue, the proportion of shares held by them are in fact far greater than what can be seen from the company's register of stockholders. In view of this, how many shares will have to be bought back before it is possible to influence the business tactic of The Link? Therefore, I believe that buying back 20% or 25% of the shares would not be effective.

Secondly, since The Link is a listed company, according to the law, every director of any listed company must fulfil his fiduciary duty and any decision to

be made must bear in mind the best interests of the company as a whole. The duties of directors are generally owed to the company as a whole, not to any particular shareholder or the interests of the shareholders they represent. If the Government attempts to influence the business tactic of The Link by buying back 20% or 25% of the shares of The Link, thus making it impossible for The Link to maximize the interests of its shareholders, it would not be in line with the spirit of the law. I believe that under the present shareholder structure, this will definitely lead to litigation. In that event, there is a great likelihood that the Government would be sued and it is possible that it even has to offer compensation or it will be prohibited from exercising its influence.

Thirdly, if the Government openly buys back the shares of The Link, it is inevitable that some people will try to boost the price of the shares, so as to sell them at a good price. The Government will then have to buy back the shares at high prices. Due to the foregoing legal and operational issues, either we do not proceed with a buy-back at all, or any buy-back must include all the shares. However, if all the shares are to be bought back, since the price is so high, the cost will be quite substantial. A rough estimate is that on the basis of \$18 per share, a capital of nearly \$39 billion will be required. For each one-dollar increase in the buy-back price, the Government will need to raise an additional \$2.16 billion of capital.

I sympathize with the shops tenants and condemn the business tactics of The Link. However, in view of the reasons I have given, even though the motion and amendments moved by Dr LEUNG Ka-lau and proposed by other Members respectively are well-intentioned, I cannot support them.

Deputy President, I so submit.

**MR LEE WING-TAT** (in Cantonese): Deputy President, several years ago, many meetings were held to discuss the listing of The Link and I also attended those meetings. As Mr Albert HO, the chairman of our Party, said just now, the decision of the Democratic Party at that time was an error in judgment.

However, in the process, we also asked the Secretary and officials many questions, for example, after the listing of The Link, would small shop tenants — those so-called small shop tenants who may not be able to survive in the private market — be able to continue with their operation?

I remember that be it Secretary Michael SUEN or Mr LEUNG Chin-man, they all repeatedly expressed one view, saying that after the listing of The Link, it was not always necessary to increase the rent in order to make a profit. Their ground was that the Housing Department or the Housing Authority (HA) had too little efficiency in operating markets and shopping centres, so it was only necessary just to improve efficiency and then this listed company will be able to make a profit. They thought that since these shop tenants only carried out minor business transactions with ordinary members of the public and the grassroots living in housing estates, there was no point for The Link to drive these commercial tenants away by increasing the rent frequently or drastically. However, unfortunately, these suggestions evaporated into the air very quickly.

During the discussions at that time, we also put forward another proposal, hoping that the Departmental Secretary concerned — rather, at that time, it was Secretary Michael SUEN and the Permanent Secretary, Mr LEUNG Chin-man — would consider it. At that time, we suggested that if a company allowed a single shareholder to have too great a stake in it, the latter will gain control of the company or derail the policy from the original intention of listing the company. When having internal discussions, we proposed two ideas for the Government's consideration. First, could the Government allow The Link to be partially listed? That means the proportion of shares listed would not be 100%. It could be 25% or 50% and the remainder would be owned by the Government. In fact, examples of this can be found. Back then, when the MTR Corporation Limited was listed, only 25% of its shares were listed.

Second, to impose restrictions on equity ownership. As far as I can remember, I proposed to Mr LEUNG Chin-man the requirement that a single shareholder should not be allowed to hold more than a certain percentage of the shares. As we all know, the Hongkong and Shanghai Banking Corporation Limited (HSBC) stipulates that a shareholder cannot have a stake of more than 5%. For this reason, the management of the HSBC has considerable power and no single shareholder can have control over how the HSBC pays out dividends or over other matters relating to management and development. In fact, this is an example of a management-led company.

Deputy President, unfortunately, at that time, both the Secretary and Permanent Secretary did not take on board these views. Of course, as we have said, if our views were not accepted, we should have opposed this measure.



Deputy President, having come to this stage, I have listened to almost all the comments made by Honourable colleagues and find that it is really difficult to make a decision. I have listened carefully to the speech of Mr Paul CHAN. Buying back the shares is no easy task because in this market, the price bids in a buy-back will make it very difficult to foresee the number of shares that can be bought back, that is, the price at which the shares can be bought back.

However, the Democratic Party still supports this proposal because if the Government does not take this first step, it will not be possible to exercise what we call influence on the major shareholders of The Link and other people and perhaps even deliver a message to them, telling them that the Government is beginning to find such behaviour of the company intolerable.

On the other hand, is there anything else we can do? I am not a member of the HA, but according to what they said, we know that now, the HA will no longer consider selling its new shopping centres and markets to The Link. In this world, if there is competition, The Link will not be able to adopt such a domineering attitude in respect of its shopping centres and markets. As we all know, many new housing estates are located near the existing shopping centres operated by The Link Management. Although some Honourable colleagues have criticized The Link for being insatiably greedy, we must remember that the management of the markets and shopping centres under the Housing Department is not very satisfactory either.

We cannot say that conversely, after nationalization, the markets and shopping centres under the management of the HA and Housing Department will turn very satisfactory. In fact, many people, including those people and Members who are opposed to the listing of The Link, also levelled a lot of criticisms at the HA for the lousy management of its markets and shopping centres. The question raised by Mr CHAN Kam-lam just now is whether or not everything would be fine after everything has been returned to the Government. In fact, we do not necessarily have to follow such a script. Ownership and management can be separated, so we support the proposal that the ownership be gradually returned to the Government.

As regards the power of management, is it a must for the Housing Department or the HA to be responsible for the management and operation of markets and shopping centres? Not necessarily. I was once a member of the HA and so was Mr CHAN Kam-lam. In my last year as its member, it was not

even possible to ask a Housing Manager to attend a meeting at six o'clock. In the end, I could only call the Director of the Housing Department to ask a Housing Manager to attend a meeting. What sort of world is this? The situation is also like this even now. Secretary, you must not think that such a situation has never existed. At present, if one requests the managers responsible for the markets and shopping centres operated by the Housing Department (those that still belongs to the Housing Department) to attend a meeting at six o'clock, sorry, Secretary, this is not possible.

Therefore, when we discuss this issue, we must not think that nationalization will solve all the problems, rather, the situation will revert to that found more than a decade ago, that is, the commercial tenants will be very dissatisfied with the highly bureaucratic management of the Housing Department. Therefore, my response to Mr CHAN Kam-lam's question is that the ownership or the buy-back of shares and the management can be dealt with separately.

Deputy President, my final point, which Mr James TO has already talked about somewhat, is that the total gross floor area of the rental housing estates under the management of the HA has not been fully utilized. If the Lands Department co-operates with the Transport and Housing Bureau, more new shopping centres and markets can be built within the housing estates managed by the Housing Department, that is, in the vicinity of the markets and shopping centres managed by The Link. In this way, there will be competition. What the Government is at present being criticized for is that it is doing nothing whatsoever. If something is done and some pressures are applied, such that competition is introduced, The Link will not dare to behave however it pleases. The impression of the public is that the Government is now standing at the sideline and doing nothing.

Deputy President, I believe that it is very worthwhile to continue discussing this issue. I hope that in future, the Panel on Housing can continue to hold discussions on this issue. Thank you, Deputy President.

**PROF PATRICK LAU** (in Cantonese): Deputy President, I declare my interests as a member of the Housing Authority (HA).

Secretary Eva CHENG and a number of Members have reminded us how The Link was to be established. Back in that year, due to the implementation of

the policy of "85 000 flats" and the policy of a moratorium on the sale of HOS flats, the HA got into financial difficulties, so it was necessary for the HA to divest its shopping centres and car parks for listing, so as to raise capital. It was in this way that The Link came into being. Moreover, this move also had the support of the community at that time. That is to say, the objective of establishing The Link is to make profits, so it is not fair to criticize it for "deviating from its original principle and philosophy". The mistake was that at the beginning, the Government could not foresee the long-term implications of establishing The Link on society, nor did it formulate a mechanism accordingly to reduce the risks of having problems.

(THE PRESIDENT resumed the Chair)

Frankly speaking, after the listing of The Link, it is only to be expected that the rents of shopping centres in public housing estates will be increased because it is only a matter of course that investors want to get the greatest return from their investment. Moreover, after the listing of The Link, a lot has indeed been done to raise the rental value of shopping centres in public housing estates.

Through redevelopment, renovation or expansion (for example, by improving the links with MTR stations, transport transfer points and bus stations), The Link Management has greatly improve the business environment of many shopping centres in housing estates and created a lot of employment opportunities for the construction industry. Moreover, not only have the new facilities increased the pedestrian flow, access by people with disabilities has also been facilitated. In addition, the management of The Link also introduced many measures, such as lucky draw coupons, cash coupons, parking concessions, shopping festivals and even offering business courses to shop tenants, so as to bring prosperity to shopping centres that have been deserted in the past. In view of this, is there any ground for requesting that the shop rentals be not increased?

However, although it is justified to increase the rents, in a society facing a declining economy, increasing rents excessively is definitely not the right thing to do. Moreover, it is also very difficult for the more conventional small shop tenants to compete with the chained stores doing business in the shopping centres operated by The Link Management. The grassroots living in these districts will

also find the prices of goods in these shopping centres too expensive. The HA has announced that in January and February next year, the rents of the shops in the 19 shopping centres, markets and factory buildings under its management will be waived by half, so as to tide over the hard times together with the tenants. I think this kind of social commitment is praiseworthy and I also hope that The Link Management will make reference to it.

President, on the issue of buying back The Link, some members of the industry consider that this measure of "buying back sufficient shares" is of no use and it is even possible that doing so will make it necessary to buy back the shares at ultra high prices, thus benefiting such private multi-national investment funds as the TCI. Moreover, it will then be necessary to let the shops at reasonable rent levels, so this will in effect be subsidizing tenants with public funds. In that case, it would be preferable to buy back all the shares, and to draw on the successful management experience of other people while allowing various district councils to look for professionals who have an understanding of the characteristics and genuine needs of various districts and invite them to make improvements. In this way, at least, the Government will have fulfilled its social responsibility. However, I think we also have to consider what implications a buy-back will have on members of the public who hold the shares of The Link.

Other members in the industry hold that according to the principles of public administration, it was wrong from the outset for the Government to divest its assets to set up The Link. However, since we cannot go back in time, and buying back only part of the shares is of no use, I think we should first consider strengthening communication with the management of The Link and offer policy incentives to persuade them to introduce a concessionary policy, so that small shop tenants can have room for survival. I hope that based on the spirit of taking into consideration its corporate social responsibility, The Link can designate some of the shops to enable small shop tenants and social enterprises to operate them at concessionary rents below the market level, so as to cater to the needs of the grassroots. The Government should also fulfil its responsibility by improving the shopping centres and markets under its management, for example, by implementing hardware projects such as renovations and the upgrading of facilities, so as to create jobs, enhance their competitiveness and offer small shop tenants and the grassroots more quality and diversified choices.

Thank you, President.

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

**MR ALBERT CHAN** (in Cantonese): President, the issues relating to The Link Real Estate Investment Trust (The Link) have been discussed in this legislature for many years and some Members of certain political parties have already changed their stances. However, the Government has so far remained intransigent. As regards the changes on the part of Members and political parties, Mr Albert HO apologized just now, but I did not find him very sincere.

Back in that year, the person in the Democratic Party who supported the listing of The Link the most strongly was Mr SIN Chung-kai. Now, he has been elected the vice-Chairman of the party with a high number of votes and he does not have to be politically accountable. This is even worse than the officials under the accountability system. Since the Democratic Party has admitted its mistake, the people who promoted this policy in the past should be sent packing. However, the person concerned is still in office and continues to lead the Democratic Party in implementing its rightist policy, suppressing and exploiting the interests and rights of the petty citizens in Hong Kong.

President, recently, the public is feeling very dissatisfied and indignant with The Link because it has repeatedly displayed its unscrupulous attitude and shameless tactics, which infuriate the public. Just now, I have received a short message sent to me by residents in Tung Chung. It says that they have recently received notice that the rent of the car parks operated by The Link Management will be raised again. Against the backdrop of the financial tsunami, The Link Management will increase the rent by nearly 10% in January 2009, from over \$800 before the listing of The Link back then to over \$1,200, and so far, the cumulative increase has reached 50%.

The rent increases and the despicable tactics of The Link Management have prompted the representatives of professionals in Hong Kong to propose the buy-back of The Link in this legislature. This shows that the absurdity and seriousness of the problem have reached an extremely exaggerated and unacceptable degree. If the Government continues to be so insensitive and remains unrepentant to the very end, I call on professionals not to act as royalists any more. This Government has now ignored the views of you professionals and your interests completely. The interests of consortia and the rich and powerful have completely overridden your interests. In their eyes, you no

longer have any status. Therefore, you must not think that you have an important place in the royalist camp, you are only at other people's beck and call.

