

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 6 May 2010

The Council met at Three o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

THE HONOURABLE FRED LI WAH-MING, S.B.S., 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 LAU KONG-WAH, J.P.

THE HONOURABLE LAU WONG-FAT, G.B.M., G.B.S., J.P.

THE HONOURABLE MIRIAM LAU KIN-YEE, G.B.S., J.P.

THE HONOURABLE EMILY LAU WAI-HING, J.P.

THE HONOURABLE ANDREW CHENG KAR-FOO

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

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

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

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

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

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

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

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

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

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

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.

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

PUBLIC OFFICERS ATTENDING:

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

THE CHIEF SECRETARY FOR ADMINISTRATION

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

THE FINANCIAL SECRETARY

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

THE SECRETARY FOR JUSTICE

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

SECRETARY FOR EDUCATION

THE HONOURABLE STEPHEN LAM SUI-LUNG, G.B.S., J.P.

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS

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

SECRETARY FOR SECURITY

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

SECRETARY FOR FOOD AND HEALTH

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

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

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

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

DR KITTY POON KIT, J.P.
SECRETARY FOR THE ENVIRONMENT

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

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

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

CLERK IN ATTENDANCE:

MS PAULINE NG MAN-WAH, SECRETARY GENERAL

THE CHIEF EXECUTIVE TO ADDRESS THE COUNCIL UNDER RULE 8
OF THE RULES OF PROCEDURE, AND TO ANSWER QUESTIONS PUT
BY MEMBERS.

THE CHIEF EXECUTIVE'S QUESTION AND ANSWER SESSION

PRESIDENT (in Cantonese): Members will please remain standing while the Chief Executive enters the Chamber.

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

CHIEF EXECUTIVE (in Cantonese): President, Honourable Members, good afternoon.

Before answering questions put by Honourable Members, I would like to share with you my views on the constitutional development and the property market.

In mid-April, the Government announced the 2012 constitutional reform package. The democratic development of Hong Kong has reached a crucial moment.

The disputes on constitutional development over the past two decades have, objectively speaking, caused considerable social divisions and internal discord. To break away from suspicion and mutual distrust, we cannot solely concern ourselves with short-term and personal gains and losses. At present, we must, through practical and specific efforts, and in the spirit of mutual understanding and mutual accommodation, as well as placing the overall interest of the community ahead of personal interests, build step-by-step a foundation of mutual trust. Only in this way can we eventually arrive at the common destination of universal suffrage.

We learn from history that constitutional development is always a formidable and complex political project where the process and the outcome carry equal weight.

Regarding the constitutional development of Hong Kong, issues at the constitutional level alone are extremely complicated. The Legislative Council, the SAR Government and the Central Authorities all hold a key role of having the power to decide and the power to veto. To succeed, a tripartite co-operation is essential and not a single party can be left out.

In 2005, the general public of Hong Kong, the Central Authorities and the SAR Government should have been ready to take the first step forward. However, in the end, without the support of two-thirds of the Legislative Council Members, the constitutional development came to a standstill.

In the following five years, the biggest turn of event was the setting of a concrete timetable for universal suffrage by the Central Authorities in 2007. The Central Authorities have taken the most important step forward, a step that is hard to come by. It then depends on whether every sector of Hong Kong can make compromises and let go all the suspicion, distrust and pent-up sentiment over the years to take a rational step forward in response.

During this consultation period, some political parties, Members and the public have expressed their wish for the Central Authorities to re-assert their pledge on the timetable for universal suffrage. On the day the SAR Government released the constitutional reform package, Deputy Secretary-General QIAO Xiao-yang responded to this wish and immediately confirmed once again the pledge the Central Authorities made then. He also expressed the willingness to work with all sectors in Hong Kong to achieve the target of the election by universal suffrage of the Chief Executive in 2017 and the Legislative Council in 2020. The people of Hong Kong have noticed the repeated efforts of the Central Authorities in moving forward. And, quite a few opinion polls have found that the number of people in support of the 2012 constitutional reform package far exceeds those in opposition.

Everyone understands that the political and constitutional systems in Hong Kong are still in the developing stages. Our political tradition has not yet matured. To resolve political differences, we have to establish constitutional rules and practices. No matter how great our vision of democracy is, if we cannot achieve it with one leap, we have to be down-to-earth, take gradual steps to reach our goal in the end. In my view, this should be the approach to face the reality; the approach to act positively and the approach to be accountable to the people of Hong Kong.

If we continue to argue and refuse to reach a consensus, how can we overcome the obstacles and achieve the target of universal suffrage step by step? Even when universal suffrage is implemented, how can we build up a sophisticated democratic political system and maximize our edge in democracy?

Honourable Members, to support the passage of the constitutional reform package proposed by the Government will neither hinder your pursuit of your ambitious goal, nor impede the realization of your lofty ideal. More importantly, supporting the package can reflect the aspiration of the majority of the people.

When compared with the present election methods, the 2012 constitutional reform package is, in fact, more progressive and democratic. It is one step closer to the achievement of universal suffrage in 2017 and 2020. Moreover, it is not in conflict with the pursuit of the specific requests for the implementation of universal suffrage, and the pursuit of more democratic selection methods for the Legislative Council election in 2016.

Should the 2012 constitutional reform package be passed, the mutual trust among the Central Authorities, the Hong Kong SAR Government, the Legislative Council and the people of Hong Kong will definitely be enhanced, which is a all-gain-and-no-loss situation.

We should now let go our prejudices and arguments. The Central Authorities have expressed their sincerity, waiting for us to work things out in a positive manner.

Some people say that if the constitutional reform fails again this time, the biggest loser will be Hong Kong. It is heart-stricken to see democracy in Hong Kong making no progress. Today, the democratization process of Hong Kong once again hovers between hope and disappointment. The making of history hinges on one thought or one step of yours. I once again seriously and sincerely hope that, for the democratic movement of Hong Kong and for Hong Kong, Honourable Members will support the 2012 constitutional reform package proposed by the Government.

I would go on to talk about the property market.

The property market has become one of the focal points of discussion in town recently because property prices have increased by about 33% in 15 months from January last year to March this year. Some of the development projects have claimed to be sold at "sky-high prices", making people feel the heat of

property speculation. The Government understands that a large number of people find it very difficult to buy a property of their own.

We understand the wish of the people to have a home of their own, be it just a small place, they will still feel happy and unrestrained inside. We understand this aspiration.

There are three major factors contributing to the soaring property price in Hong Kong: First, the ultra-low mortgage interest rate; second, the flow of external capital into the local property market; and third, the low supply of new flats. The first two factors reflect the global market trend, which is beyond the effective control of Hong Kong, and these two factors will reverse any time along with the changes in the external market. Regarding the supply of new flats in Hong Kong, the Government has taken actions and will step up its efforts.

The housing policy of the Government is to follow the market demand. Started with land supply, the Application List system is in place to serve as the principal axis, supplemented by the flexible and optimal arrangement of irregular land auction, in a bid to increase the land supply. The Financial Secretary explained this point to the Legislative Council at the budget debate earlier. We will continue to monitor the price movements and sales practice of private residential flats, especially the small and medium-sized residential flats. If need arises, we will adopt timely measures to relieve people's worries.

There are recently opinions that apart from reviving the market of the second-hand Home Ownership Scheme flats, the Government should also reinstate the Scheme itself. In this regard, the Government and even the community hold a different view. Secretary Eva CHENG has given a detailed account of the several important factors to be considered in her article published recently.

I have to stress today that the Government understands that there is a group of people in society whose income or asset exceeds the eligibility threshold of public housing, but are not well off enough to "enter the market" and buy their own property. I understand the urgency of the matter, as well as the need to forge a consensus in society on the important subject of providing people with government subsidies to buy properties. Therefore, in the coming five months, Secretary Eva CHENG will consult the relevant stakeholders and members of the public to listen to their views on this proposal. If the Government has any

further views after the extensive consultation, a detailed account will be given in the policy address announced in October.

Thank you, President.

PRESIDENT (in Cantonese): The Chief Executive will now answer questions put by Members. After the Chief Executive has answered the question put by a Member, the Member may forthwith ask a short supplementary question on his/her question.