President, I am not those rich and powerful people and I am not used to holding this kind of great sway. We are people who have all along waged struggles and organized protests and opposition. President, you can see that The Link Management has adopted many despicable measures: It increased rents frenetically at the beginning, it increased rents frenetically at times of recession and even amid the recent financial tsunami, and the rents of many shopping centres are still being increased constantly. It refuses to lease the shops in some shopping centres to certain operators in order to drive them from these shopping centres and there was no room for discussion. Such instances could be found in Tung Chung Estate two years ago and Chinese herbal shops were the most affected. Instead, The Link lease the shop spaces to such chained stores as Manning and Watsons, which are owned by various consortia.

In the last couple of years, even the tenancy agreements of booths which had been in business for over two decades were not renewed. In some instances, there were one or two vacant booths adjacent to the one concerned. If The Link wanted to carry out renovation or repairs, it could let the adjacent stalls to the operator to let him continue to operate, so that he could make a living. However, The Link was so absurd as to notify the operator that his tenancy agreement would be terminated and he was asked to leave. This operator had been in business for two decades and was nearly 60 years old. However, his children were only several years old. As a result, he was forced to apply for CSSA. Such behaviour and tactic are unscrupulous and shameless. However, our Government regards this as commercial operation in a free market under the "big market, small government" principle and just turns a blind eye to this, claiming that it cannot do anything because the shopping centres are no longer under the management of the Government.

For this reason, the perpetrator of such unscrupulous and shameless behaviour is the Government because it was the Government who made the plan to sell the shopping centres to The Link, while the political parties and Members in this legislature also supported their sale to The Link. Therefore, you are the accomplices. You are the heartless and shameless accomplices. You are the accomplices who drove the small and medium enterprises in Hong Kong to their doom. You are the accomplices who made it impossible for this 60-year-old

elderly person to rent the booth to run his business, thus robbing him of his livelihood. You are also the executioners.

President, Members' job is to monitor the Government's administration. We are not accomplices and should not act as such. We should not behave as we are the mob that cheered the executioner on. However, unfortunately, quite a lot of Members in this legislature are willing to be accomplices. Since you can see so much suffering and since you can see so many unscrupulous practices and the practice of increasing the rent frenetically, should you at least do something? Do not tell me that there are such and such difficulties and technical problems any more. This is the opportunity to show your conscience. If you still have a conscience, you should not cast an opposing vote today. If you have promised the Government that you will cast an opposing vote, when the voting takes place, please leave the Chamber. Otherwise, you will not have an opportunity to even show your conscience.

Therefore, President, I hope the Hong Kong public will open their eyes wide and see who are the unscrupulous and ignorant accomplices to the executioner in this legislature. I really hope to set the record straight and rectify the wrong done to the public, to people who operated shops under the Housing Department and to members of the public who still rent parking spaces, so that those unscrupulous developers will not continue to oppress and bully the good-natured members of the public in Hong Kong. Thank you, President.

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

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): Dr LEUNG Ka-lau, you may now speak on the four amendments. You may speak up to five minutes.

**DR LEUNG KA-LAU** (in Cantonese): President, if I speak in a muddled up manner, I hope you will remind me.

I have looked at the several amendments before and I believe we have a consensus, that is, it is highly improper for The Link Management to increase the

rent. All of us want to influence it and the most desirable outcome is for it not to increase the rent. The question is how should this go about.

Mr CHAN Kam-lam's claim is that it is useless to buy back the shares and it will do if we just express our views clearly. Basically, everyone has his own way and I agree that we have to apply pressure from all sides. I think, however, this legislature should make its stance known, and I hope Members will not saddle themselves with a historical burden. The decision was made at that time because the Government was poor, so it had no alternative but to sell its assets. At that time, it promised that it would do such and such a thing. It made many promises and that was the decision at that time. I hope Members must by no means saddle themselves with a historical burden.

In fact, the comments made by Mr Albert HO were very humble. We should re-examine the situation at this point in time. Nowadays, the circumstances of the Housing Authority have improved vastly and so have the circumstances of the Government. The facts also show that The Link has broken the promises it made at that time. Therefore, I hope Members will re-examine the situation now.

In addition, Members should take a look and seize the opportunity carefully. For example, if I raise this matter a year ago or in January this year, people would say that I am crazy. At the time, the share price of The Link was \$20 but now, it is some \$13 to \$14. It is now a question of timing. What does this mean? Members said that we had to deal with it in other ways, for example, by persuading it, coaxing it or applying other kinds of pressure on it. However, if we miss the present opportunity, for example, if, after one and a half years or two years later, the Hong Kong economy improves slightly, it will increase the rent like mad again. By then, the share price of The Link may be \$25 — this I cannot tell — but by then, there is nothing we can do because we will no longer be able to buy back The Link at a price of some \$10 to \$20 per share. Therefore, this is a question of grasping the opportunity. It is only at the present price that we can give consideration to this matter.

As regards the several amendments, in fact, they have already been incorporated in my original motion because what I say is "various possible means", so we have to consider various possible ways. 25% is one possible way while buying back all the shares is also one way, although I will not comment on whether or not it is feasible. Concerning "if so warranted", in fact, my original



motion has also covered this point. Do Members understand what "if so warranted" means? Members can now begin to consider this. If we have tried other ways to no avail, in that case, we will have to consider adopting this approach "if so warranted". Therefore, I do not support the amendment proposed by Mr CHAN Kam-lam because if his amendment is passed, the Government will never consider a buy-back, that is, it will never even think of doing so.

In fact, Mr Vincent FANG's amendment is the same as my original motion, so I will support it.

The amendment proposed by Mr LEUNG Kwok-hung suggests that at least 25% of the shares be bought back. In fact, this will affect the buy-back ..... Mr Alan LEONG proposes buying back all shares. This is one of the options in my original motion. However, if we make it so specific, the outcome of this matter will be affected because there is no knowing if this can be done successfully and whether or not there will be an effect on the cost, because once it is stated that all shares will be bought back, the price will be jacked up substantially and there will not be any room for manoeuvre, will there? Sometimes, I think we have to leave it to the Government to ponder such matters slowly and they may not be as simple as one thinks.

For this reason, I will oppose Mr Alan LEONG's amendment. This does not mean that I will rule out such an approach, only that I want to leave it to the Government to consider it. This is one of the options that can be considered, but it is very difficult to say that we have to do this right away.

In addition, The Link is also very special in that it does not have any term on a general offer. As far as I understand, it is not the case that one can buy it back so long as we say that we will do so. If it decides not to put itself on sale, nothing can be sold. Regarding other kinds of shares or other companies, there are some terms, for example, after you have acquired a certain percentage of shares, other shareholders will have to sell their shares under a general offer. However, this is not the case for The Link. It is not the case that if you want to buy back 100% of the shares, you can then do so. For this reason, I have reservation about Mr Alan LEONG's amendment.

If I am not mistaken, I still have another seven minutes of speaking time, so I will comment further a little later. Thank you, President.

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese):  
President, I am grateful to the many Honourable Members who have spoken with much enthusiasm.

In this part of my remark, I will reiterate the objective of the divestment exercise of the Hong Kong Housing Authority (HA) conducted by establishing The Link Real Estate Investment Trust (The Link REIT) and then give a detailed account of the existing regulation on the operation of retail and car-parking facilities under The Link REIT. After that, I will respond to the views expressed by Honourable Members and explain the position of the Government.

The main objective of the HA's divestment of its retail and car-parking facilities is to enable the HA to withdraw from commercial operation, so that it can focus on its function as a provider of subsidized public housing. We think that divesting the relevant facilities for private ownership and operation will help improve the operational efficiency of these facilities, thereby optimizing the potential of these shopping centres and car parks. Ever since its public listing, The Link REIT has been operating its properties on commercial principles and adopting various measures to improve the quality of its facilities.

Proceeds from the divestment will provide the HA with the funding required in the short to medium term for constructing public rental housing (PRH) for all the people with housing needs. Ever since the HA sold its retail and car-parking facilities by the HA, its financial position has improved considerably and it has adequate cash flow to meet its operational needs in the short to medium term, which can facilitate the sustainable development of the Public Housing Scheme and the keeping of its service pledge to maintain an average waiting time of about three years for PRH.

So after divestment, the HA can now focus on catering to the needs of the people who cannot afford the rentals in the private market and enabling their early allocation of PRH flats to meet their housing needs.

Besides, the Court of Final Appeal ruled in 2005 that to secure the provision of retail and car-parking facilities does not mean that the HA needs to be the direct provider itself. Securing the provision of these facilities by a third party is also in compliance with statutory requirements.

After public listing, The Link REIT, similar to ordinary private entities, enjoys full autonomy in operating its retail and car-parking facilities. The

Government and the HA shall not and should not intervene in the daily management, business strategies and *modus operandi* of The Link REIT and its management company. However, as I said at the beginning of the debate, in order to ensure that The Link REIT will continue to provide retail and car-parking facilities for residents after divestment, the Government and the HA have specifically arranged the following measures for proper regulation.

The land use of the relevant lots is stipulated in the Government leases (commonly known as land leases) relating to the properties acquired by The Link REIT from the HA. If The Link REIT wishes to change the land use specified in the Government leases, it has to obtain prior consent from other owners of the lots and approval of the Lands Department. These lease restrictions ensure the continued provision of retail and car-parking facilities in PRH estates or housing estates to meet residents' shopping and car-parking needs.

The land use condition in the abovementioned lease remains effective and must be observed by successors in title whether or not such facilities are held by The Link REIT in future. In other words, any change to the management or control of these properties will not affect the continued use of the relevant facilities for retail or car-parking purposes.

Besides, to ensure that educational and social welfare facilities which have been operating in the shopping centres will continue to deliver services to the public, the HA entered into contracts specifically drawn up for the sale of its properties with The Link REIT requiring it to continue to let a certain amount of floor area at concessionary rental to non-profit making organizations for social welfare or educational purposes.

In designing the divestment vehicle, the HA has taken into account the availability of suitable mechanisms to restrict The Link REIT from arbitrarily selling its assets. To this end, the Property Agreement between the HA and The Link REIT contains restrictive covenants applicable to the divested properties. Under those covenants, each shopping centre or car-parking facility within a PRH estate can be sold by The Link REIT only as a whole but not in part. Such a requirement will apply in the same way to any third party who purchases any such facilities from The Link REIT.

A REIT is a collective investment scheme constituted as a trust that invests primarily in real estate with the aim of providing to holders returns derived from the rental income of the real estate. The Securities and Futures Commission is

empowered by the relevant ordinance to establish the Code on Real Estate Investment Trusts (the Code) as a guideline on REITs. Under the Code, a REIT shall have the following characteristics: dedicated investments in real estate that generates recurrent rental income; trading of real estate is restricted; and a significant portion of income is distributed to holders in the form of regular dividends.

In the debate today, a few Honourable Members in support of the motion mentioned that the Government should seek to become the significant holder of The Link REIT with the largest number of units by way of a buy back exercise in order to influence the operation of The Link Management Limited (The Link Management) or even to counter other investment entities which are the existing major holders of The Link REIT.

We have to understand that the Code contains restrictions on significant holders' influence on the business, that is, they shall abstain from voting if a conflict of interest arises. Even if the Government buys back some of The Link REIT units and becomes a significant holder, the effect of changing the *modus operandi* and reducing the return of The Link REIT to protect tenants' interests as mentioned by Honourable Members cannot be achieved. It is because, as mentioned earlier, The Link REIT is subject to the provisions of the trust deed, which clearly stipulates that the main objective of The Link REIT is to provide to holders returns derived from the rental income. The trustee independent of the management company has the obligation to ensure that all investment activities are in the interests of the holders and it shall not allow any variation of the trust deed which will materially affect the interests of unit-holders. Therefore, even if the Government holds a certain amount of The Link REIT units, it cannot require The Link REIT to give up the abovementioned established *modus operandi* no matter how it tries to influence the decisions made at the general meeting of unit-holders.

In this regard, I would like to quote Dr LEUNG Ka-lau's words, that is, given the restrictions under the Code, even if a huge amount of public funds is used to buy back the shares, the effect achieved will only be minimal.

As buying back the shares of The Link REIT involves a significant amount of public funds, we must draw up clear policy objectives and carefully examine whether they can be achieved after spending such a large sum of public funds. With the proposal of buying back the shares of The Link REIT, Members mainly

hoped that the Government can influence the operation of The Link REIT in order to provide a rental freeze or reduction for commercial tenants. We think that using a huge amount of public funds to buy some of The Link REIT units will not have any bearing on the operation of The Link Management. We notice that even if the Government or the HA holds more interests than the holder with the largest number of Link REIT units, the Government is still subject to the statutory terms of REITs in general and the terms of trust deed of The Link REIT, especially regarding those on the interests of other Link REIT unit-holders. Therefore, the Government's influence on the operation of The Link REIT will be limited.

Another consideration is that if the market is aware that the Government or the HA intends to acquire part of the interests of The Link REIT, its share price will probably rise drastically, which may greatly increase the capital cost required. We must seriously consider whether it is reasonable and proper to spend a significant amount of public funds to buy back The Link REIT units, or whether it is more appropriate to use the relevant resources directly on services which can improve people's livelihood.

Besides, regarding shareholding, investors holding less than 5% of the shares only account for 67% of the unit-holders. There are about 30 000 small investors investing in The Link REIT, and their interests should also be taken into account. If the Government or the HA holds the interests of The Link REIT in future, investors will doubt whether The Link REIT can continue to operate on a commercial basis free from the intervention of the Government or the HA. This will certainly affect the confidence and interests of the bulk of investors, including small investors.

A Member proposed an amendment suggesting the Government to buy back all The Link REIT units in order to become the sole shareholder. The main objective of the HA's divestment of its shopping centres and car parks is to enable the HA to withdraw from commercial operation so that it can focus on its function as a provider of PRH for needy members of the public. We think that the buying back of all Link REIT units, whether by the Government or by the HA, will be contrary to this objective. Therefore, we find this proposal infeasible.

At the time of its public listing, The Link REIT specified in its Offering Circular that it would maintain a portfolio of retail properties of a convenient

nature, primarily serving the basic consumer needs of the residents of the adjacent PRH estates and other visitors. The Link Management's primary focuses are on controlling operating costs and improving operational efficiency of the divested retail and car-parking facilities.

The retail market in Hong Kong is very competitive, and the shopping centres under The Link REIT have to face the keen competition of other retail facilities nearby. Competition among shopping centres is helpful in maintaining the prices of goods and services provided by facilities under The Link REIT at an affordable level. Besides, as shopping centres under The Link REIT are all located in PRH estates or in their vicinity, their main source of customers is PRH residents. Therefore, in order to operate successfully, the shopping centres have to meet the needs and the consumption pattern of PRH residents with regard to the size of their shops, their tenant trade mix and the products sold.

As for rent increases mentioned by commercial tenants and Honourable Members, the Government is also very concerned about this issue. However, I think I need to reiterate the concept behind the divestment. Here, I would like to quote the remark made by a Member who supported the public listing of The Link during the debate at the meeting of the Legislative Council in 2004. He said that "the logic of forming a Real Estate Investment Trust is like this: First of all, the operator or manager of this trust fund can improve the operational efficiency of the retail and car-parking facilities, so that the business can flourish. When business flourishes, these facilities will attract more customers to boost the patronage, and with enhanced patronage, such facilities can charge higher market rents. Therefore, it will become justifiable for it to introduce rent increases. Commercial tenants who run a good business will be happy to accept a rent increase because they do not want to move out. However, those whose business is less successful will be unable to continue with their operation."

President, as part of the Government, we of course do not want to see rent increases which deviate from the market trend or which are unreasonable because they are detrimental to people's livelihood. However, in the Legislative Council back then, Members with foresight already pointed out that The Link Management can improve the operational efficiency.

The Chief Executive Officer of The Link Management advised at the meeting of the Legislative Council Panel on Housing yesterday that the operational objective of The Link Management is to lease out its facilities instead

of forcing existing tenants to move out. Actually, the tenant retention rate of The Link Management has been maintained at the level of about 75% and the occupancy rate has also been maintained at about 90%. Besides, The Link Management has also indicated that it is willing to discuss with individual tenants facing special difficulties in order to explore solutions to the benefits of both parties.

The HA fully understands its duty and will continue to secure the provision of housing and such amenities ancillary. Some Members proposed in the amendment and during the debate that the Government should enhance its communication with The Link Management and urge it to respond to the aspirations of society. We will make efforts in this respect and continue to communicate actively with the management of The Link and truthfully reflect the aspirations of society. We also believe that The Link Management understands the prevailing social and economic conditions. Besides, it will make every effort to improve the business environment of commercial tenants and respond to the demands of customers.

The authorities and the HA will continue to closely monitor the provision and management of facilities after divestment and maintain close contact with The Link Management in order to work together on common management issues. In order to strengthen the communication between PRH residents and The Link Management, we will continue to request The Link Management to send its staff to attend meetings of Estate Management Advisory Committees to listen to residents' views on its services in order to improve their quality. Regarding the daily management of PRH estates, staff of the HA will continue to convene working meetings with staff of The Link Management to work together on various issues in order to constantly improve residents' living conditions.

President, similar to other private entities, The Link REIT must operate according to the rules of the market in order to achieve success. Both the Government and the HA think that The Link Management should continue to improve the business environment of commercial tenants and satisfy the basic shopping needs of PRH residents through market forces.

Thank you, President.

**PRESIDENT** (in Cantonese): I now call upon Mr CHAN Kam-lam to move his amendment to the motion.

**MR CHAN KAM-LAM** (in Cantonese): President, I move that Dr LEUNG Ka-lau's motion be amended.

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

"To add "listed in 2005 and" after "("The Link"),"; to delete "three million residents in public housing estates" after "necessities to" and substitute with "all people in Hong Kong"; to delete "deviated from its original principle and philosophy and increased rents every year, causing great burden to the lower class and small shop tenants, and despite the increase in shop rentals by almost 30% in 2007 and the recent economic downturn in Hong Kong, The Link still increases rents against the market trend, thereby reducing room for survival of the grassroots and causing social discontent;" after "The Link has" and substitute with "been increasing its rents, adding burden to shop tenants; and despite the impact of the financial tsunami on the economy of Hong Kong recently, The Link has not immediately lowered the rents in response to the market downturn, thereby making the operation of shop tenants more difficult,"; to delete "to buy back sufficient shares of The Link to become the major shareholder, so as to influence" after "means" and substitute with ", such as proactively putting up specific requests to the management of The Link Management Limited or providing policy incentives, etc, to urge"; and to delete "take into consideration" after "The Link Management Limited to" and substitute with "respond to the demands of the community, which include: (a) lowering the rents of shops and car parks, as well as safeguarding the rights of tenancy renewal of existing tenants, so as to tide over the difficult time with the shop tenants and the public; (b) establishing an effective communication channel for shop tenants to give their views, so as to improve the relationship between shop tenants and the management of The Link Management Limited; (c) accelerating the improvement to the facilities of shopping arcades and stepping up publicity and promotion work to boost customer flows; and (d) providing concessionary rents to more service organizations for renting shops in the shopping arcades of The Link, so as to fulfil"."

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



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

(Members raised their hands)

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

(Members raised their hands)

Dr LEUNG Ka-lau rose to claim a division.

**PRESIDENT** (in Cantonese): Dr LEUNG Ka-lau has claimed a division. The division bell will ring for three minutes, after which the division will begin.

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

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

Functional Constituencies:

Dr Raymond HO, Mrs Sophie LEUNG, Mr WONG Yung-kan, Mr LAU Wong-fat, Mr Abraham SHEK, Ms LI Fung-ying, Dr Joseph LEE, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Prof Patrick LAU, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por and Mr IP Kwok-him voted for the amendment.

Dr Margaret NG, Mr CHEUNG Man-kwong, Dr LEUNG Ka-lau and Mr IP Wai-ming voted against the amendment.

Ms Miriam LAU, Mr Tommy CHEUNG and Mr Vincent FANG abstained.

Geographical Constituencies:

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr CHEUNG Hok-ming and Ms Starry LEE voted for the amendment.

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr James TO, Mr LEUNG Yiu-chung, Ms Emily LAU, Mr Andrew CHENG, Mr Albert CHAN, Mr Frederick FUNG, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr Alan LEONG, Mr LEUNG Kwok-hung, Mr Ronny TONG, Miss Tanya CHAN, Mr WONG Sing-chi and Mr WONG Yuk-man voted against the amendment.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 22 were present, 15 were in favour of the amendment, four against it and three abstained; while among the Members returned by geographical constituencies through direct elections, 23 were present, four were in favour of the amendment and 18 against it. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

**MS MIRIAM LAU** (in Cantonese): President, I move that in the event of further divisions being claimed in respect of the motion on "Buying back the shares of The Link" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

I order that in the event of further divisions being claimed in respect of the motion on "Buying back the shares of The Link" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

**PRESIDENT** (in Cantonese): Mr Alan LEONG, you may move your amendment.

**MR ALAN LEONG** (in Cantonese): President, I move that Dr LEUNG Ka-lau's motion be amended.

**Mr Alan LEONG moved the following amendment: (Translation)**

"To add "as" after "That,"; to add "completely failed to discharge its corporate social responsibility and its operation has even" after "The Link has"; to delete "balance" after "the Government to" and substitute with "properly protect"; to delete "to buy back sufficient" after "means" and substitute with ", including buying back all"; to delete "major" after "become the" and substitute with "sole"; and to delete "influence the management of The Link Management Limited to take into consideration its corporate social responsibility" immediately before the full stop and substitute with "discharge the responsibilities stipulated in section 4 of the Housing Ordinance"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Alan LEONG to Dr LEUNG Ka-lau's motion, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr Alan LEONG rose to claim a division.

**PRESIDENT** (in Cantonese): Mr Alan LEONG has claimed a division. The division bell will ring for one minute.

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

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

Functional Constituencies:

Dr Margaret NG, Mr CHEUNG Man-kwong, Dr Joseph LEE and Mr IP Wai-ming voted for the amendment.

Dr Raymond HO, Mrs Sophie LEUNG, Mr WONG Yung-kan, Mr LAU Wong-fat, Ms Miriam LAU, Mr Abraham SHEK, Mr Tommy CHEUNG, Mr Vincent FANG, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Prof Patrick LAU, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por and Mr IP Kwok-him voted against the amendment.

Ms LI Fung-ying and Dr LEUNG Ka-lau abstained.

Geographical Constituencies:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr James TO, Mr LEUNG Yiu-chung, Ms Emily LAU, Mr Andrew CHENG, Mr Albert CHAN, Mr Frederick FUNG, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr Alan LEONG, Mr LEUNG Kwok-hung, Mr Ronny TONG, Miss Tanya CHAN, Mr WONG Sing-chi and Mr WONG Yuk-man voted for the amendment.

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr CHEUNG Hok-ming and Ms Starry LEE voted against the amendment.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 22 were present, four were in favour of the amendment, 16 against it and two abstained; while among the Members returned by geographical constituencies through direct elections, 23 were present, 18 were in favour of the amendment and four against it. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

**PRESIDENT** (in Cantonese): Mr Vincent FANG, you may move your amendment.

**MR VINCENT FANG** (in Cantonese): President, I move that Dr LEUNG Ka-lau's motion be amended.

**Mr Vincent FANG moved the following amendment: (Translation)**

"To add "being listed by the authority in November 2005," after "That,,"; to delete "being" after "(The Link)," and substitute with "has become"; to delete ", has a total of" after "retail shops in Hong Kong" and substitute with "with over"; to add "almost" after "necessities to"; and to delete "to" after "means" and substitute with ", which include, in response to the substantial rental reduction and continual increase in vacancy rate of

shops in the market resulting from the worsening business environment, as well as the current situation under which local consumption has been seriously struck by the financial tsunami and business turnover of shops has dropped drastically, proactively negotiating with The Link Management Limited about various rental reduction and rental freeze options, providing better ancillary facilities for existing shop tenants, and stepping up promotion to attract customer flows, with a view to helping shop tenants tide over the economic recession; and if so warranted, may even".

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Vincent FANG to Dr LEUNG Ka-lau's motion, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr Ronny TONG rose to claim a division.

**PRESIDENT** (in Cantonese): Mr Ronny TONG has claimed a division. The division bell will ring for one minute.

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

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

Functional Constituencies:

Mr CHEUNG Man-kwong, Ms Miriam LAU, Ms LI Fung-ying, Mr Tommy CHEUNG, Mr Vincent FANG, Dr Joseph LEE and Dr LEUNG Ka-lau voted for the amendment.

Dr Raymond HO, Dr Margaret NG, Mr LAU Wong-fat, Mr Abraham SHEK, Prof Patrick LAU, Dr LAM Tai-fai, Mr Paul CHAN and Mr CHAN Kin-por voted against the amendment.

Ms Sophie LEUNG, Mr WONG Yung-kan, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Mr IP Wai-ming and Mr IP Kwok-him abstained.

Geographical Constituencies:

Mr Albert HO, Mr Fred LI, Mr James TO, Ms Emily LAU, Mr Andrew CHENG, Mr Albert CHAN, Mr LEE Wing-tat, Mr LEUNG Kwok-hung, Mr WONG Sing-chi and Mr WONG Yuk-man voted for the amendment.

Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung, Mr Frederick FUNG, Ms Audrey EU, Mr Alan LEONG, Mr Ronny TONG and Miss Tanya CHAN voted against the amendment.

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr WONG Kwok-hing, Mr CHEUNG Hok-ming and Ms Starry LEE abstained.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 22 were present, seven were in favour of the amendment, eight against it and seven abstained; while among the Members returned by geographical constituencies through direct elections, 23 were present, 10 were in favour of the amendment, seven against it and five abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negated.

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, you may move your amendment.

**MR LEUNG KWOK-HUNG** (in Cantonese): President, I move that Dr LEUNG Ka-lau's motion be amended.

**Mr LEUNG Kwok-hung moved the following amendment: (Translation)**

"To add "this Council expresses deep regret at the Government's disregard for the interests of public housing residents, shop tenants and the general public at that time;" after "social discontent;"; to delete "sufficient" after "buy back" and substitute with "no less than 25% of the"; and to add "or sole" after "the major"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr LEUNG Kwok-hung to Dr LEUNG Ka-lau's motion, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr IP Kwok-him rose to claim a division.

**PRESIDENT** (in Cantonese): Mr IP Kwok-him has claimed a division. The division bell will ring for one minute.

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



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

Functional Constituencies:

Dr Margaret NG, Mr CHEUNG Man-kwong, Dr Joseph LEE, Dr LEUNG Ka-lau and Mr IP Wai-ming voted for the amendment.

Dr Raymond HO, Mrs Sophie LEUNG, Mr WONG Yung-kan, Mr LAU Wong-fat, Mr Abraham SHEK, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Prof Patrick LAU, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por and Mr IP Kwok-him voted against the amendment.

Ms Miriam LAU, Ms LI Fung-ying, Mr Tommy CHEUNG and Mr Vincent FANG abstained.

Geographical Constituencies:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr James TO, Mr LEUNG Yiu-chung, Ms Emily LAU, Mr Andrew CHENG, Mr Albert CHAN, Mr Frederick FUNG, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr Alan LEONG, Mr LEUNG Kwok-hung, Mr Ronny TONG, Miss Tanya CHAN, Mr WONG Sing-chi and Mr WONG Yuk-man voted for the amendment.

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr CHEUNG Hok-ming and Ms Starry LEE voted against the amendment.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 22 were present, five were in favour of the amendment, 13 against it and four abstained; while among the Members returned by geographical constituencies through direct elections, 23 were present, 18 were in favour of the amendment and four against it. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

**PRESIDENT** (in Cantonese): Dr LEUNG Ka-lau, you may now reply and you have seven minutes 18 seconds. This debate will come to a close after Dr LEUNG Ka-lau has replied.

**DR LEUNG KA-LAU** (in Cantonese): I wish to do some last-minute vote canvassing. I ask Members to look at my original motion more closely and carefully. I am urging the Government to consider various feasible means. As a number of Honourable Colleagues said, if the share price is jacked up to \$30 or \$40, this will not be a feasible means. Therefore, even if this legislature passes such a motion, there is no problem at all. If something is deemed infeasible after consideration, there is nothing we can do but still, we should give it some consideration. Therefore, Members who have decided to abstain from voting on various buy-back proposals can think about this matter and consider the possible means to see which one is feasible.

Feasible options must take into account the overall situation and these options may include buying back all shares, buying back 25%, or buying back 20%. Anything is possible because frankly speaking, if we stipulate rigidly what should be done, the Government will be constrained and will find it difficult to take action. I think we should express our intentions and wishes in the legislature but regarding what should actually be done, in fact, it is necessary to leave some room. I am also very pleased to hear Secretary Eva CHENG say just now that ..... I have found some offering circulars and some information stating what the difficulties are. In fact, this shows that the Government is now already considering various feasible proposals, only that it has not yet figured out a way. *(Laughter)* Therefore, even though we have not yet passed the motion, in fact, the Government is now already considering various feasible proposals. If necessary, we can express more views concerning the buy-back proposal to the Government and provide some alternative views. We can continue with the discussion.

I have never underestimated the difficulties and the problem of price-boosting. They have to be considered clearly. My view is that when the Government announces that it wants to buy back the shares, investors, speculators or the TCI will then boost the price ..... you are telling me not to say so much? All right, I will speak faster. I have also consulted the views of professionals and they think that the situation may not necessarily be like this. In addition, if we buy back the shares from the TCI, we also have to see what the circumstances

of the other party are like, that is, we have to understand ourselves as well as the other party. Is the other party definitely unwilling to sell the shares? In fact, this may not necessarily be the case because ultimately, it also wants to exit the market. As regards whether it is willing to sell the shares, it depends on what it believes the share price will be like several months, half a year or a year later. It also has to foresee whether it will have to face the accompanying political pressure if it continues to increase the rent in future. Therefore, if these investors have doubts about the outlook or the Government is willing to offer a reasonable price to buy back a whole batch of shares, this may not necessarily be impossible. Of course, such things can be done slowly behind the scenes.

Some friends in the industry said — they do not come from my sector, rather, they are friends well-versed in the financial sector — sometimes, it is even possible to get a discount and I will take this at face value for the time being. In fact, if we want to consider whether or not doing so is possible, there is no problem with exploring this a little. As far as I know, to the TCI, a 6% return is really a trifle and hardly enough, so ultimately, it will sell the shares. In addition, the TCI was launched in January 2004, that is, the fund began its operation at that time and it will gradually experience the pressure of buying back five years later ..... sorry, I do not mean the pressure of buying back but the pressure of redemption. We all know how the situation is like at present. Many funds lost quite a lot of money last year and I learnt that the TCI also lost 26%. Next year, it will again face the pressure of redemption. In fact, a lot of people want to cash in. Although The Link is only very insignificant to it, what is the use of holding its shares for a long period of time? If we know ourselves as well as the other party, it may not necessarily be the case that there is no room for discussion.

The Government said yesterday that no consideration had been given to a buy-back for the time being. It has not yet given this matter consideration but it can now begin to do so. In fact, we are just waiting for the authorization from the public. The problem is that if the legislature does not agree with doing so but the Government proceeds quietly nonetheless, should anything go wrong, the Government will be lambasted, do you understand? In fact, it is possible that the Government is just waiting for public authorization before it considers this matter. I think that in fact, the TCI also hopes that someone will take the initiative to negotiate the price with it. It may not be true that it is unwilling to sell the shares.

Therefore, I think the first thing that the legislature can do is to propose this motion with very general terms. It is so designed to enable the Government to make reference to it because there is no reason that we are not even allowed to consider this matter. I am only asking the Government to make a little consideration to see what the feasible proposals are. There is no reason why we cannot even consider it. I think this is the least that the legislature should do. In the remaining 10-odd seconds, I hope Members will lend their support.

Thank you, President.

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

(Members raised their hands)

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

(Members raised their hands)

Dr LEUNG Ka-lau rose to claim a division.

**PRESIDENT** (in Cantonese): Dr LEUNG Ka-lau has claimed a division. The division bell will ring for one minute.

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

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

Functional Constituencies:

Dr Margaret NG, Mr CHEUNG Man-kwong, Ms Miriam LAU, Ms LI Fung-ying, Mr Tommy CHEUNG, Mr Vincent FANG, Dr Joseph LEE, Dr LEUNG Ka-lau and Mr IP Wai-ming voted for the motion.

Dr Raymond HO, Mrs Sophie LEUNG, Mr WONG Yung-kan, Mr LAU Wong-fat, Mr Abraham SHEK, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Prof Patrick LAU, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por and Mr IP Kwok-him voted against the motion.

Geographical Constituencies:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr James TO, Mr LEUNG Yiu-chung, Ms Emily LAU, Mr Andrew CHENG, Mr Albert CHAN, Mr Frederick FUNG, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr Alan LEONG, Mr LEUNG Kwok-hung, Mr Ronny TONG, Miss Tanya CHAN, Mr WONG Sing-chi and Mr WONG Yuk-man voted for the motion.

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr CHEUNG Hok-ming and Ms Starry LEE voted against the motion.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 22 were present, nine were in favour of the motion and 13 against it; while among the Members returned by geographical constituencies through direct elections, 23 were present, 18 were in favour of the motion and four against it. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the motion was negated.

**PRESIDENT** (in Cantonese): Motion for the adjournment of the Council.

**PRESIDENT** (in Cantonese): Under Rule 16(6) and (7) of the Rules of Procedure, I determine that if at the expiration of 75 minutes from the moving of this motion, there are still Members who wish to speak, I shall extend the period of the debate until all Members who wish to speak have spoken, and the designated public officer has given his reply.

As regards the speaking time, each Member may not speak in excess of five minutes, and the designated public officer making a reply may speak up to 15 minutes.

It is now seven minutes past eight o'clock in the evening, the debate shall now proceed.

Members who wish to speak will please press the "Request to speak" button.

I now call upon Mr Vincent FANG to speak and move his motion.

### **MOTION FOR THE ADJOURNMENT OF THE COUNCIL**

**MR VINCENT FANG** (in Cantonese): President, I move "That this Council do now adjourn for the purpose of debating the following issue: Predicament faced by the small and medium enterprises due to tightened credit facility from banks".

President, first of all, I wish to thank you for giving your consent for this adjournment debate to be held. This is because as banks tighten their credit facility, the predicament faced by the small and medium enterprises (SMEs) is really acute.

This afternoon I got a call from a member of the sector saying that a bank with which he had business relations informed him that it would reduce the loan amount of the Trust Receipt of his company. The person said that the money he put in that bank was more than the money it lent him and so why did it reduce his credit line? The bank staff replied that he could apply to the Government's SME Credit Guarantee Scheme and the bank would top up the amount reduced through the Scheme to him.

Members will know why the banks are doing that, it is because they can get a 70% guarantee from the Government and that is a double protection. Then the banks will get some clients with a well-run business and do something with the figures and give a nicely looking set of figures to the Government so that the Government can have a nice accounts book for the perusal of this Council, showing the number of SMEs which have made their applications since the

introduction of the SME Credit Guarantee Scheme. As a matter of fact, the amount of money which the banks lend to the market has not increased at all and irrespective of how many packages of initiatives which the Government has launched, no funds are injected to the market and so how can the banks have additional funds to lend?

However, a strange thing is that the Government seems to know that the problems facing the SMEs are getting more and more serious and so it lifts the restrictions of the SME Credit Guarantee Scheme and launched the Special Credit Guarantee Scheme, saying that the old scheme can only lend up to \$12 million of operating funds, whereas the new scheme has a total amount of \$142 billion to provide loans for the sector. But where is that amount of money now? The Government only gives an assurance that if all the money turns into bad debt, it will shoulder the bad debt to the amount of \$100 billion. No wonder during the SARS period, only some \$400 million out of the 100% guaranteed loan of \$3.5 billion was lent. This was because the banks had not provided the loans at all.

Now there are not enough funds in the market for the operation of the trades and industries. This is because as the head of these trades and industries, the banks are now in tatters. The public has the money but it does not have the confidence to spend. The situation which the SMEs find themselves in is like someone who does not have enough blood to sustain his life and he will die if he does not undergo a blood transfusion. Once many SMEs have come to the end of their limits, a domino effect will be caused, and if that happens, it will be beyond any remedy.

So I hope that the Government can set aside 30% of the special loans out of the \$100 billion that it has pledged and inject directly into the market specifically for the purpose of this special loan. This will enable the banks to have the money to lend to those companies desperately in need of cash.

As people in the sector say, one has to repay the loan even if a loan can be secured. Therefore, the Government must introduce measures aiming at reviving the economy and drive domestic consumption, so that various links in the economy can continue to function. As for measures that can drive the domestic market, the most important ones are those that can maintain employment and spur consumption.

Hence the Liberal Party and I suggest handing out consumption vouchers to each and every person in the amount of \$1,000 for local consumption. In this way, it is like injecting blood in the amount of \$7 billion into the market. This move would mean the existence of a sum of money to bolster the market at least for some time.

With regard to maintaining employment, the Joint Coalition Against the Financial Tsunami formed by the sector at its initiative advocated members to sign a no lay-off charter. It is a pledge not to resort to lay-offs ad made in the hope of restoring public confidence in the future, thus assisting domestic consumption.

Of course, consumption vouchers and no lay-off proposals are not meant to be perfect solutions. Work done on the Mainland to spur the domestic market is made with the collaboration of the Central Government and the local governments. The Hong Kong Government is obliged to do the same for Hong Kong.

We hope that when the Chief Executive goes to Beijing, he can strive for more measures to stimulate the economy from the Central Authorities in support of the Hong Kong people in their attempt to tide over the difficulties on this occasion. I so submit.

**Mr Vincent FANG moved the following motion: (Translation)**

"That this Council do now adjourn for the purpose of debating the following issue: Predicament faced by the small and medium enterprises due to tightened credit facility from banks"

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That this Council do now adjourn.