DR RAYMOND HO (in Cantonese): *President, I wish to ask the Chief Executive a question. At present, the Mainland is actively promoting environmental protection. In December last year, a number of popular measures were proposed at the conference on climate change held in Copenhagen. I wish to focus on the fact that many proposals or development plans put forward by non-government bodies have to comply with the national standards before they will be accepted. While our country has encouraged the distribution of renewable energy generated by non-government bodies through the power grid, it is not possible to do so in Hong Kong. Why? It is because the network owned by the power companies is guaranteed against losses. In the Mainland, subsidies are provided. Can Hong Kong follow the example of the Mainland in implementing similar measures so that more renewable energy can be generated, thereby raising the percentage of such energy used in Hong Kong? In the Mainland, the national index for renewable energy is targeted at 15% in 2020, while in Hong Kong, the index now stands at just 1% to 3%, which is insignificant in the eyes of overseas countries. Will the Chief Executive tell us some improvement plans in this regard?*

CHIEF EXECUTIVE (in Cantonese): It is our common wish to improve Hong Kong's air quality through monitoring of the emission standards. Hong Kong did make a lot of efforts in this area in the past. Regarding the power stations, at present, coal-fired power generation has accounted for the majority of their generating capacity. In this regard, there is indeed room for improvement. Moreover, we have undertaken to — the pledge made by our country in Copenhagen was to reduce the present carbon emission by about 45% in 2020.

Hong Kong will meet this standard and various measures will be adopted. For instance, we hope that the current coal-fired generators will be replaced by natural gas power generators. We also hope to import more nuclear power from the Mainland to replace our current coal-fired generators. In this way, the total emission will definitely be reduced. Of course, this will also help improve the air quality.

Regarding renewable energy, given our geographical factor, Hong Kong has little resources in wind, water and solar energy. With advances in technology, we will utilize as far as possible such renewable energy to supplement our existing power generation programme. Thus, this is not simply a question of whether or not we want to use such energy. We definitely want to, but there are technological limitations in this regard. A Member has just raised the question if such energy is available, whether it is possible to have it distributed through the power grid. This is a technical issue and I believe it is not difficult to find a solution. The most important point is, do we have such energy and do we have the technology to introduce such energy. What I am talking about is wind, wave or solar energy, which we can work on one after another.

However, at present, scientists tell us that we can make it We do not have a huge piece of grassland or desert to absorb solar energy, nor do we have a vast expanse of ocean for hydropower generation. However, if there is technological advancement, I believe it is worthy of our consideration. I can assure you that the standard set by our country and the pledge made by our country to the world, especially on carbon emission, will definitely be followed by Hong Kong. We have the ability and the determination to meet these standards.

DR RAYMOND HO (in Cantonese): *I have something to add to my earlier question. I am pleased to hear the Chief Executive say that we will firmly follow the policy of our country on a low-carbon economy. However, inter-departmental co-ordination is necessary to boost the progress in this regard. For instance, many buildings in the Mainland have installed photovoltaic panels instead of curtain walls to produce solar energy. Many residential buildings have used wind power to generate electricity, just like the situation in Japan. These measures cannot be regarded as insignificant. When*

they add together, it means a lot. The Government and its various departments can put forward some relevant policies to encourage progress in this regard.

CHIEF EXECUTIVE (in Cantonese): In developing new areas, such as the site of the old Kai Tak Airport, consideration is made from this aspect, with the objective of developing the whole area into a green district. As suggested by the Member, we have always acted along this line of thinking.

MR ANDREW CHENG (in Cantonese): *Chief Executive, the by-election of the Legislative Council will be held next Sunday. We notice that the publicity efforts of the Government seem to deviate from the normal and traditional practices, as the publicity banners are inconspicuous and no appeals are made in the advertisements. There is even a rumour that the Chief Executive will not vote on that day.*

The Chief Executive has often stressed the need for our constitutional system to move forward. However, if you do not even dare to show up at the polling station, how can the people of Hong Kong have confidence in you to fight for us genuine universal suffrage? I believe no one will disagree on what the Chief Executive said earlier about our constitutional system that everyone must be earnest and down-to-earth. However, we now have to see whether the Government has determination, courage, power to reform and commitment. If you shy away from voting which is the very basis of a democratic election, and tell us afterwards that, "I will play a big game.", an increasing number of Hong Kong people will query whether you "play a big game" to "fool Hong Kong people", or you really "play a big game" to fight for us.

CHIEF EXECUTIVE (in Cantonese): I have all along been devoted to the pursuit of universal suffrage for Hong Kong, and I have done my utmost to achieve this goal. This is how I have conducted myself since the day I was elected the Chief Executive. I will remain so until the last day of my term of office.

MR ANDREW CHENG (in Cantonese): *President, I believe you also agree that the reply of the Chief Executive is very simple.*

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

MR ANDREW CHENG (in Cantonese): *My question is: Regarding this by-election, if the Chief Executive No matter how you look at the motive behind this by-election, it is held in accordance with the government constitution. Our constitutional system has to move forward. The essence of a democratic election is, of course, to encourage the people of Hong Kong to vote. May I ask the Chief Executive whether he will, by tradition, pose for a photo of casting a vote into the ballot box at the polling station next Sunday?*

CHIEF EXECUTIVE (in Cantonese): Since I have the right to vote, I have always participated in the Legislative Council election over the years. However, this by-election is quite special. Five Members in office resigned suddenly and run for the by-election subsequently. Regarding such behaviour, there are voices in the Legislative Council and society suggesting that this by-election is not necessary. Many people even consider the incident an abuse of the election procedure and a waste of public money. Therefore, I have to think carefully about voting this time. Until now, I have not yet decided. However, whether I vote or not, I will definitely inform the public of my decision.

MR CHAN KAM-LAM (in Cantonese): *President, Chief Executive, property prices have skyrocketed in recent years. The Chief Executive also mentioned this point earlier. As we all know, if property prices stand at a high level for a long time, the burden of housing on the public will become heavier. It is also detrimental to the economic development of Hong Kong because enterprises, big or small, have to pay rent. They also have to face heavy burden in other areas as well. Moreover, the overall competitiveness of Hong Kong will be adversely affected. The Chief Executive said earlier that a consultation exercise will be held for five months. In the past few years, especially the recent two years, property prices have risen over 30%. May I ask whether the Chief Executive*

considers that it is possible to change the existing policy and so a consultation will be conducted; and does he consider the present "nine proposals, 12 requirements" adequate or inadequate?

CHIEF EXECUTIVE (in Cantonese): In our view, the development over the past 15 months was abnormal. This is why we have taken special measures to tackle this problem in a two-pronged approach. On the one hand, we have dealt with the abnormal sales methods by enhancing the transparency and fairness of the sales mechanism. Thus, subsequent to my proposal of the various strategies in November last year, we have had a lot of follow-up work to do, which Members well understand.

The second permanent cure is to increase the supply. The Financial Secretary has indicated that an additional 50 000-odd flats would be completed in the coming few years. The Housing Authority and the Hong Kong Housing Society will put several thousand flats on the market and new residential flats will be made available upon the recent successful land acquisition under the Application List system. I strongly believe that the above-mentioned policies will definitely help cool down the current hot property prices.

We must always keep firmly in mind that housing is a sensitive issue concerning people's livelihood. In particular, we experienced the burst of the real estate bubble in 1997, 1998 and 2000, during which we went through great sufferings. In our view, the Government is, admittedly, duty-bound to let every member of the public have a place to live. However, is it necessary for the Government to help every member of the public buy his own property? This is an issue worth considering. In particular, if this step is really taken, where should the line be drawn? If Members still recall, during the last Asian financial turmoil when the bubble burst, many people blamed the Government of encouraging them to "enter the market" and thus have negative assets. Can we undertake this? I believe this issue is well worth discussing, and we will adopt an open attitude. This is the issue that Secretary CHENG wishes to consult Members during the consultation. We must give careful thoughts to this issue.

Land supply is also a problem. We do not want to use the land currently earmarked for public housing development for other purpose of subsidy provision. When the supply of public housing drops, the grassroots in genuine

need of public housing will have to wait longer for allocating a flat. I do not wish to see this happen. Therefore, I think this issue merits our in-depth exploration. The time we intend to spend is not very long, just five months. I hope an overall picture will be given in the policy address this year.

MR CHAN KAM-LAM (in Cantonese): *President, I agree that the Government should conduct a consultation, especially when the measures implemented over the recent period have proved some degree of effectiveness. However, I hope the Chief Executive will further consider the following: Targeting at the current property market situation, two things actually must be done. Apart from increasing supply, speculation must be suppressed. The recent measures taken by the Government mainly aim at rectifying some unscrupulous sales practices. However, I hope the Chief Executive will examine again these two aspects and introduce some measures in the short run, so as to alleviate the existing problems expeditiously. Otherwise, it is very likely that the problems will remain even after five months. In addition, after the announcement of the policy address, we may again have to wait some time. Then the problem will never be resolved, and we will face greater difficulties. Chief Executive, do you agree that there is such a problem at present?*

CHIEF EXECUTIVE (in Cantonese): Yes, I agree. In fact, after the Financial Secretary has indicated in the budget that the rate of stamp duty on transactions of certain types of properties would be raised, speculation has already showed signs of abating. If Members look at the latest transaction numbers, they will see the effect of this measure. There is one thing Members must understand. The power of the SAR Government to suppress the property price or wreck the property market can really be very great. So, we have to act carefully. However, if the market collapses due to certain reasons, and property prices plummet, the Government lacks the ability to revert prices to stability. It is like the situation we faced in 2000. Therefore, we have to handle this issue with great care. What we need is not a property market that rises and falls sharply with wild fluctuations, but a stable market. All the current government policies are formulated along this direction.