**MR ANDREW LEUNG** (in Cantonese): At the beginning of the financial tsunami, the management of the Hong Kong Federation of Industries realized that this crisis would seriously impact the SMEs in their operation. Then the banks crunched their credit quickly and the Federation began its lobbying efforts by suggesting to the Government to increase its credit guarantee for the SMEs.



This would enable the banks to keep the credit market open and lend money to the SMEs. We have made some very specific suggestions to increase the scope of business handled by the Hong Kong Export Credit Insurance Corporation to a total coverage of \$50 billion. We also ask that the Corporation should expand the scope of its business to cover non-export receivables of the Hong Kong corporations. The Government has agreed to our request and raised the total coverage quickly to \$30 billion and also increased the coverage for emerging markets and lowered the premiums. Last week, the Legislative Council agreed to a funding request of \$100 billion to the SME Special Credit Guarantee Scheme.

Before the Administration had ever discussed with the banks on the issue of the tightening of the credit facility for the SMEs, we from the Federation had made the pre-emptive move of discussing the issue with a number of banks and we urged them not to tighten the credit facility to the SMEs across the board. As a result of our persuasion, the banks have resumed the previous lending terms and conditions for those companies with a good record and did not have any problems in operation. Of course, we also asked the Hong Kong Monetary Authority (HKMA) to lift restrictions on bank balance and so relax the credit facility.

At the beginning of this month, as arranged by the Chief Executive of the HKMA, Joseph YAM, we went together with the Hong Kong General Chamber of Commerce, the Chinese Manufacturers' Association and officials from the HKMA to Guangzhou and met the top management of the Guangdong branch of the People's Bank of China, the China Banking Regulatory Commission and also those from the Guangdong branches of nine commercial banks including the Industrial and Commercial Bank of China, the HSBC and so on. We put up a proposal on cross-boundary collateral financing. Initial reactions from mainland officials were positive. We hope that the SAR Government would help in the negotiations and speed them up.

Despite the efforts made by the Government, can the problem really be solved? The situation now is that although the Government has done quite a lot in the face of many uncertainties, not all the problems are solved. I suggest that the Government should set up an inter-departmental committee specifically tasked with helping the SMEs. Apart from continuing to help SMEs address their pressing problem of financing, it should study how the consumption ability of the public can be boosted. This is especially important considering the fact

that Christmas, the New Year and the Chinese New Year come very close to each other and so the restaurants, boutiques and department stores all start their grand sales from November in order to boost consumption. But what happens when the festivals are over? It is very likely that business for the retail and food and catering industries will slacken. The Government should begin its efforts to produce life-saving measures such as tax cuts, tax rebates and so on, or the introduction of incentives including subsidies in order to encourage the companies to hire more staff. These initiatives should be launched after the Chinese New Year in order to restore public confidence and spur consumption.

Both the Federation and I hope that these measures can enable companies which have been running well and are not infested with problems to recuperate and tide over the crisis. Then when the global economy recovers, we can become the first place in the region which has the ability to surge ahead and to make a U-shape rebound.

President, public officers have heard many suggestions during these two or three months. As part of the SMEs, I hope that the officials should take action quickly after listening and then put the suggestions into practice to save the SMEs sinking in the financial tsunami. I so submit.

**MR JEFFREY LAM** (in Cantonese): President, it has only been some two months after the beginning of the present term of this Council, but meetings and debates on assisting companies to face the financial tsunami have come one after another. It can thus be seen that the problem is truly grave indeed. As a matter of fact, as early as in August this year, the Hong Kong General Chamber of Commerce (HKGCC) had issued a warning, saying that this would be the most difficult year the world economy would ever experience and there would be a credit crisis and an erosion of consumer confidence. The HKGCC and I have engaged in non-stop efforts to tell the Chief Executive, the Secretary of Departments, Mr YAM of the Hong Kong Monetary Authority as well as mainland officials about the difficulties faced by the corporations.

Earlier on, the Office of the State Council announced a 30-point package under the paper entitled "Some views on the promotion of economic development by current finances". Point 5 mentions that the banking sector and financial institutions should be encouraged to give credit support within the bounds of controllable risk to corporations with good basic means, good credit record, being

competitive, with markets and purchase orders but experiencing temporary operational or financial difficulties. This is a very clear directive indeed.

I am also very glad to find that the Chief Executive has taken quick action after listening to our views and then launched a number of measures, the latest one included raising the loan cap for each company under the Special Credit Guarantee Scheme from \$1 million to \$6 million, of which half is in the form of revolving loan. Many corporations say that this is a very good Christmas present and the credit situation has begun to improve.

Earlier on, the HSBC Holdings PLC has also responded to our call and launched a first-ever global loan fund to the amount of about HK\$39 billion to help corporations gain credit facility. Of this amount, Hong Kong will get a share of \$4 billion. I think this is a positive message and I hope other banks will likewise relax their restrictions on loans and help the corporations tide over the difficulties.

With the onslaught of the financial tsunami, the Government has introduced a number of proposal to bail out the financial industry. These serve to lower the inter-bank rate and funds are injected into the banking system. Although there has been some improvements in the credit situation and as I have heard, some banks have received applications for the latest loan scheme and that approval from the Government has been given to some applications, there are still owners of corporations who say that the banks have not yet approved of their application and even if loans are approved, the interest rate is higher than before. So the corporations are finding it hard to bear. I hope that the banks can understand that trades and industries are closely and inextricably related. The banks should not only think about how to preserve their own interests and they should make sure that credit and financing activities can resume normal.

President, actually, outlook for most corporations in Hong Kong is still good. Regarding the consumption market of the United States which is our main export market, two important consumption dates both before and after the Thanksgiving, that is, the "Black Friday" and the "Digital Monday", the retail sales on these two days went up by 3% and 15% respectively as compared to last year. This is better than expected. Buyers who were hitherto hesitant to place orders for next year are beginning to talk with the producers on the contract for next year. This shows that the consumers are willing to spend and the buyers are willing to place orders. Since it is the banks which approve loans, so the most important thing is for banks to approve loans quickly so that corporations

can have the cash. This would give momentum to the healthy cycle of buying, selling and manufacturing goods.

I hope that when the Chief Executive goes to Beijing today for a duty visit, he can tell the authorities about the hardship which Hong Kong is facing and he would put in greater efforts to help the corporations. I hope that when the Chief Executive comes back, he can bring more gifts and good news to the business sector like a Santa Claus. I am thinking of the possibilities of withholding the provisional tax of the profits tax from the SMEs for one year and increasing the services of the Hong Kong Export Credit Insurance Corporation. In this way, the corporations would truly have a merry Christmas and this can carry them well through the Chinese New Year.

President, I so submit.

**MR RONNY TONG** (in Cantonese): President, this once-in-a-century financial tsunami has brought along so many problems, but up to now the Government has only managed to cope with just half of them. And the methods used in coping with that half of the problems do not seem to be effective either. President, what I am saying is, the only thing that the Government has done to date is to offer guaranteed loans to SMEs. This is what Members have heard and which many Honourable colleagues, especially those from the business sector, have talked about. Actually, even if this measure is introduced, it has not been effective. But President, this is only half of the job done. Why? This is because even if the banks are willing to lend money to the SMEs so that they can do business and pay salaries to the staff, but what if there is no business? Companies will close down all the same if they have no business.

President, orders from abroad is something beyond our control, or there is very little we can do about it. But to a certain extent, the local economy can be stimulated, though it may not necessarily be able to come under our control either. But at least we can do something to spur growth in the local economy so that people have the desire and ability to spend. Only then can the SMEs be helped. However, up to the present moment, the Government has done nothing in this regard. We have made suggestions to officials including the Financial Secretary many times, but what the Government has been doing is just to sit back and watch. It refuses to take any measure. President, I do not think we can afford to wait too long, for the Chinese New Year that is just around the corner is of great importance. Even if we put aside the issue of SMEs failing to borrow

any money, if they cannot make any money during the Chinese New Year, they will still be getting nothing all the same even if they can obtain loans.

So President, last time when I met the Financial Secretary, I had presented to him all the pros and cons, hoping that the Government would launch some measures. President, I think irrespective of what measures that will come up, they would be better than nothing. Why? What we have got is not just a slowdown in the economy but that our morale is sagging too. If the Government can do something to stimulate the economy, at least it can boost the morale of the Hong Kong people. So, many of our Honourable colleagues have put up various suggestions. But to be frank, not many of these suggestions are effective.

President, we from the Civic Party conducted a survey recently in which some 750 people were interviewed. The conclusion so reached is that most people (31%) think that the Government should hand out money to the people to stimulate the economy; 20% think that the government rates should be reduced or waived; 18% think that taxes should be cut. There are 13% who support the idea of consumption vouchers and 12% want their provisional tax withheld. President, if we are to use consumption vouchers to spur the economy, 43% of the interviewees hope that the amount should be as much as \$3,000; 30% hope that the amount is \$1,000 and 27% hope that it is \$2,000. Besides, 61% of the interviewees think that if the above measures are put into force, that is, any of these stimulation measures, they should be able to benefit all the people. However, we should bear in mind that quite a large proportion of the interviewees, or 39%, think that assistance in the form of cash should only be given to those from the low-income bracket or those in need.

President, these figures are just part of the large amount of figures we have obtained, but they do show that many people in Hong Kong hope very much that the Government can put forward some positive measures so that it can enable the people of Hong Kong and the world to know that the Hong Kong Government is competent and determined to stimulate the local economy. This will not only be a booster to the Hong Kong people but more importantly, it can give some room for the SMEs to recover. In our opinion, this cannot be done if we just ask the SMEs to borrow money from the banks or only ask the banks to lend money to the SMEs. I am not saying that this will never help, but I would think that this is not the right solution to fully address this once-in-a-century financial tsunami. So I implore the SAR Government to launch some stimulation package before this Chinese New Year. Thank you, President.

**MR WONG TING-KWONG** (in Cantonese): On 3 November, the DAB marched with more than 100 owners of SMEs and braved the pouring rain to the Government Headquarters. The march was mainly for urging the Government to push the banks to relax the credit facility. But after more than one month, the SMEs are still unable to weather the adversities. They still find it hard to borrow money, but the Chinese New Year is fast approaching.

Recently, the sector has been discussing the tightening of credit from the banks and this has led to the predicament which SMEs find themselves in. Why are banks not willing to lend money to SMEs? The core business of banks is to lend money and earn profits from the interest charged and they will not allow opportunities of making money slip by. I think the banks may be saving up more money to cope with the financial tsunami, or they may have made an assessment of the situation and concluded that the business environment of the SMEs would further deteriorate and so the banks are reluctant to bear high risks. Of course, this may also due to the overtly prudent approach taken by some banks.

In order to restore the confidence of the banks in the SMEs and speed up the approval of loans to meet the urgent needs of the SMEs, the Government may adopt more proactive measures.

First, the Government should closely monitor the lending rates of banks which take part in the Special Credit Guarantee Scheme. I have pointed out before that there are banks that want to charge an outrageous interest rate of P+4 from the SMEs which apply for loans under the Scheme. As my friend from the business sector told me, he could not possibly make that much money himself. This kind of unreasonable interest rate for loans has put the SMEs off. Even if the Government will raise the proportion of the loan guarantee, this will not help things or solve the financing problems faced by the SMEs.

Second, the Government must enhance the co-ordination with the banking industry and formulate a set of clear and unambiguous approval principles. The Government and the banks must forge closer dialogue. The banks should provide information on the progress of vetting loan applications so that the Government can know clearly how the applications are processed. A co-ordination mechanism should be set up to find out reasons for rejecting loan applications so that the Government can take follow-up action and devise measures as appropriate to address the situation.

Third, within the bounds of prudent advancement of loans, the papers and formalities required should be streamlined. For smaller loan amounts, the papers to be submitted and formalities that have to be gone through can be further simplified. This would allow banks to rely on the past records of long-time clients such as tax invoices, information on business operation and so on as the basis for approving loans.

However, as export volume and domestic demand slacken, the Government and the companies should think hard on expanding business opportunities. This would mean urging the Central Government to enlarge the market share of Hong Kong businessmen on the Mainland and ask the Trade Development Council to assist Hong Kong businessmen in opening up the mainland and emerging markets, expanding the scope of the Individual Visit Scheme, permitting the use of Renminbi as a currency for settling business accounts and reviving the local economy and so on.

With respect to alleviating the burden of the SMEs, the Government can consider offering tax rebates to SMEs, withholding their provisional tax payment for one year or even revising the profits tax rate downwards. All these moves would serve to increase the operating funds for the SMEs.

President, if stability can be achieved in the SMEs, then the jobs of the greater part of the workforce would be safe and secure. And so is the economy of Hong Kong. But as to how can the SMEs survive this once-in-a-century financial tsunami, collaboration from all sectors across the community is needed. The Administration should gauge the needs of the times and come up with appropriate contingency measures in order to forestall an economic meltdown. It would be too late if remedies are desperately devised at a time when a wave of failing companies sweeps across the territory.

President, I so submit.

**MR FREDERICK FUNG** (in Cantonese): President, the SMEs have always been employing the majority of the workers in Hong Kong. That the people of Hong Kong can have jobs is crucial to the stability of the territory. I recall the Chief Executive in his policy address saying that the market is not omnipotent and intervention is not necessarily evil. I used to think that the Chief Executive has made such a remark because there are some changes and shifts in his belief in

the free market. But when I see his moves to assist the SMEs, I have another impression that he still believes in the market and even if it is not omnipotent, he still thinks we cannot do without it.

Now I can see that with respect to problems faced by the SMEs, the Government has launched a third wave of measures including relaxing the credit guarantee schemes and a fund of \$10 billion is set aside for special credit. The Task Force on Economic Challenges has proposed to allocate \$100 billion to help the large, medium and small enterprises by offering them a 70% loan guarantee. However, when the Government handed these credit schemes to the market and banks for operation, the Government is only willing to give a 70% loan guarantee. As we can see, response in the market is lukewarm. On a whole, it does not accept it. We can see what the banks are doing. The banks are just acting mainly out of self-preservation. First, on a whole, the banks are not willing to lend money. This is a point mentioned by Mr Vincent FANG earlier. Second, the interest rate charged by the banks is P+4 and it is still very high. The banks are using a high interest rate to oppress the SMEs. Third, now when the world is cutting the interest rate, there are still people from the banking sector which say that there is no room for slashing the interest rate. Just what has happened? Secretary, do you know about that? Why do people from the banking sector do something that runs counter to this trend? This is unimaginable. It would be too bad if we rely on the market and the banks. The SMEs will all be closed down.

Therefore, I think if this problem is really to be addressed, if we cite the remark made by the Chief Executive in the policy address that intervention is not necessarily evil, then it is necessary to take appropriate steps to intervene. Secretary, I think the Government can own a certain amount of banks with specific objectives. The ADPL and I suggest that the Government should set up a social development bank. This bank can be set up through a number of ways, including injecting funds to acquire small scale — I stress it is small scale — banks and that should be done at once. Second, it is to make good use of Hong Kong Post. We can see that post offices in Britain also take up certain work and services offered by banks and post offices would assist the banks in such matters. Third, laws should be enacted. It is true that legislating would require a longer time, but in any case, I am only raising different possibilities. Please do not question whether or not Frederick FUNG is trying to turn Hong Kong into a socialist or communist place because I ask the Government to inject so much money and intervene with the banks. This is not true. It is only that I know



there are really some banks which are reluctant to do so and they will never do it even if you compel them. So we urge the Government to do it by itself.

I think the Secretary will know for sure that there are such kinds of banks in the free markets of some countries. For example, the Business Development Bank of Canada offers credit and loans to SMEs with a long repayment period and the interest rate is lowered than that in the market. But it will not compete with the banks in the market because its business is mostly based on money lending and deposits taking. It will not develop those high-risk, low-risk products or derivatives. It will provide no such service. The reason for setting up that bank is to really lend a helping hand to the SMEs. Secretary, we do want a bank of this kind.

President, banks are also set up in China for the purpose of certain policies. One example is the Agricultural Development Bank of China. So I can see that irrespective of China which is a former socialist country, or Canada which is a free market economy, they all have banks 100% owned by the government. I hope the Secretary can really give some thoughts to that. Hong Kong needs a purpose-built bank that works for the SMEs which employ most members of the workforce here, which can put into practice what the Government wants to do. If only the market or banks are being relied on ..... now the banks only care about their own interests and they have ignored the Government. The way banks are seeking after their own interests has reached insane proportions. Just look at the United States, one man can have swindled US\$50 billion and a company which has tens of billion dollars of assets can have lost everything overnight. And there is a big company in Hong Kong which lost tens of billion US dollars in one single day. Secretary, think about this. The Government should have a bank that will serve the SMEs in Hong Kong, that is, the Hong Kong Social Development Bank. Thank you, President.

**MS EMILY LAU** (in Cantonese): President, two months ago, the Panel on Commerce and Industry, that is the Panel which Mr Vincent FANG serves as the chairman, really worked non-stop. The Panel held six meetings in order to discuss this issue. So when it was proposed that a debate would be held tonight, some Members asked why was there still a need for that. I agree that the matter should be discussed again. This is because we want to send a clear message home to the authorities and that is, there are certain things that they must do. Here, I think I should slightly give a word of praise to the Secretary. She is

hardworking and she wants to launch the third-wave measures. But many Honourable colleagues have said earlier that they are not sure whether these are effective, this is because the worst of this financial storm is yet to come. We can see what is happening in the United States. It has cut the interest rate to zero. I am sure the United States is really in a panic. If something happens to the US, many people will not be able to avoid its impact. So, President, we are really very worried.

In Hong Kong, I hope that the authorities can try their best to help them. Although our Finance Committee decided one month ago that assistance would be given, work has only begun now. On this special loan scheme, we got a paper today and we learned that two applications were approved and the loan amount was \$10 million. Now this special scheme has got a funding of \$100 billion. President, I have no idea how many companies would apply. The authorities figure it would be 40 000. I do not know how this number is worked out. Why should it be 40 000 and not 140 000? However, I also know because some members of the public told me that some companies do not deserve the help because they might have run into losses due to speculative activities or other things that they have done. I think the authorities would impose restrictions on the kinds of companies that can apply. I agree and I see the point when the banks are thinking this way. This is because the money comes from the taxpayers. But for those that should be helped, we should get things done quickly. So I hope that we can send a message to the banks tonight that this should be done soon.

I have raised the question many times about what the British Government is doing. President, it says that if more problems come up, it will pass laws to impose a cap on interest rates. And even nationalization is contemplated. I do not think Hong Kong should follow suit but we can see how bad things really are. Even in the US and many other countries, the banks do not want to give out loans. I hope when the third wave of measures comes ..... Secretary, the second wave and the third wave are very close and there are actually only two waves. I really hope that the Secretary can help out.

Besides helping out, President, I wish to remind those companies that once they get the loans, they must not lay off their staff as far as possible. President, we have been discussing that in the Finance Committee and some Honourable colleagues are very concerned and they ask that this point should be written in. But the authorities say no and that cannot be done. I can see that there should be

some flexibility. But if companies get a loan of \$10 million on the one hand and they fire many of their staff members on the other, I think Members would get really mad. Some Honourable colleagues say whether or not the names of these companies can be put up on the Internet. The authorities say no again, for the reason that borrowing money from a bank is a matter of privacy. All in all, we hope that the authorities would send this message out, and these companies actually know well enough that the staffs are their most valuable asset. Now they have to ride out the storm together. I do not want to hear things of that sort. Actually, the cat will surely get out of the bag. President, if someone borrows money and fires hundreds of people, I think the Council will be very furious.

These SMEs have come to hold meetings with us many times. President, Honourable colleagues have talked about their requests, especially with respect to tax. I do not know if there are third or fourth wave packages to come and whether there would be such a need. I hope that the authorities should keep a close watch on this state of affairs. We ask the authorities to collect all the information like the number of applications made to the banks, the number of cases rejected and approved by the banks, and how many cases are submitted to the authorities and approved. The authorities should collect all the information nicely and clearly, including information on the type of industry. Mr TSE has asked whether or not any tourist agency has tendered application. We must have sufficient information before we can know what can be done.

As for withholding taxes and freezing charges, I think these moves could be the third- or fourth-wave measures that the authorities should think about. If this financial storm is hitting us hard, many companies will fold and many people will become jobless. I do not think we would like to see devastations of this kind. This Council will collaborate with the authorities and try our best to weather this time of adversity.

**MS MIRIAM LAU** (in Cantonese): President, I think this adjournment debate proposed by Mr Vincent FANG today is a most timely one. This is because the Chinese New Year is coming, but the banks still refuse to relax the credit facility and lend money to the SMEs and help them improve their liquidity situation. The SMEs have been described by the Chief Executive as the lifeline of our economy and now they are reaching a critical moment of life and death.

Admittedly, with calls made by the Liberal Party and others, the SAR Government has taken a more positive stand to easing the difficulties experienced

by SMEs. The SME Credit Guarantee Scheme is revised to enable each company to get a maximum credit amount of \$6 million, half of which can be used as revolving credit. The Government will make a 70% loan guarantee. The aim is to reduce the risks which banks are exposed to in lending money and enable more loans to be made out to SMEs. The Liberal Party welcomes such a move.

However, the key is whether the banks are willing to change their excessively prudent lending policy. The Government is constantly injecting funds into the banking system so that the banks are in a good liquidity position to lend. But they have not done so. Yesterday, the Hong Kong Monetary Authority injected funds four times into the market in one single day so that the balance in the banking system reached a record-high of \$111.9 billion. It can be said that money is flooding the market. But while banks are inundated with money, the SMEs can only watch with envy. The situation is like a mirage in the desert. An oasis is in sight but there is no water available. If this is allowed to go on, I think the SMEs will surely die of thirst.

So I think I have to call on the banks again to respond positively to the well-intended moves made repeatedly by the Government and they should resume lending out money to SMEs as usual. They must not say on one hand that they will take matching action while on the other they charge exorbitant interest to drive away their clients. I fail to see why. When banks all over the world are cutting the interest rate, actually Ms Emily LAU has mentioned that point earlier, the banks in Hong Kong are acting in strictly the opposite way and they are increasing the lending rates all the time. They do not want to help the SMEs and on the contrary even add to their pressure. This is really something that should not be done.

I also hope that the Government can make more efforts and discuss with the banks on how the credit facility can be relaxed and study how the credit guarantee can be further expanded from 70%. It may not necessarily have to become 100%, but can a greater percentage be given so that the banks can have more confidence to lend? This will enable the large number of SMEs to have a mouthful of lifesaving water to drink and weather the bleak winter.

Also, I think the Government should give positive thoughts on how consumption vouchers can be introduced to boost the market. Although up to now some people are still saying that the "regional revival coupons" handed out

in Japan some 10 years ago were not very effective and so consumption vouchers should not be introduced in Hong Kong, I think Members should look closely. The scheme in Japan was heavily subsidizing in nature and the targets were only some elderly persons and children. However, still there was a certain multiplier effect. Now we are saying that each permanent resident of Hong Kong should be given consumption vouchers worth \$1,000 and the effect — what I mean is the multiplier effect — will certainly be better, be greater, too, than that in Japan.

As for the argument that the administrative expenses for consumption vouchers are high, this is something that can be solved. Taiwan gives away the same kind of consumption vouchers. If these are to be handed out in Hong Kong, we can talk about how this can be done to reduce administrative charges. If the Government insists that consumption vouchers must never be handed out, then can it tell us what other methods are available to spur consumption and revive the economy? We hope that the Government will stop saying all the time that will not work. It must tell us what should be done that works. We would be glad to hear any plans put up by the Government.

Just imagine, if the banks keep on refusing to lend money and the public keeps on spending less, after the Chinese New Year, as the saying goes, business will slacken triply after a festival is over, we will be seeing a more acute wave of companies closing down and workers losing jobs than at the time of SARS. Then things will go beyond remedy.

The authorities are always saying that infrastructure projects will commence sooner and more civil servants will be hired and 60 000 jobs will be created. But for those employees in the services industry, it is hard for them to switch to engineering jobs, and they may not have the academic qualifications or professional competency to apply for jobs in the civil service. Then what can they do? Now the most important thing is that the living of these employees in the services industry can be sustained by means of spurring consumption.

The sectors are already acting positively to save themselves. The retail, wholesale, food and catering and other related service industries have formed the Joint Coalition Against Financial Tsunami with the aims of sustaining employment through corporate conscience and promoting community-wide consumption. If consumption vouchers are launched by the Government, coupled with the efforts put up by the sectors to save themselves, positive effects can be expected to be achieved under this two-pronged approach.

President, I hope all sectors across the community can join hands and achieve what the Chief Executive says in sustaining life and employment.

President, I so submit.

**MR LEUNG KWOK-HUNG** (in Cantonese): President, the Chief Executive says that life has to be sustained. That is correct. He also says employment has to be sustained. That is even more correct. We often say that if the SMEs close down, workers will suffer. Now the SMEs have not yet taken the lead to lay off their staff. It is only that the big corporations are doing so. The Government is powerless in addressing this problem. The bankers think that since a full guarantee is not given, then why should they lend money to the SMEs? This is the crux of the problem. I have said many times that if the Government lets the bankers decide, the bankers will certainly look for those so-called nice clients, that is, those who have the ability to repay loans. These people can borrow money to engage in speculations and more speculations.

I have a friend who plays ball games with me. He is a construction sub-contractor. His house is worth about some \$2 million. Recently, he wishes to refinance his flat to raise \$1 million in the hope of getting more funds to take up more orders. But the banks are not convinced. What he has got is a property, that is, some bricks, so to speak. What is the mentality behind that? He says to me how he can do business under these circumstances. He is simply waiting for the end to come. He cannot do any business even though there are business opportunities floating around. There would be no more business once the project he is working on is finished. This is true. This is what he told me on that day after we had a game of football. I do not know whether he is watching the live broadcast now. I think I would have to talk with him tonight.