MS CYD HO (in Cantonese): *President, the Chief Executive has told us earlier that the Government has promoted the constitutional reform this time with total sincerity. However, once there are signs of government intervention in the election, a precedent will easily be set for election rigging in future. Therefore, if the Government behaves in such a manner, people will find it actually lacking the sincerity in pushing forward the democratization process. Nor will they believe the Government is sincere. However, plenty of petty tricks are found in the organization of this election, such as the proposed removal of roadside boards and the inaction afterwards, the absence of the wordings "please cast your vote" on campaign posters, and the reluctance of the Chief Executive up till now to indicate openly whether or not he will vote. Many civil servants are actually quite worried. Once they turn up at the polling station, they will be labeled, and that will serve as the evidence, to be raked up in future to act against them.*

If the Chief Executive does not turn up to vote, he cannot dispel the political pressure of a white terror. May I request the Chief Executive to reply once again whether he will vote on 16 May? Has he told his subordinates explicitly or implicitly that they are not permitted to vote on 16 May?

CHIEF EXECUTIVE (in Cantonese): Every public officer will decide for himself whether or not to vote. They will not be under any pressure from the Chief Executive. There will not be any pressure whatsoever. I have not yet decided whether or not to vote on the 16th.

MS CYD HO (in Cantonese): *If the Chief Executive refuses to make things clear today, his own behaviour will actually affect the impartiality of the voting. Does the reluctance of the Chief Executive to give a reply today signify his loyalty to Beijing, which makes him even give up his basic responsibility of encouraging the people to vote?*

CHIEF EXECUTIVE (in Cantonese): Regarding my position, I already made it very clear earlier. I have nothing to add.

MR PAUL CHAN (in Cantonese): *President, during the campaign in 2007, the Chief Executive excuse me (the microphone made some noises), when the Chief Executive was running for this term of the Chief Executive, he said he would lower the rate of profits tax and the standard rate of salaries tax. The former would be lowered to 15%, which is actually on a par with the lowest level in the mid-1960s. In the 2007-2008 policy address, the first step was taken by cutting 1% of both the rate of profits tax and the standard rate of salaries tax, which cost the Treasury over \$5 billion. Recently, some organizations have simultaneously pointed out that in the 10 years since the reunification, despite our GDP has a growth rate of over 30% in real terms, the income of the lowest-paid 30% in the working population is even lower than that 10 years ago. The biggest rate of decrease is as high as 30%.*

Chief Executive, my question is: Will you first do a better job in resource allocation and give priority to solving the problems of wealth gap and working poor in Hong Kong? Will you promise not to cut taxes again before the living of the poor, the grassroots, the elderly, the weak and the disabled in society has seen obvious improvement?

CHIEF EXECUTIVE (in Cantonese): The pledge I made in 2007 to cut taxes is serious and we will act along this direction. In the past few years, we can see that our economy has maintained a steady performance and succeeded in attracting external capital, enabling our stock market and financial market to survive even under the threat of the financial tsunami and produce a boosting effect. It is a fact beyond doubt. However, at the same time, under special circumstances, more resources have specially been allocated to the grassroots and the people living in poverty and misery. Over the past few years, the budget, in particular, has allocated substantial amount of resources in this area. In the past one to two years, the expenditure of the budget has amounted to \$310 billion, representing a significant increase over the previous term before I assumed the office of the Chief Executive. Last year alone We will continue to formulate a deficit budget this year so that more resources will be allocated to the grassroots. Thus, on the one hand, we maintain the vitality of our economic development, but we have not overlooked the need to alleviate the financial pressure of the general public on the other.

MR PAUL CHAN (in Cantonese): *President, I raise this question not because I want to press the Chief Executive to violate his election pledge. I only think that measures should be relevant to the time. The Chief Executive said earlier that a number of poverty alleviation measures had been proposed in the budgets of the past two years, but Members still recall the criticisms in the community of the inadequacy and meanness of such measures. The fund allocated last year was over \$3 billion, which is not too bad, but only \$200 million to \$300 million were allocated in the year before last. Chief Executive, can you promise that specific measures and policies will be launched by the Government in the coming few years to focus on helping the disabled, the elderly, the weak and the working poor?*

CHIEF EXECUTIVE (in Cantonese): Our policies will continue to be updated in response to the various needs in society. If need arises, whether it is the minimum wage or the assistance for the elderly, the weak and the disabled, we will continue to introduce targeting measures. We will definitely have such measures implemented as long as they are within our financial means. Over the past years, despite the deficits in recent years, the allocation of resources in this area has been maintained. We will not make any reductions.

MR CHEUNG KWOK-CHE (in Cantonese): *President, I wish to follow up the issue of wealth gap raised earlier by Mr Paul CHAN. Our present situation is really bad. In 2006, the Gini Coefficient of Hong Kong stood at 0.533. This year, the Financial Secretary has spent over \$10 billion — I describe him as "handing out candies" because every stratum gets something — but I think it still does not help the grassroots emerge from poverty. Chief Executive, will you propose in your remaining term of office a long-term plan with specific objectives to look after people in local districts and over the territory, in order to assist the grassroots in alleviating poverty?*

CHIEF EXECUTIVE (in Cantonese): At present, the most important task is to allocate resources to alleviate poverty in Hong Kong, especially to education which, in our view, can quicken social mobility. This is most important. I think the main area of work is to stem the so-called inter-generational poverty.

This problem can be prevented and eradicated, so that the poor today will not remain poor tomorrow.

At present, an active immigration policy is in place in Hong Kong. 150 persons will arrive in Hong Kong every day. They are mostly people at the grassroots level with no special skills and not much bargaining power. So, they often receive lower wages and lead a difficult life at first. However, with our current welfare arrangements and input of resources in education, they can often obtain due dignity and adequate means of living through social mobility.

I have some figures at hand. Of course, if we just look at the Gini Coefficient itself, the general figure was 0.5. However, when our resources allocated to housing, health care and education are counted, the figure in 2006 was actually around 0.427, which is more or less the same as the figure in 2001. I am not saying that this is a relatively low figure. This is a relatively high figure indeed. However, this is inevitable in a city economy like Hong Kong, particularly so in a financial centre. We have people with very high money-earning capacity, as well as newly arrived immigrants whom I mentioned earlier. The gap between these two groups of people is huge. What we can do is to enable, as far as possible, the poor to have a place to live and a means of living, as well as to put in large amount of resources to education. At present, the government expenditure on health care, education and welfare represents 56% of the total expenditure. I think this is desirable when compared with other advanced regions. Therefore, we have never forgotten this responsibility of ours.

Moreover, on social mobility, we can now learn from the survey conducted every 10 years to see whether people's living conditions have improved over the 10-year period. The first 10-year period started from 1996 (one year before the reunification) to 2005. Our survey found that the upward movement rate was 29%, which means 29% of the people moved from a certain level in the past to a higher level within the 10 years. In the 10 years between 1998 and 2008, the upward movement rate was 33%. In other words, we have provided them with a chance of upward mobility through the budget and the implementation of various social and economic policies. Our work will continue. I am not saying that I

am complacent about this, I will keep doing my best. We very much hope that our policies can get your support and are financially viable.

MR CHEUNG KWOK-CHE (in Cantonese): *President, I believe the Chief Executive has misunderstood my question. The focus of my question is not on social mobility, though they are slightly related. I am concerned about the poor people. I do not think the existing policy has targeted at resolving the poverty problem. I believe it is difficult for the Chief Executive to give us any concrete plans today. May I ask the Chief Executive whether a Secretary of Department or several Directors of Bureaux will be appointed to set up a working group, or even a higher-level committee, to examine the existing poverty problem, focusing on giving actual help to alleviate poverty for the over one million poor people instead of just understanding the problem in concept? May I ask the Chief Executive whether he will promise us today the setting up of a working committee?*

CHIEF EXECUTIVE (in Cantonese): Mr CHEUNG, there are criticisms that we have too many working committees or advisory committees. In the area of social welfare, we have the Social Welfare Advisory Committee and a number of other committees. If you have any specific views and focused measures that can target at this big problem of wealth gap — Up till now, not a single capitalist country can contain this problem, only communist countries try to do so, but do not win the support of the general public — If you think there is a specific proposal that we can carry out targeted measures in certain areas, we will be pleased to give it a thought.