Second, about the problem of The Link REIT. People in this Council are like schizophrenics. The Government does not bail out Link REIT. And there are tens of billion dollars being swindled by bankers. But no one cares about it. I am talking about those toxic structured financial products. No one cares about the CITIC Pacific case either. Money is involved in all these events. People of Hong Kong are being robbed of their money every day, but the Government is condoning those who rob money and it even hands money over to those money-robbers. It decides to whom the money is handed and they are allowed to rob more. What kind of a world is this? I think while the SMEs should be

bailed out, the moves being taken now cannot serve to save them and it is not that the banks are run out of money.

So if the Government would still allow this institution in tatters, that is, the Hong Kong Monetary Authority (HKMA) to pretend to be a central bank, I do not think the problem can ever be solved. How come there is a central bank in Hong Kong? The chief executive of the HKMA tells other people that he is the head of the central bank when he goes out and attends meetings. Has he ever done such work before? For example, has he been adjusting the interest rates and the interbank discount rates? Experience from Japan, Korea and Germany is that if discount is offered to the SMEs, they should handle such matters when the SMEs have orders. The Government should take care of these things. There should be some kind of platform or agency for that. But there are no such banks in Hong Kong and there are no such related agencies here. And there are no such groups around. How can this go about? So problems crop up now. Joseph YAM said that he knew about everything in advance. But he failed to detect problems and he goes on pretending that he is the head of the central bank and he goes everywhere handing out name cards to people, saying that he is the head of the central bank. What a shame.

If companies really resort to massive lay-offs and pay cuts, this sudden surge in unemployment will certainly lead to shrinking consumption. People are afraid of losing their jobs and so they will not spend. This is the crux of the problem. The middle class people fear losing their jobs too. The problem will never be solved if Hong Kong does not have an unemployment allowance. Nothing can tackle the problem of sagging consumption brought about by this sudden loss of jobs or fears for such loss. The people cannot be saved. What is the point of bailing out the market? Is bailing out the market just for its own sake? Bailing out the market should be for the sake of bailing out the people. So should the money that the people save in the MPF accounts be taken out to spend? Should fund managers be allowed to continue dumping money on to the ground, only to be picked up by themselves again?

It is our most pressing task to go about setting up an unemployment allowance. This is where the problem lies. It is useless if the Government gives every person \$1,000 because no one will spend the money if he is afraid of losing his job. If the Government says to him that he can live his life even when he has got no job, then he will spend. Many people say that unemployment

allowance is a sign of welfarism. This should be the idea of someone who is completely ignorant of economics.

And since Hong Kong is such an externalized economy, when the Government is recklessly engaging in massive construction, there will be no multiplier effect produced, for the multiplier effect is taken away by other people. Therefore, I think the WTO procurement agreements must be broken.

These remarks are what I say on behalf of the League of Social Democrats. Bailing out the market should be for the sake of bailing out the people. It is the people who should be bailed out first of all.

**MR JAMES TO** (in Cantonese): President, we pointed out lately that the banks did not want to lend money. This is especially so when I heard just now the case mentioned by Mr LEUNG Kwok-hung. Actually, I have also come across a few weird cases. An example is your property is worth some \$2 million and you have repaid all your home mortgage, but the bank still refuses to take this as a collateral and lend you \$1 million. A scheme has recently been introduced in which a 70% loan guarantee would be offered by the Government, right? But things remain the same, why? Then I asked and I found out that the banks are very worried too. No matter how people launch scathing attacks against the Bank of East Asia, it is still the first bank to announce in advance that it has incurred tens of billion dollars of losses in CDO. Actually, there are many banks which are worried about their accounts. This applies especially to the Bank of China. Members can realize the problems that exist in the banks when they see that recently the Bank of China (Hong Kong) had asked its mother company to inject funds into it. Apart from the special scheme the Government has introduced which offers 70% credit guarantee, there is ..... of course, Joseph YAM says that he would monitor the liquidity ratio in each and every bank. Actually, many banks have a bespoke monitoring bottomline. This enables them to make changes in this period because of this great favour extended from the Government and they are at least for the time being free from the need to comply with tighter restrictions.

But even if the banks are not required to comply with this rate, if they are already running into heavy losses, may be, in fact, in the end ..... I agree to what Emily LAU has said earlier that there may be some companies — I do not know, I hope not — that will inject funds into the banks. I really hope that things will



not come to such a dreadful state. Then the banks can relax their credit facility. If not, no loans will be made. It would be a troublesome thing if banks cannot even comply with a relaxed monitoring ratio.

But if the Government comes out immediately and talks about this, people will all get scared. So the Government should act more boldly and decisively. For if not, once it is said, people will become panicky. Of course, it is fortunate that the Government is drawing a line and pledges that 100% deposit protection is given to account holders in these two years. There will be no need for a bank run. But in fact, people are very worried.

Then about the phenomenon which Mr Vincent FANG has talked about earlier, that is, after the introduction of the new scheme, the banks gain advantage from a portion initially from the clients before lending them the money. Things are actually the same as before, but there may be something more nowadays. This is because the banks get the interest for 100% of the principal. But if any loss is incurred, at most it will be 30%. It would not be too bad when the figures are worked out. Some Honourable colleagues have asked whether or not the Government can provide more than 70% guarantee, that is, if 80% or even 90% can be given. But the margin is not as important to it as the problem about the liquidity ratio that I mentioned at the beginning. If the liquidity ratio of some banks is too low, even if it is 80% or 85% ..... I do not know, at least I have not heard Members from the Liberal Party asking for a 100% guarantee. This is because they know that the banks must be given some incentives for them to bear a certain amount of risk, then there would not be any moral risk involved. Otherwise, it would be too bad. Right? If the bank charges the interest for 100% of the principal, and since the Government will bear all the losses incurred, the banks will of course be more than happy to lend. All the money in the scheme can be released as loans in just a matter of days. But that is not possible and the measure is not healthy at all. It is because if money is lent recklessly, it will have an adverse effect on resource deployment. These are the things which I think we should pay attention to.

I agree with what Honourable colleagues who say ..... Recently, the Chief Executive Donald TSANG went to Beijing. Of course, we hope that he can bring back some good news. After the Central Government has given us many new business opportunities, the most important thing is that we can ride out this crisis before this aim is achieved. Otherwise, there is no hope that this can be achieved. If all the SMEs have to close down, it will be useless no matter how

many clients there are. As for other plans to stimulate consumption, since the Chief Executive has said that these would be introduced one by one after the delivery of the budget, so I figure we would be seeing them at the beginning of January. If the Government has such measures in place, they should be put into force now. It is because there are just about 20 days to go before the Chinese New Year comes. If people can be made to think there is still hope, the sentiments of the entire community will change for the better. Then people can survive longer in this crisis. I wish this hope of ours can be fulfilled.

**MR WONG KWOK-HING** (in Cantonese): President, with respect to the move to set aside \$100 billion by the Government to support the SMEs, I am in strong support of it. I hope to use this opportunity to call upon owners of SMEs to be supportive of the wage earners and ensure that they can continue to make a living. These owners are not to get money from the Government to maintain their liquidity position on one hand while on the other hand fire the workers. Those who do so are heartless employers. About the "no lay-offs" charter signed by members of the Joint Coalition, I think this is a very good thing. I give a big applause to it. This is what an employer with a heart should do. Companies with a heart should be supported. I think besides advocating corporate social responsibility, we should also advocate corporate social conscience.

President, Secretary, I wish to make use of this opportunity to condemn some financial institutions and banks. They receive benefit from the credit guarantee or protection schemes from the Government, but are they corporations with a conscience? I find that this is not the case. They are fleecing and slaying their clients from all sides. And they take the lead in laying off the staff who have gone through the bad times with them. These banks and financial institutions take the lead to lay off their staff and this move does not only do damage to their own image but also to the Government's prestige. The Task Force on Economic Challenges which the Government has set up suffers even worse because of them. Its prestige is gone. So I hope to call upon the banks not to do that. I hope bankers can be owners of corporations with a conscience.

President, when the Government is making a decision to apply for funding to bail out the SMEs, I hope the Government could also have a new mindset, and that is, to sustain employment through these schemes. Last Friday, I asked the Permanent Secretary attending a meeting of the Finance Committee why did the previous credit schemes from the Government only have figures about the

number of companies that took part but not the number of people in employment. He told me that statistics of that sort had never been compiled. If that was not done in the past, I would think that there should be a new mindset now and when these credit guarantee schemes are rolled out, the companies can be urged to protect the jobs of the workers.

I hope that my suggestion can be accepted by the Government. At that time the Permanent Secretary accepted my suggestion. First, he said that the Government would consider sending letters to urge employers to secure the jobs of the workers and even hire more of the unemployed workers. On the other hand, he also promised that another survey would be conducted. I hope that the Secretary can give a further response to that on this occasion later today.

I very much hope that the Government can take action to follow up the progress of these schemes and something can really be done with the banks and the SMEs to promote the idea of riding out the financial tsunami. I hope that the Government can forge closer ties with these chambers of commerce, employers, bankers, small enterprises, owners of SMEs and so on so that more job opportunities can be created. Also, a survey should be taken of their employees, including information on the number of employees and whether or not more employees are hired or more jobs created after the credit guarantee schemes have sustained the operation of these companies.

Furthermore, I hope the Bureau can conduct a survey six months after the launch of these schemes to study whether or not the banks have acted unscrupulously and tightened the credit facility or whether they have done anything in line with the schemes. If it is found that banks do not act in co-ordination with the schemes, what measures or methods does the Government have? After these schemes have been put into practice for some time, say one year, can the Bureau make another survey to see how many companies have benefited, how many jobs are saved, and how many new jobs are added? This will make the people of Hong Kong and this Council see that the money spent is worth it and that the measure has realized what the Chief Executive meant when he said that the bishops and knights in a game of chess should be kept intact for the benefit of the whole situation. Thank you, President.

**MR ALBERT HO** (in Cantonese): President, there is a well-known saying which goes like this: two factors which dominate the psychology of the crowd in the

financial market are greed and fear. Such psychology does not only exist in the speculative activities of the general public but also found even in the financial corporations. The core business of the banks is to take in deposits and lend out the money to earn the interest differential. It is to provide services to companies engaging in commerce and industry. This is the most normal form of business for the banks. But what are the banks in Hong Kong doing? They have taken in so much money as deposits, but they are selling Lehman Brothers products to their decades-old clients. They are even selling their clients to other people, only for the sake of earning some dubious and hefty commissions.

We know that when there is a demand for credit in the market, the banks are refusing to do so. This really makes us feel outrageous. Members can see that since this Council knows that the financial tsunami is taking such a devastating toll on Hong Kong, we all rally behind the Government and the regulatory bodies, especially the Hong Kong Monetary Authority (HKMA) and support their use of numerous measures to help the financial institutions and all trades and industries maintain their business as usual. But many things have really made us feel disappointed.

In these recent months, as Members of this Council, we had written many letters on behalf of small factory owners. Some of these letters were about restructuring loans and while others were about imploring the banks to extend the credit facility. What I feel most furious is in a case like this. Secretary, last Friday, a resident came and looked for me. It was already half past 10 and I had just met a group of residents. I had not taken any supper and I was about to leave. But the person was bent on talking with me. He said that he seldom asked a favour from people. He had a factory and hired a few hundred workers. He was making good money every year. Originally, he had a credit line of some \$20 to \$30 million and he also had credit lines with four other banks which totalled \$30 million. But to his great dismay, these credit lines were cut to less than \$6 million in just a matter of three months.

The bank — I would not want to disclose its name, it is an American bank — has slashed his credit line of \$6 million to nothing in three months. And it has been taking action to retrieve loans ever since. When he came to see me, all that was left was a debt of \$300,000. He had not paid wages to workers of his factory for two months. Apart from those workers earning the least pay, those staff in the middle and top levels have not been paid their wages for two months.

So the situation is really very urgent. This is because a lot of the money cannot be recovered and no letters of credit can be made out. He said that he could really do nothing about the \$300,000 debt for the moment. The deadline for repayment was on the following Monday. That was why he came to see me on Friday. He asked me for help. He said the entire "game" would be over once a writ was issued against him because other banks would follow suit and take action for loan recovery immediately.

After knowing about this case, I was furious. I began to write a letter at seven o'clock on the morning of Monday. I wrote two pages. I was seldom so furious and I made a scathing attack of that bank. I wrote that the Legislative Council had done so much for the banks, like supporting the interest rate of the HKMA's interbank discount windows, accepting cross-boundary credit and raised the credit guarantee from 50% to 70%. But what have the banks done? Do they not have a trace of conscience in them? I also think that they are unprofessional. If they think that they are professional, how can they press the clients in such a manner when the debt involved is only \$300,000, which means, out of the \$6 million debt, \$5.7 million has been repaid already?