MR WONG KWOK-KIN (in Cantonese): *The Chief Executive brought up earlier the issue of property prices. However, the current housing problem of Hong Kong is not purely a matter of property prices. The soaring property prices have pushed up rent, hence a group of people have to face housing problems. At present, the so-called "sandwich class" in Hong Kong are not eligible for public housing, for example, a standard three-member family with an income of around \$14,000 is not eligible for public housing, but it cannot afford buying private flats as well. According to the Government's estimates, families with an income of \$20,000-odd are eligible for applying Home Ownership*

Scheme (HOS) flats. This implies that the Government also admits that families with an income less than \$20,000 cannot afford private flats. When rents rise sharply, the housing need of this group of people turns into a heavy burden. I do not agree to the Government's recent repeated remark that we ask for home ownership for everyone. This is not the case. It is estimated that around 80 000 households belong to this group. What measures will the Government adopt to solve their housing problem?

The Chief Executive said earlier that a consultation would be conducted. I am not questioning the forthcoming consultation, but very often the Government promises to consult, but fails to deliver any outcomes after a very long time. For instance, the respective consultations on the cross-district travel subsidy scheme and the abolishing of the restriction to leave Hong Kong for "fruit grant" have not produced any outcomes so far. I am worried that the consultation this time will again stall a long time. Therefore, may I ask the Chief Executive whether temporary or short-term measures will be introduced during the consultation period to help this group of sandwich-class families alleviate their heavy housing burden?

CHIEF EXECUTIVE (in Cantonese): I have already given a very clear account earlier. Mr WONG, please allow me to tell you that the consultation period is five months. I hope that a conclusion will be drawn in the policy address to be announced in October this year. If we consider any adjustments necessary, we will put forward specific proposals then. However, most important of all, the public should reach a consensus on this issue.

A Member mentions about the rent of rental flats. We are particularly concerned about the rental burden of the public, especially ordinary families not living in public housing flats, government subsidized flats or HOS flats. How much do they have to pay for their housing need? Relevant data have been collected in surveys. In the case of buying a property or paying for a mortgage, the rate is around 40% at present, which is not the historical high in Hong Kong. It is an average figure acceptable under normal circumstances.

However, I am not saying that there are no particularly difficult or miserable examples. Thus, this consultation has to be conducted. Mr WONG,

I can tell you, I earnestly tell you that this consultation will be conducted in a detailed and careful manner. We will adopt an open attitude in the hope of hearing different voices. But an appropriate balance must be made. Many problems need a solution. If some measures really need to be implemented, everyone must shoulder the responsibility. Consideration has to be given to issues such as land and resources. However, most important of all, we have to reach a consensus on one question, and this is, does the Government have the responsibility, the need or the obligation to use public money to subsidize people to buy a property and invest? I believe this is the most important question. Besides, there is the issue of how to draw a line. For the time being, I believe several months are not a very long period of time. I have already made a solemn pledge in this Council that I will definitely take this course of action.

MR WONG KWOK-KIN (in Cantonese): *President, I am not questioning the consultation proposed by the Chief Executive. However, from the completion of the consultation to the commencement of the projects such as site identification and construction, it may take several years before any results can be seen. The question I put earlier is: Has the Chief Executive considered any short-term measures to help people now facing difficulties, such as raising the income threshold for public housing so that people with an income just over the income limit of public housing can be allocated a public housing flat, thereby relieving their housing difficulties? Has the Chief Executive considered any such measures?*

CHIEF EXECUTIVE (in Cantonese): Regarding the eligibility for public housing, the Housing Authority conducts a review each year. I believe they will actively examine this issue. If need arises, I trust they will definitely give it a thought.

DR JOSEPH LEE (in Cantonese): *Chief Executive, I am very pleased to hear you mention, in reply to Mr WONG Kwok-kin, that the consultation will look into the needs of the sandwich class. In fact, quite a number of people in Hong Kong are really unable to "enter the market". They may not want to buy a flat, but they cannot rent a flat as well. The monthly income of this group of people are around \$20,000 to \$25,000, and there are about 170 000 households in this*

category. Many of them cannot rent a flat because they cannot be protected in rental affairs after changes in rent control measures. Their landlords will increase rent or drive them away within a short period of time. I hope the consultation will look into this problem.

In fact, my question is not about this issue. I just wish to express my views in mentioning Mr WONG Kwok-kin's question. I hope that the Government will conduct the consultation in a more detailed manner and take care of this group of people who want to rent a flat but have to face various problems caused by change in rent control measures.

My question is very simple. A number of young people are now sitting at the public gallery, who will be our future pillar. At present, the Working Holiday Scheme helps young people to gain life experiences and working opportunities overseas. As the Scheme now only covers six countries, namely Australia, New Zealand, Canada, Germany, Ireland and Japan, where young people of Hong Kong can go for exchanges, and the number of places offered is seriously inadequate, may I ask the Chief Executive whether more efforts will be made to sign co-operation agreements with more countries and increase the number of places offered, so that our young people will have more opportunities to have overseas exchange, thereby enriching their working and life experiences, and enabling them to make contributions after their return to Hong Kong?

CHIEF EXECUTIVE (in Cantonese): The Member has put forward a very good proposal. I will follow up.

DR JOSEPH LEE (in Cantonese): *President, I would like to thank the Chief Executive for following up my proposal. I hope that after follow-up actions are taken, he will give us a concrete answer, that is, will co-operation agreements be signed with more countries?*

CHIEF EXECUTIVE (in Cantonese): What I mean is I agree to what the Member has said. I said at the beginning that this was a good idea. Hence, we will follow up, that is, to see if it can be put into practice.

DR JOSEPH LEE (in Cantonese): *Good. I would like to thank the Chief Executive for advising us on this issue.*

PROF PATRICK LAU (in Cantonese): *Chief Executive, originally I intended to ask about the housing issue as well, but I think this issue also merits your attention. The Zheng Sheng College incident has aroused extensive concern, and the Chief Executive has put in enormous efforts to support drug addiction treatment. I have visited a number of drug addiction treatment centres (DATC) where lodging and drug treatment are provided to youngsters, a majority of whom are in fact still at schooling age. Nevertheless, currently no adequate policies are in place to provide these youngsters with the opportunities to continue their studies in the DATC. I would like to ask the Chief Executive and the Secretary for Education as well — as we previously have had discussions on problems in this respect, whether they will explore ways to help these youngsters who are receiving drug treatment, so that they will have the opportunities to receive education to which they are entitled in a progressive manner?*

CHIEF EXECUTIVE (in Cantonese): *Definitely. If they only need to receive short-term drug treatment, support such as tutorial lessons will be provided; if they need long-term residential drug treatment, special arrangements will definitely be made. Currently, the controversial issue is, how long does long-term drug treatment take? One school term or more? Take the Zheng Sheng College as an example, their drug treatment lasts several years. There are many different forms of drug treatment, this is but one of them. We are discussing with the Zheng Sheng College how to provide assistance and regular support to the youngsters receiving drug treatment. Nevertheless, as you all know, the Zheng Sheng College is facing many other problems, for example, whether its accounts are in order — I believe all Members wish to know if its accounts are in order now, what will be their future plans, and so on. A relatively comprehensive solution can only be attained in this way. In principle, our thoughts are the same as all of you: We will provide various kinds of assistance to school-age youngsters who need to receive drug treatment for a longer period of time, that is, more than a school term, so that they can receive*

education while having drug treatment, and can return to normal schools and resume their study when the treatment is over.

PROF PATRICK LAU (in Cantonese): *President, I can see their needs, that is, currently some teachers have to go to the DATC*

CHIEF EXECUTIVE (in Cantonese): Teachers?

PROF PATRICK LAU (in Cantonese): *..... to teach and help them, to educate them. I am talking about the teachers, sorry, I have not made that clear, (Laughter) Some secondary or primary school teachers visit the DATC to help them. My question for the Chief Executive is, will there be any policy to support these teachers visiting the DATC to help the youngsters who are undergoing drug treatment? Just now the Chief Executive said that the youngsters will receive support such as tutorial lessons, but currently we do not see any clearly-defined policy in this regard.*

CHIEF EXECUTIVE (in Cantonese): I think that will depend on individual needs. Currently, we have different forms of drug addiction treatment. Some of them are short-term treatment, the recipients can stay home and continue to receive education in normal schools. Focusing on these cases, psychological counselling and special assistance will be provided or arranged by school social workers. For those who have to leave school to receive drug treatment, we will, by all means, arrange teachers to help them in the form of tutorial lessons. Prof LAU, if the drug treatment only takes a short period of time, I believe the problem will not be serious. For people under short-term drug treatment, we can offer various supports, such as tutorials, so that the youngsters can return to normal schools to study when the treatment is over two or three months later. I believe there will not be any problem.

However, if the drug treatment is a long-term one, as the one provided by the Zheng Sheng College, then we have to make special arrangements. Though

we are still deliberating on the solutions, we are most willing to help. If proven that long-term drug treatment that spans over one school term is needed, what suitable assistance can we provide to help them? For example, we can arrange qualified teachers to teach major subjects in the DATC, so that the youngsters can return to normal schools after they have successfully completed the drug treatment. This is what we hope to achieve and we are now moving in that direction. We have already had arrangements like this. Of course, if Members question whether the support is adequate, or whether different teachers can be arranged to teach in the DATC as if in normal schools, this should be discussed separately. We need to make some other arrangements in terms of resources. Moreover, I believe teachers teaching in the DATC also need to receive special training.

MR PAUL TSE (in Cantonese): *President, a public opinion survey conducted by The Chinese University of Hong Kong (CUHK) earlier reported that almost 25% of Hong Kong people approved radical actions, and some even drew a conclusion that Hong Kong was on the verge of a riot.*

President, when the Chief Executive answered a question about the increase in "fruit grant" in this Chamber last year, a Member threw bananas at him. Hong Kong people were very dissatisfied with the authorities' indecision on that policy. Sitting here last year, I observed the Chief Executive's reaction, and he gave me an impression that his emotions were mostly written on his face. When Mr TAM Yiu-chung raised a question, the Chief Executive responded by pulling a long face. As far as I understood, the reason for such a reaction seemed more significant. However, many people have later taken advantage of the issue and claimed that the Government changed its policy because of the radical actions of a certain person.

A few days ago, someone even said in a public forum that the Government increased the "fruit grant" only because of his action. Chief Executive, this is perhaps the biggest case of political fraud in Hong Kong of this century. It creates the so-called political perception in Hong Kong society that radical actions are inevitable for any struggle to be successful. As the saying goes "hear from the horse's mouth", I would like the Chief Executive to clarify once

and for all, what were the reasons that the Government changed its policy on "fruit grant"? This can stop people from taking advantage again and swindling.

CHIEF EXECUTIVE (in Cantonese): In our diversified society, it is natural to have different views and opinions. Also, our practice of putting an issue to open discussion generates hot debates from time to time. If our heated debates are taken as an indicator of the level of harmony in society, one will certainly have an impression of disharmony. But the people's judgment is clear. If you simply analysed the public survey you mentioned just now, it clearly shows that Hong Kong people believe that co-ordination and compromise are the best solutions to these problems — be the problems relate to the demands of an individual or major policies regarding the community. This is crystal clear.

With regard to what happened in this Chamber at that time, as I have said on a number of occasions, the expression of views should not be made through violent means. Deliberation should be carried out in a composed and rational manner. Of course, when there are some violent actions, you have to allow me to pull a long face, as we can do nothing about it, right?

Nevertheless, regarding the policy on "fruit grant", this is very clear. At that time, I thought my comment was very logical, I believed we were discussing about the continued provision of "fruit grant" to those with special needs, that is the elderly. Unfortunately, I was not backed by the community, in particular the two major political parties in the Chamber. The Democratic Alliance for the Betterment and Progress of Hong Kong which inclined to support orthodox comments and the Democratic Party both held that I was wrong. As influenced by them and Hong Kong people, we thus put forth a new proposal for the Government to approve, the scenario was that simple.

MR PAUL TSE (in Cantonese): *In fact, other than the public survey conducted by CUHK mentioned just now, as we can see recently, violent actions appear to be on the rise. Even the arena of "City Forum" is enclosed by fences like the Berlin Wall. Besides, we saw the outbreak of violent incidents in Macao a few days earlier, not to mention the turbulence caused by the Red-Shirt protestors in Thailand. All these signs show that violent political actions are likely to*

escalate. May I know, does the Government have any measures in place — be it investigation, preventive actions or policies — to prepare for dealing with this kind of actions? If this trend continues, how should we handle?

CHIEF EXECUTIVE (in Cantonese): Mr TSE, as I said just now, Hong Kong is an open society, we have to be accommodating in enforcing the law but actions must be conducted within the scope of law. We always have demonstrations, this is no big deal. Since the reunification, we have had tens of thousands of demonstrations — an average of 6.7 demonstrations per day. We have all sorts of demonstrations, and they all go on well. However, if violence is used, they will not get support from Hong Kong people. If there are physical contacts or collision with police officers, the Government will certainly enforce the law, the public will also request us to do so. This is something that will absolutely be done. But we can do nothing to control the behaviours in this Council. It requires the concerted efforts of all Members to maintain a dignified Council. The rules of the Council should be implemented more stringently, this is something that all of you should do. I believe Hong Kong people also have expectations in this regard.

MR LEE WING-TAT (in Cantonese): *President, today the Chief Executive mentioned property prices specifically. I think the Chief Executive also knows that property prices in Hong Kong are the highest in the world, and I believe that the burden of Hong Kong people in mortgage payments also ranks the top in the world. I do not know if he is proud of this. He has been upholding the principle of "big market, small government" since he took office, and I believe he has adopted the same principle in property policies. Under his policies, I do not know if property developers are almost given the power to monopolize in terms of influencing or even deciding the property policies in Hong Kong.*

A survey conducted by the Democratic Party indicated that 82% of Hong Kong people are in support of resuming the construction of Home Owner Scheme (HOS) flats. Yet, the Chief Executive says that there are divergent views in this respect. I do not know what he means. Does he mean there are divergent views between the 82% of Hong Kong people and LI Ka-shing of Cheung Kong Holdings, the KWOK brothers of Sun Hung Kai and LEE Shau-kee of Henderson Land? What kind of divergent views does he mean? How many more times do

we have to witness him being criticized of collusion between the Government and the business sector? Has he ever reflected why people has such a deep-rooted impression of him? In fact, is he the major culprit for opposing the resumption of construction of HOS flats? How does he respond to this accusation?

CHIEF EXECUTIVE (in Cantonese): The SAR Government has been responding to the housing needs in Hong Kong with proactive policies. We do not let the market to drift freely. We must not forget that there are still policies in place to actively construct public housing. This is to ensure that the basic housing needs of Hong Kong people are met. Eligible persons will be allocated a flat after a three-year wait.

Generally speaking, Mr LEE, currently we have some 2.3 million households and 2.5 million flats in Hong Kong. This is not a rough figure, one can certainly find a place to live. The problem is, some people want to buy their own properties, and that gives rise to another issue. The Asian financial crisis has taught us a lesson. Insofar as this problem is concerned, the policy at that time was formulated after serious policy review and had the backing of Hong Kong people. Currently, there may be changes in the market, and we have initiated a series of measures to address the problems, in particular, to forbid the so-called "market rigging" activities and man-made speculations. Our measures will certainly help cool down the market a bit. In the supply aspect, we have adopted a generous approach and we will continue to work hard that way.

With regard to what you mentioned just now, I believe that — as I understand and admit, and as I just mentioned in my speech — the salaries, incomes or assets of some people might have exceeded the current limit for public housing, but when they intend to buy a flat, not to rent a flat, they realize that they may not have enough money to afford the downpayment. In this case, should we help them? I have said that we will review this problem and bring it up for discussion.

Regarding the current housing policies in Hong Kong, we will never adopt a *laissez-faire* approach, but we cannot be too stringent, and leave the Government to take a leading position. We have once attempted to do so by putting up land for development in a quantified and rigid manner in order to meet

a certain indicator, but the outcome was undesirable. If we have once implemented some measures and found that something went wrong, we have to make changes now. We must be cautious if we return to the old path again. Now we are going to conduct a consultation, Mr LEE, it will take only five months, not very long, and we will draw up a conclusion. I think this is a responsible way to address the issue.

MR LEE WING-TAT (in Cantonese): *President, the Chief Executive repeated the review conducted in 2002 — a year when almost all property developers exerted pressure on them, and Mr Michael SUEN Stanley HO bowed and thanked him for changing the policy, does he remember this incident? Why did a property developer make a thankful bow to the Government?*

President, I would like to ask an additional follow-up question. Having served on the board of the Hong Kong Housing Authority and Land and Development Advisory Committee, I am aware that there are long-term housing strategies regarding land supply and the number of flats to be built. But the policy was suddenly scrapped after 2003. In this connection, we can see that he has learnt from TUNG Chee-hwa remarkably — the policy was scrapped, no long-term housing strategy, no land supply indicator, no flat production indicator, and no public consultation at all. Ms Eva CHENG made that public just last month. I would like to ask TUNG I almost address him as Mr TUNG, (Laughter) Mr Tsang, why have you not learnt other things but this practice from Mr TUNG? As we all know, LTHS is a major policy relating with society and people's livelihood should be LHST, sorry LHST.(Laughter) You simply withdrew the policy without making announcement, do you intend to conceal the fact that insofar as land supply is concerned, you have all along been tilting towards the property developers?