After I had sent that letter, or rather I wrote that letter at seven o'clock in the morning on Monday, he came at half past eight to pick up the letter. He called me at ten o'clock. He said that the bank manager was pulling a long face at him, taking him as a beggar and subjected him to all sorts of insults. In the end, the deadline was extended for a mere two weeks and the repayment date was set for two instalments. That is to say, he had to make the first instalment of \$150,000 in the first week and another \$150,000 in the second week. What kind of bank is that? We have done so much and it turns out that our beneficiaries have to face this kind of treatment from the banks.

Finally, I wish to say that it is no wonder that the prices of bank stocks have fallen to less than 10% of their original. At any rate, I agree with what Frederick FUNG has said earlier that according to findings of some studies made by the Democratic Party, we should draw reference from the practice in places that have in place industrial banks, commercial banks or agricultural banks. If we really hope that there is diversity in our industries, we really cannot rely on the operation of the commercial banks and investment banks. However, there is a need for undertaking long-term studies. But we think it is worth it, I hope the Secretary can make use of his new mindset and think about that. We should continue to lend our support to the SMEs to the best of our ability. Thank you.

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

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): Members have already spoken. I now call upon the Secretary for Commerce and Economic Development to reply.

**SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT** (in Cantonese): President, in the face of this global financial and economic crisis, the Government has been keeping a close watch on the credit crunch, especially the liquidity problem confronting the SMEs. Decisive and swift actions are taken.

As we consider specific measures to address the problem, we have been maintaining close dialogue with the Legislative Council, the chambers of commerce and the sectors, and we listen to their views. In the Panel on Commerce and Industry alone, like what many Members have pointed out, as many as seven meetings have been held since mid-July on this topic — Ms Emily LAU, it is not six times but seven times. And my colleagues and I have discussed with the Panel members on many occasions. Apart from the adjournment debate today, on 12th last month, Mr Vincent FANG proposed the motion on "Supporting small and medium enterprises to tide over the financial tsunami". Besides attending these meetings, we have also done a lot of substantial work, laying down the details for each measure and making the preparations. On top of that, I have to thank the Finance Committee of this Council and its chairman for acceding to our request and held two special meetings, and for passing our funding request last Friday. This enables our measures to be put into practice swiftly.

The approach we take in rolling out these measures is that once things are ripe for one item, we will introduce it at once. At the beginning of November, we made the loan amounts under the SME Credit Guarantee Scheme more flexible and the ceilings for the Business Installations and Equipment Loans and the Working Capital Loans were removed. Guarantee period for Working Capital Loans was extended. Ever since the measures were put into practice on 6 November, up to 16 December, a total of 30 lending institutions take part in the Scheme. The Trade and Industry Department received a total of 271 applications, of which loans for 171 applications have been made out, with a loan amount of more than \$570 million.

Apart from strengthening the regular SME Credit Guarantee Scheme, in the middle of last month, we launched a time-limited Special Credit Guarantee Scheme to provide \$10 billion liquidity to SMEs. The Scheme offers a 70% guarantee to loans advanced by banks to SMEs with the loan amount capped at \$1 million. Then views from the sectors show that the loan amount cannot meet the liquidity needs of the enterprises. In order to further assist the enterprises in getting instant relief from the commercial loan market and to enhance the confidence of the banks in advancing loans, the Chief Executive announced last Monday to expand this Special Credit Guarantee Scheme.

Under the expanded Scheme, the Government has raised the amount committed to a total of \$100 billion and restrictions on the purpose of the loans are lifted to enable more enterprises to apply. Apart from listed companies, all enterprises, regardless of the number of employees, trade and business type may apply. The maximum loan amount for each enterprise is raised substantially from \$1 million to \$6 million, of which \$3 million can be used as revolving loans. With the co-operation from the banks, the Special Credit Guarantee Scheme can provide loans valued as much as \$142 billion to the commercial credit market. According to our estimates, this can benefit 40 000 enterprises.

The Special Credit Guarantee Scheme was formally launched on Monday. Response from the banks to the Scheme is quite positive and they show their support to the Scheme with real action. As at yesterday, there are 11 lending banks joining the Scheme and applications are being processed. We will work together with the Central Authorities and the Guangdong Province to take measures as appropriate to ease the difficulties faced by Hong Kong enterprises in the Pearl River Delta.

Some Members are concerned about whether the banks will offer credit facility to enterprises at a preferred interest rate. The lending rate is to be decided by the lending institution concerned in accordance with commercial principles. The role played by the authorities is to assist the banks in performing their financial intermediation role. Our Special Credit Guarantee Scheme will bear 70% of the risk involved in loans. This permits greater flexibility in the banks in vetting and approving loans. Loans secured can be used in credit lines originally held by the enterprises but which have not been used, or in commercial overdrafts and letters of credit and so on. These measures can increase the possibilities of banks approving loans for the enterprises. The banks have told us that the reduction in credit risk will be reflected appropriately in the interest

rate. Of course, the banks will act within the bounds of prudent credit assessment in coming to an appraisal of each borrowing enterprise before the actual lending rate is determined.

Some Members are concerned about whether banks are willing to offer support to SMEs at this time of adversity and whether banks have enough liquidity for lending. In this regard the Hong Kong Monetary Authority (HKMA) has adopted a series of measures. On 29 October, the HKMA issued a circular urging banks to be more accommodating in lending to SMEs and help them tide over the present financial crisis and they should adopt a tolerant and flexible approach in dealing with loan applications from SMEs. In addition, the HKMA on 19 November issued a circular on "Hong Kong Approach to Corporate Difficulties" to banks emphasizing that when dealing with corporate borrowers in financial difficulties, banks should remain supportive and should not hastily put them into receivership or issue writs demanding repayment if they have a reasonable chance of survival. According to explanation from the authorities, banks presently do not take a universal approach in tightening the credit facility for a particular trade or the SMEs.

On the other hand, in order to ensure sufficient cashflow in the banking system, the HKMA has, from September to this day, injected more than HK\$120 billion. The HKMA announced that for the period from 2 October to the end of March in 2009, five temporary measures will be introduced to provide liquidity assistance to licensed banks in Hong Kong, and from 6 November it has put into practice refinements to these measures. At the same time, the Financial Secretary announced on 14 October to use the Exchange Fund to guarantee 100% repayment of all Hong Kong dollar and foreign currency deposits held with all authorized institutions in Hong Kong and to establish a Contingent Bank Capital Facility for the purpose of making available additional capital to banks. This measure will remain in force until the end of 2010.

In order to encourage banks to continue providing credit, the HKMA announced on 21 November the adoption of a flexible approach towards the premium on capital adequacy ratio of individual banks. Besides, the HKMA has worked out an arrangement with the People's Bank of China to allow Hong Kong banks operating on the Mainland to approach the People's Bank of China if they need liquidity support. This arrangement can help Hong Kong corporations operating on the Mainland to continue obtaining financing from Hong Kong banks on the Mainland.



All those measures in finance are meant to boost inter-bank call loans and hence ease the pressure on capital. In fact, we have noticed that the inter-bank rate has fallen recently. The best lending rate of the banks has revised downwards accordingly. Members may have known that some leading banks have said that they would lend their full support to SMEs and they have set up specific funds to tally with the Special Credit Guarantee Scheme. We welcome such moves.

Some Members think that the Administration should model on practices in foreign countries and have the Government inject funds into the banks and specify that the banks must advance loans to corporations after receiving the funds. The mode of fund injection into the financial system and the relevant terms and conditions are to be laid down by the governments of these countries after considering the financial and economic state of their banks and financial institutions. With respect to Hong Kong, the banking system here is very sound and the capital adequacy ratio here is higher than international standards. Up to the present, no bank in Hong Kong has asked for fund injection.

The aim of helping the corporations solve their liquidity problem is to help them continue to operate under the present adverse conditions. When corporations are thus protected, this will greatly reduce the chances of company closures and unemployment.

We hope that when corporations are assisted in their cashflow, they will want to continue running their business. In the course of it, they will rely on the staff to keep their business going. So this Scheme can achieve an indirect effect of enabling the corporations to maintain the jobs. This is along the same line as Members' expectations for the Scheme in arresting the spread of unemployment. I wish to call upon the owners and staff of various trades and industries to tide over the difficulties and ride over the storm.

President, the Government's initiatives in backing up the corporations and securing employment have commenced. I am convinced that these initiatives can effectively help corporations obtain credit to weather these rough times. May I thank Members once again for their support to us so that these initiatives can be put into practice at the soonest.

Thank you, President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That this Council do now adjourn. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

## **NEXT MEETING**

**PRESIDENT** (in Cantonese): Members, after the Council is adjourned today, meeting will only be resumed in 2009. I know many Members will place their concern about matters of importance to the community, and not their rest, in a priority position, though the words for "concern" and "rest" may be the same in sound in Cantonese.*(Laughter)*

At any rate, may I wish all Members and public officers to have a chance for a good rest. After the joyous season of Christmas and the New Year, when the year 2009 comes, I hope they will come back recharged and revitalized for the whole year just like the past couple of months.*(Laughter)*

I now adjourn the Council until eleven o'clock in the morning of Wednesday, 7 January 2009.

*Adjourned accordingly at eighteen minutes past Nine o'clock.*

## Appendix I

## WRITTEN ANSWER

**Written answer by the Secretary for Food and Health to Dr LEUNG Ka-lau's supplementary question to Question 2**

As regards information on the manpower of the Specialists Out-patient (SOP) Clinics of the Hospital Authority (HA) and the number of new cases of SOP Clinics, the number of doctors and nurses of major specialties as at December 2008 is set out at Annex A. It is important to note that health care personnel are responsible for rendering services for the whole continuum of services spanning from in-patient, out-patient to ambulatory and outreach services. The manpower figures in the Annex refer to the manpower under each clinical department rather than the manpower designated for SOP services.

The number of new cases of major specialties as at 31 March 2008 is set out at Annex B.

Annex A

Number of doctors and nurses of major specialties  
of the HA  
(as at December 2008)

<i>Specialty</i>		<i>Manpower</i>
Ear, Nose and Throat	Specialist doctor	48
	Non-Specialist doctor	31
	Nurses	47
Obstetrics & Gynaecology	Specialist doctor	96
	Non-Specialist doctor	109
	Nurses	977
Medicine	Specialist doctor	559
	Non-Specialist doctor	533
	Nurses	4 802
Ophthalmology	Specialist doctor	75
	Non-Specialist doctor	66
	Nurses	180
Orthopaedics & Traumatology	Specialist doctor	185
	Non-Specialist doctor	105
	Nurses	723

**WRITTEN ANSWER** — *Continued*

<i>Specialty</i>		<i>Manpower</i>
Paediatrics	Specialist doctor	178
	Non-Specialist doctor	127
	Nurses	1 158
Psychiatry (including Mentally Handicapped)	Specialist doctor	130
	Non-Specialist doctor	160
	Nurses	2 003
Surgery (including Neurosurgery and Cardio-thoracic Surgery)	Specialist doctor	285
	Non-Specialist doctor	279
	Nurses	1 711

## Notes:

1. The above manpower is calculated on full-time equivalent basis, including all HA staff on permanent, contract and temporary terms. Staff on honorary appointment and university staff are excluded.
2. Manpower of doctors includes doctors at the rank of Medical Officers/Residents and above. Interns are not included. Specialist doctors refer to all Consultants, Senior Medical Officers, Associate Consultants, Medical Officers/Residents (Specialists) and Medical Officers/Residents with fellowship in the Hong Kong Academy of Medicine.
3. Manpower of nurses includes registered nurses, enrolled nurses and trainees.
4. Around 3 500 to 3 700 nursing staff are posted under the "central pool" of Nursing Management or Nursing Administration department. These staff numbers are not reflected in the manpower for major clinical specialties reported. The exact figures deployed to the individual departments from the pool are not readily available.

## Annex B

Number of new cases of major specialties  
of the HA  
(as at 31 March 2008)

<i>Specialties</i>	<i>Number of new cases</i>
Ear, Nose and Throat	23 244
Obstetrics	15 789
Medicine	36 610
Ophthalmology	32 405
Orthopaedics & Traumatology	35 877
Paediatrics and Adolescent Medicine	3 591
Psychiatry	9 032
Surgery	81 919

## Appendix II

## WRITTEN ANSWER

**Written answer by the Secretary for Food and Health to Mrs Regina IP's supplementary question to Question 2**

As regards the waiting time for cataract surgery in the Hospital Authority (HA), the notional waiting time for cataract surgery in the HA for 2007 and 2008 is set out in the table below. As for patients on the waiting list who are triaged as emergency cases, they would be given priority treatment by the HA hospitals.

<i>Year</i>	<i>Notional waiting time (Months)</i>
2007 (as at 31 December)	35.5
2008 (as at 31 December)	35.4