CHIEF EXECUTIVE (in Cantonese): Our reasons for suspending the construction of HOS flats have been stated clearly. At that time, we found that market supply and property prices were at a level that ordinary people could afford. Thus the Government had no need to assume the role of the developer, this is very clear. Everyone knows that we have suspended the construction of HOS flats, we had nothing to hide. We did that openly instead of secretly.

Everyone understands the reason for doing so. Back then, no one raised objection as property prices had slumped 60% already. Also, you must not forget that there were plenty of negative asset cases at that time, that is the crucial factor that prompted us to change the policy and suspend the construction of HOS flats. It was not the property developers who made us react. We should not forget that incident, as the governing officials, that really makes our heart ache. Ordinary people bought their flats under such circumstance, but their properties became negative asset when they could no longer afford the mortgage, that gave rise to public grievances in society in 2003. I still remember clearly. Hence we should not confuse with right and wrong and the sequence of events.

MR IP KWOK-HIM (in Cantonese): *Chief Executive, a Member mentioned just now that according to a survey conducted by the Hong Kong Institute of Asia-Pacific Studies of The Chinese University of Hong Kong this February, 26% of the respondents considered Hong Kong a harmonious society while others did not. This represents a 11% drop as compared with results of similar surveys in 2006 and 2008. As such, many scholars have studied the survey report and put forward their interpretations on the findings. They consider that the gap between the rich and the poor is the most important factor contributing to social disharmony.*

Recently, people are talking about sky-rocketing property prices, the increasing charges by public utilities as well as the general increase of prices. For the working population, they cannot keep up with the pace of inflation, resulting in the widening gap between the rich and the poor. Under the circumstances, if the trend is not reversed, social harmony may be just a castle in the air. Hence, I would like to ask the Chief Executive what will the Government do under this dire situation to reverse the worsening condition?

CHIEF EXECUTIVE (in Cantonese): As I have just said, I admit that Hong Kong is an open capitalist society. We also have an active immigration policy, which allows Hong Kong to become a economic, and particularly, financial centre. In other words, the most capable persons and those with the greatest earning power invariably come to Hong Kong to live or settle. In addition, given the arrangements for family reunion, we have people with the least financial means coming to Hong Kong every year. Therefore, the gap is always

there. The most important thing is for us to enhance social mobility. This is our responsibility. However, if government policies and resources are used to equalize wages, I very much believe that the community will have divergent views. In particular, if tax measures are used to bring about such an effect, many negative impacts will result. I am not saying that we will not adopt such measures, but they can only be done with social consensus.

We are an open society and we seek truth through constant debate. People from outside invariably see us as having a lot of arguments and being in disharmony, but we are basically a law-abiding society. People like to see us abide by the law and argue our case, to seek the truth on the one hand, and safeguard interests on the other. But no drastic actions should be taken. Some people think that they can fight for more through drastic actions. However, the people have made themselves very clear. According to the same survey, some 80% of the people consider that violence should not be used when fighting for the interests of an individual, and 70.1% of the people consider that violent means should not be used when fighting for social benefits. The message is loud and clear. They do not concur with violence. They denounce violence and consider that all causes should be fought through peaceful and reasonable means in accordance with law.

As such, I think we do not have to worry about the people of Hong Kong on that account. As I have just said, they are very vocal. This is our strength. On average, there are some six protests going on in Hong Kong every day. The demands range from animal rights to the present constitutional reform proposals, covering a wide range of subjects. This is our way of expression. I very much believe that this is what we need now and this is what we will have after the implementation of universal suffrage elections. Hence, it does not mean our society is extremely unharmonious. All open societies have these indicators and we will have the same situation if these are used as markers.

I think wealth gap is a major problem, particularly so at the present moment. It is indeed a major problem. What can we handle the problem? As a government, we are now making use of education resources and social resources. As I have just said, we are trying to put as much resources as possible in areas such as education, medical services, housing and welfare, people who benefit mostly from these measures belong to the lower strata of society.

At present, more than half of government expenditure is used in these areas and we will continue this policy.

Furthermore, let us not belittle the mobility in Hong Kong, thinking that the poor people today will remain so in ten years' time. That is not the case. Have I not provided some figures just now to illustrate their ability to move upward socially? Hence, I think we should continue with our efforts in this regard as the Government must do its utmost to help the underprivileged. Although our financial resources are limited, we will put in as much as possible within our means. If we look at the Government's policies in the past few years, particularly in the aftermath of the financial tsunami, it is very clear in what areas government resources are spent. It is something for all to see and I do not have to go into details. These are all measures to specifically help those in the lower strata of the society. The result of these measures will not come overnight and we have to continue with our efforts. This is something that the current term of government will continue to do. Of course, we want social harmony, but we also want to have rational discussion. Regarding the mode of discussion, as I have just said, is violent expression the only way out? Is throwing things around the way out? I do not think so. This will only create backlash. If we can debate in a peaceful and rational way, I very much believe that not only can problems be resolved more readily, the people will also feel that we are handling the matters in a responsible manner. That is also the way for us to find real solutions to the existing problems faced by Hong Kong.

A harmonious society is undoubtedly based on mutual understanding. We have to understand that in a capitalist society, the gap between the rich and the poor is a natural phenomenon. What we can do is try our best to narrow the gap. I mention two figures just now. One figure is the income itself, and it is indeed very high. But as we can see, if the figure is adjusted to take into account the social resources we put in, that is, the so-called social wage, it becomes much lower. Therefore, our situation is not too bad. However, I think there is still a lot to be done in this regard. The underprivileged is the biggest group that needs government help and we will continue to do so.

MR IP KWOK-HIM (in Cantonese): *I agree very much with what the Chief Executive has said just now. Hong Kong people will not accept violent or over-drastic actions. However, I am worried that social harmony is not only*

disrupted by this factor. There are also economic concerns such as the income level of the underprivileged. And more importantly, the reappearance of inflation. Under these circumstances, what mitigation measures can the Government take in this regard to ensure real harmony in the society?

CHIEF EXECUTIVE (in Cantonese): Yes, we will seriously deal with each application from public utilities for rate increases within our control. If it is something that we can control under the law, we will try to ensure that the rate of inflation does not beat the rate of salary increases. We are happy to see that in these two quarters, the salary level of the lowest strata of the society has improved. Moreover, current inflation is relatively mild and I hope we can do more in this respect so that when the economy picks up this year, inflation will not get worse. Our aim is to ensure that GDP growth will be higher than inflation. If we can do so, our wealth will increase. The income of the lowest strata of the society will also improve, enabling them to meet living needs. In addition, the Government has other measures as well. As we all know, we are actively considering the minimum wage proposal and hope that a concrete package will be ready before the summer recess of the Legislative Council. As for other measures to improve livelihood, we will not stop but will continue to explore all viable options.

This is a matter for us to deal with together. I hope that as we continue with our efforts, Members can help us deliberate together under a common goal.

MR CHIM PUI-CHUNG (in Cantonese): *President, the Chief Executive has openly stated his hope for a better relationship between the executive authorities and the legislature. Now that there are three Members less in the Legislative Council, the relationship has indeed improved a bit, (Laughter) because those three Members are menacing and the other two are not. (Laughter) The Chief Executive is no doubt more at ease but I can tell him that we cannot expect the situation to go on forever.*

What I would like to ask is that the Legislative Council has recently passed a motion with an overwhelming majority (that is, almost 43:1) asking the Government to introduce legislation to regulate the sale and pre-sale of uncompleted residential properties. Given this overwhelming majority, what

measures the executive authorities will adopt to show support for this overwhelming demand from Legislative Council Members? I hope the Chief Executive is not going to answer my question with the "nine proposals, 12 requirements" through and through. I hope the Chief Executive can openly make a commitment to safeguard the rights of the people and to enable better cooperation between Legislative Council Members and the Executive Council in future.

CHIEF EXECUTIVE (in Cantonese): I am very thankful that Legislative Council Members endorse our efforts to target against speculative activities and manipulative practices in the property market. Members support introducing legislation and we share the same goal. It is just that we do not know the final result yet.

I very much hope that we can implement our current measures quickly, whereas legislation will take longer time because it generally takes a few months or even a year, to say the least, to introduce the relevant legislation. We are now taking about measures that will have effect in one or two months' time. If these measures achieve results after implementation, we will then consider in the legislative process — the most important consideration is whether legislation is required and if so — what should be done to safeguard the results and what loopholes have to be plugged specifically by legislation. We can then see clearly what needs to be done.

We can see that in our previous discussions with the developers, they have responded actively. I hope that they will also respond actively to our proposals this time so that the market can be stabilized. In respect of the market, I hope that abnormal operations such as speculative activities will not affect the people's interests on investments.

Nonetheless, in this regard, I will never rule out the possibility of legislation. What I mean is that we may well proceed with a two-pronged approach by considering, first of all, whether results can be achieved by administrative measures. If that is not possible, we can then consider other options. Moreover, we are not relying on administrative measures alone because at present, statutory tools are in place. The sale of uncompleted properties requires special approval and subject to certain terms and conditions.

Some of our strategies to be implemented in future have already been incorporated into the terms and conditions for the sale of uncompleted properties. Once cases of non-compliance with the agreed administrative orders are identified, the sale of uncompleted properties would be halted because we have the power to prohibit such sale. Hence, we already have adequate legal power to do so now.

However, I agree with what you said and thank you for your support in this regard. We will legislate if necessary, is that right?

MR CHIM PUI-CHUNG (in Cantonese): *President, we have clearly heard the views of the Chief Executive. But I would very much hope that the Chief Executive will, on account of his respect for Legislative Council Members, the wish to improve the relationship between the executive authorities and the legislature, as well as the same aspiration that we share, proceed with legislation. Is that alright?(Laughter)*

CHIEF EXECUTIVE (in Cantonese): I am very glad to see that the Democratic Party is so supportive of you.*(Laughter)*

I would certainly respect the views of Legislative Council Members. However, there is one point. Since we share the same objective, there are times when it is not necessary to do too much for certain things. It is enough to be effective. And the most important thing is that we have the same intention in terms of safeguarding the people's interest.

MR FREDERICK FUNG (in Cantonese): *President, Chief Executive Donald TSANG mentioned just now the problem of wealth gap, saying that the Gini Coefficient of Hong Kong has dropped from 0.533 to 0.42 after the provision of social wage, and thus he considered that the situation has improved.*

However, I wish to cite another example for the Chief Executive. In the United Kingdom, the figure before the provision of social wage was 0.51 and it has dropped to 0.37 after the provision of social wage. If we refer back to the first set of figures, which has dropped from 0.533 to 0.42, we may find that the two sets of figures are, in fact, measured by two different rulers. Our Gini

Coefficient is at 0.533, which has exceeded the warning line of 0.5. After the provision of social wage, it is measured by another ruler and its warning line is at 0.4. In other words, with social wage provided in the two places, the situation of Hong Kong is still worse than that of the United Kingdom. Their problem is solved but ours remains. However, this is not my question. (Laughter) I wish to tell him that it is wrong to use two different rulers to measure the figures.

My question is, President, I concur that communication is necessary in handling political problems, particularly constitutional problems. I hold that without communication, the constitutional problems in Hong Kong cannot be solved. However, establishing communication does not mean abandoning principles. Nevertheless, communication can at least minimize unnecessary misunderstanding. I have the following question for the Chief Executive: In relation to the problem of constitutional reform, the Alliance for Universal Suffrage formed by 13 pro-democracy organizations has communicated with different organizations in Hong Kong. We have communicated with organizations of different or opposite stance as ours. We have also communicated with the SAR Government, including the Secretaries of Departments and Directors of Bureaux. However, we wish to communicate with the Central Government, including the Liaison Office of the Central People's Government in the Hong Kong SAR or departments of the Central Government taking charge of Hong Kong affairs, particularly officials taking charge of constitutional affairs. In fact, with respect to this issue, we have already expressed our aspiration to raise our requests to the Central Government in February through different Hong Kong deputies to the National People's Congress, as well as the Secretaries of Departments and Directors of Bureaux of the SAR Government. However, the government replied on 26 April that, up till then, there had been no response from the Central Authorities. Can the Chief Executive play a role in facilitating the communication?

CHIEF EXECUTIVE (in Cantonese): Let me talk about the situation in the United Kingdom first. As a Member said just now, there are indeed two sets of standards for measuring the Gini Coefficient with and without the addition of social wage. But I believe hardly anyone in Hong Kong would wish that our economy is the same as that of the United Kingdom where the tax rate is high, the deficit is enormous and all the banks are now taken over. I thus believe that this is the social price that we have to pay.

When it comes to discussion on the political system, we agree that we should communicate more. On the part of the Government, the Secretaries of Departments and Directors of Bureaux have been liaising with different political groups on all aspects of the 2012 package and tried their utmost to listen to views from different sectors of society. On the part of the Central Authorities, I believe Members understand that the most important responsibility lies on us. Nevertheless, I do encourage communication with the Central Authorities, but we have to understand that it is mainly up to the people of Hong Kong to decide. In my opening speech I have already made it clear that the Central Authorities have already played its part. The problem now hinges on whether we are willing to make this step forward. This is much more important. The Central Authorities cannot help us in this respect. They have already moved one step forward and then a further step forward. Should we not sincerely make our step forward at this moment? If we wish our constitutional development to roll forward, we must ask ourselves, our constitutional arrangement requires the co-operation of three parties to work. Whether this can be achieved is subject to our ability to accommodate, listen to the views of others and respect others' views. If we insist on our own views, it is hard to achieve such co-operation. The Central Authorities can render no help.

There is one more point. We must ask ourselves, we have wrangled over this issue for over 20 years, and society is now seriously divided. It is very difficult to meet everyone's ideal or to reach the goal in one step. The political reality is that we have to stride forward step by step. Any sudden drastic move cannot win the support of the three parties. This cannot be achieved by the efforts of one party, not by the Central Authorities alone, nor by the SAR Government, but by the concerted efforts of the Legislative Council and different sectors of society. Only by so doing can we obtain a desirable outcome.

Therefore, Mr FUNG, I understand the importance of communication. And we will continue to work hard on it. But do not forget that the responsibility this time lies on us. What I want to say is, we must study the 2012 package carefully and honestly tell ourselves whether it is more democratic as compared with our present elections. The people should have made their decision. The responsibility now rests with this Council. We must face this reality squarely and must not insist on our own views and on reaching only our own goals. This can lead us to nowhere. How can more than 20 years of

differences be ironed out in one go? I hope Members can understand this logic and handle this issue step by step. This is the logic behind what we mean by gradual and orderly progress. Every person will have his or her own position in these 20-odd years of division. If we really wish to move forward, we must do so gradually. There is no shortcut. This is simply our very political reality.

MR FREDERICK FUNG (in Cantonese): *President, I do not know whether the Chief Executive has seen the proposal of the Alliance for Universal Suffrage. It is a proposal of gradual and orderly progress and it does not seek to reach the goal in one step. Perhaps because I have not yet communicated with the Chief Executive, I hope he can find a chance to communicate with us, so that he can have a formal opportunity to understand our proposal. However, according to the Basic Law and the decision made in 2007, there is a five-step mechanism. There are three main parties under this mechanism, namely the Chief Executive, the Legislative Council and the Central Government. I regard the Secretaries of Departments and Secretary Stephen LAM, including you, as the representatives of the Government. We have discussed many times. I certainly wish that the Chief Executive can discuss with the Alliance for Universal Suffrage, apart from discussing with me. But can we also have a chance to sit down with the third party, that is, the Central Government and discuss? I am not sure if the discussion can be successful. Even if it is not successful, it can at least serve to minimize some inappropriate or unnecessary misunderstandings. Now that the Secretaries of Departments and the Hong Kong deputies to the National People's Congress have undertaken to help us pass the message, and given that up till now, the Central Government has not said whether it will meet with us, may I ask whether the Chief Executive can give us a hand in this matter?*

CHIEF EXECUTIVE (in Cantonese): I will certainly do so. Members can rest assured that I will certainly do so. I will certainly do my utmost to facilitate the passage of the 2012 constitutional package in the Legislative Council. However, we have to bear one thing in mind, that is, the ultimate responsibility rests with us in this Council. The public have already voiced their views. The Central Authorities have voiced their view. And the package is unveiled, which is hammered out according to the widest possible framework laid down in the decision made by the Standing Committee of the National People's Congress.

Secretary Stephen LAM and the Secretaries of Departments have pointed out that local legislative procedures can be as flexible as feasible; and we have already made our biggest efforts to achieve flexibility within this framework. If we truly wish to make this step forward and achieve universal suffrage, we must deal with the 2012 package first. I believe that if this step forward is properly made, it will strengthen the confidence of all sectors of society, and the next step will be an easier and better step forward. I do not wish to repeat what I have said in my opening speech, but I am always of the view that I have been thinking about this a lot lately, figuring out what we lack. Maybe we lack courage or the ability to accommodate others. This is the time when we should muster our courage and use this ability.

MR LAU KONG-WAH (in Cantonese): *President, the death of several firemen on duty in recent years is saddening. These incidents have also aroused public concern over the renewal of fire equipment and training in the use of such equipment. A few days ago several firemen attended a meeting of the Panel on Security where they disclosed some facts unknown to us. For instance, the operating manuals of some equipment do not have a Chinese translated version for a long time; some equipment using different systems is incompatible; and the unit in charge of equipment has only two full-time staff. All these problems actually seriously threaten the safety of firemen, and endanger the lives and properties of the public. Thus, a number of members asked at the meeting whether the Efficiency Unit of the Government should be invited to follow up this matter, and even conduct a comprehensive review to examine the present structure of the Fire Services Department (FSD) and its management problems. Issues such as increasing manpower in the near future and shortening the time for procuring equipment were also raised.*

May I ask the Chief Executive whether he has any immediate response to the above proposals? In addition, will the Chief Executive give active consideration to the proposal of introducing legislative amendment to require mandatory installation of fire-fighting facilities in industrial buildings?

CHIEF EXECUTIVE (in Cantonese): I echo what Mr LAU has said. Firemen on duty have to face a fright-stricken experience each time. They act selflessly in executing their duty. This certainly shows their professionalism. But if

there are problems with the equipment and procedures, I hold that we must try our best to solve these problems.

In fact, the fire-fighting equipment in Hong Kong is among the best in the world. But there is no place for complacency. If there is room for improvement in the communication system, the procedural system or the fire-fighting equipment, we will definitely not refuse to pay for the cost in order to save money. However, such spending must be reasonable as we have to convince members of the Finance Committee that the money spent is reasonable before we can proceed.

Hence, I can assure Mr LAU that issues concerning the facilities and equipment, particularly those relating to communication, are mentioned in my frequent discussion with the Director of Fire Services. For instance, is there any technology which can clearly indicate the location of a fireman who has entered the fire scene? Hence, in case something happens and the fireman cannot make a response, we can rely on such technology to detect his location and immediately conduct rescue actions. I once asked the Director of Fire Services whether this could be done. He replied that the FSD was already using the latest technology from the United States, but as such technology was still under testing, it could not be applied yet. No testing could be conducted yet. Nevertheless, I said to him that he had to give it a try and do something about it. About this problem, they have already conducted several automatic updates and internal adjustments. Regarding the need to update their communication system and existing equipment, I note that the Secretary for Security will submit a funding application to us every year. We have supported the applications and have not rejected them for the sake of saving money, provided that the money is used properly. As for manpower, we have a system in place, and we will give active consideration to this issue where necessary.

MR LAU KONG-WAH (in Cantonese): *The Chief Executive has not answered the part concerning introducing legislative amendment on industrial buildings. Regarding the problems raised by frontline firemen a few days ago, I hope the Chief Executive can pay more attention.*

CHIEF EXECUTIVE (in Cantonese): I have not studied in detail the questions that they raised, but I believe these questions are a matter of concern to the Secretary for Security and he will definitely deal with them. Now that Member has raised these questions, I will also pay more attention to them. Member can rest assured that regarding issues about society safety of firemen, particularly about fire prevention and fire-fighting capacity, we will definitely handle them properly.

DR SAMSON TAM (in Cantonese): *President, recently, some political parties were said to have engaged in political advertising on radio and hence, violated the relevant code of practice of radio stations. As Chairman of the Panel on Information Technology and Broadcasting, I have received many letters on this issue. In fact, I am not interested in investigating our esteemed Emily in particular, but I have to follow up, particularly from a policy perspective because many people query whether the existing policies are fair and clear. Why do they query about fairness? Because the existing policies, which were in fact formulated a long time ago, are intended to regulate the electronic media (including radio stations) and prohibit them from broadcasting certain advertisements. Stringent regulation has been imposed. However, if such advertisements are placed on newspapers, there is no restriction at all. Therefore, many people doubt whether this is fair.*

As regards the electronic media, the practice is even more unfair or there are grey areas. What is meant by electronic media? According to the existing legislation of the Broadcasting Authority, electronic media means licensed television or radio stations. But other existing electronic media, such as the Internet or 3G television, internet radio stations, are not regulated. This has given rise to an unfair situation where some electronic media are being regulated while some are not. In this connection, is it necessary to review the existing legislation?

Why am I so concerned about this matter? It is not because our friends colleagues belonging to political parties have violated the rules. I am particularly concerned because now that is, the Chief Executive keep stating his hope for progress in constitutional development. Moreover, the Standing Committee of the National People's Congress has said that the Legislative Council can be elected by universal suffrage in 2020. By that time, political parties must have become more mature and representational. On one hand, we

want political parties to function better, but on the other hand, it seems that the current or previous legislation have restricted political parties in their scope to conduct publicity activities or communicate with the public. Is this somewhat contradictory? I would like to hear the Chief Executive's views on whether the existing policies would be reviewed.

PRESIDENT (in Cantonese): Chief Executive, please reply.

(Mr James TO stood up)

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

MR JAMES TO (in Cantonese): *President, if a Member accuses another Member of violating the rules, no matter whether he is asking questions or speaking, it is a very serious matter. Mentioning Ms Emily LAU by name, Dr Samson TAM said that she has violated the rules. But according to my understanding, it should be Commercial Radio which has violated the rules and not Ms Emily LAU. Is that right?*

Can I take this opportunity

PRESIDENT (in Cantonese): Mr James TO, your question is very clear. Just now, I did not hear clearly if Dr Samson TAM has accused certain Member of violating the rules.

Dr Samson TAM, please say clearly whether you have accused certain Member of violating the rules.

DR SAMSON TAM (in Cantonese): *I have received complaints from members of the public asking us to investigate the case of a current Member placing advertisements on Commercial Radio.*

PRESIDENT (in Cantonese): I do not consider that a breach of the Rules of Procedure. Chief Executive, please answer.

CHIEF EXECUTIVE (in Cantonese): I understand that overseas legislation
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(Dr Margaret NG stood up)

PRESIDENT (in Cantonese): Chief Executive, please wait. Dr Margaret NG, what is your question?

DR MARGARET NG (in Cantonese): *As the accusation has already been made, should he at least make an elucidation? He should at least elucidate his remark about violating the rules. If any rule has been violated, it is the Commercial Radio and not the Member. Should he at least make an elucidation?*

PRESIDENT (in Cantonese): Dr Samson TAM's question is in fact very clear. But if in the course of asking his question, Members feel that he has accused certain Member of violating the rules or the law, Dr Samson TAM should make an elucidation in this regard.

DR SAMSON TAM (in Cantonese): *My question is, the current the Commercial Radio is claimed to have violated the rules. (Laughter)*

CHIEF EXECUTIVE (in Cantonese): I understand that there are many overseas examples where political parties can broadcast and conduct political propaganda within the limits of the law, particularly during elections. But considering the development of political parties in Hong Kong, it is different from overseas countries in many aspects. Let us consider the conduct of elections. It seems that the people of Hong Kong are quite concerned about having fair and clean elections. There is also an upper limit in respect of election expenses. Therefore, if political advertisements on electronic or other media are allowed, it

might impact on our tradition of having fair and just elections. As such, the Registration and Electoral Office has strict guidelines on election advertisements. According to these guidelines, all broadcasters must consistently apply the principles where all candidates, including those who have a political background or those running as independent candidates, would be given equal airtime and would not be treated unfairly. Currently, we have no plan to change these arrangements.

DR SAMSON TAM (in Cantonese): *President, my question just now is about the existing unfairness or grey areas in relation to the electronic media. I hope the Chief Executive can supplement on that.*

CHIEF EXECUTIVE (in Cantonese): Regarding the grey areas you mentioned, I know complaints have already been made to the Broadcasting Authority. I believe that follow-up actions would be taken by the Authority. As such, it is not appropriate for me to comment on the relevant accusations.

I think as far as these accusations are concerned, they will be resolved ultimately as the investigation will no doubt have some conclusions. For me, at present the people of Hong Kong do not want to see any major changes in respect of the electoral arrangements and systems and we have no plan to do so.

PRESIDENT (in Cantonese): For Members who have requested to ask questions today, all those who have only asked once in the previous Question and Answer Sessions can ask their questions today. Today's Chief Executive's Question and Answer session ends here.

Members will please remain standing while the Chief Executive leaves the Chamber.

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

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 11.00 am on Wednesday, 12 May 2010.

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