

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 6 April 2011

The Council met at Eleven o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

THE HONOURABLE FRED LI WAH-MING, 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

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

THE HONOURABLE LAU KONG-WAH, J.P.

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

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

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

THE HONOURABLE ANDREW CHENG KAR-FOO

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

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

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

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.

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

THE HONOURABLE TANYA CHAN

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE WONG YUK-MAN

MEMBERS ABSENT:

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

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

THE HONOURABLE LEUNG KWOK-HUNG

PUBLIC OFFICERS ATTENDING:

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

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

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

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

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

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

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

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

CLERKS IN ATTENDANCE:

MS PAULINE NG MAN-WAH, SECRETARY GENERAL

MRS CONSTANCE LI TSOI YEUK-LIN, ASSISTANT SECRETARY
GENERAL

MISS ODELIA LEUNG HING-YEE, ASSISTANT SECRETARY GENERAL

TABLING OF PAPERS

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

Subsidiary Legislation/Instrument	<i>L.N. No.</i>
Prevention of Bribery Ordinance (Amendment of Schedule 1) Order 2011	50/2011

Other Papers

- No. 85 — Vocational Training Council
Annual Report and Financial Report 2009/2010
- No. 86 — Hong Kong Rotary Club Students' Loan Fund
Audited financial statements together with the Report of
the Director of Audit for the year ended 31 August 2010
- No. 87 — Sing Tao Charitable Foundation Students' Loan Fund
Audited financial statements together with the Report of
the Director of Audit for the year ended 31 August 2010

Report No. 18/10-11 of the House Committee on Consideration of
Subsidiary Legislation and Other Instruments

WRITTEN ANSWERS TO QUESTIONS**Management of Information Technology in Some Organizations/Government Departments**

1. **DR SAMSON TAM** (in Chinese): *President, regarding the units responsible for the management of information technology (IT units) in the Office of the Telecommunications Authority, the Companies Registry, the Hongkong Post and the Land Registry, will the Government inform this Council if it knows:*

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- (a) *the respective estimated expenditures of the IT units in the aforesaid organizations/government departments in 2011-2012; how such expenditures compare with the actual expenditure in the preceding year; and the reasons for the change in such expenditures;*
- (b) *what specific work initiatives are involved in the estimated expenditures in part (a); and among them, those which are ongoing and new initiatives; as well as the manpower, cost and implementation timetable involved in each of the new initiatives; and among the manpower involved, the respective numbers of civil servants, non-civil service contract staff and outsourced staff;*
- (c) *whether the aforesaid organizations/government departments have reserved funds for promoting computerized civic participation and access to public information in 2011-2012; if they have, of the specific details, including the titles and particulars of the initiatives, the manpower and cost involved as well as the implementation timetables; if not, the reasons for that and whether such organizations/government departments will consider introducing these initiatives in future;*
- (d) *the respective permanent establishment and strength of, and the number of vacancies in, the IT units of the aforesaid organizations/government departments at present; whether the manpower concerned is expected to increase in 2012-2013; if so, the expected number of additional posts to be created, the ranks involved, whether they are permanent posts, and whether the staff concerned will be appointed on civil service terms; if the manpower concerned will not be increased, the reasons for that; and*
- (e) *whether the aforesaid organizations/government departments have carried out any comprehensive review of the effectiveness of their IT units; if they have, the outcome of the reviews and the specific improvement measures involved; if not, the reasons for that and whether they will conduct such reviews in future?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, regarding the questions raised by Dr Samson TAM on the IT units in the four government departments (that is, the Office of the Telecommunications Authority, the Companies Registry, the Hongkong Post and the Land Registry), my reply is as follows:

- (a) The respective estimated expenditure of the IT units of the aforesaid four government departments in 2011-2012, the rates of change as compared with the actual expenditure in 2010-2011 and the reason(s) for the change in expenditure are provided below:

<i>Government department</i>	<i>Estimated expenditure in 2011-2012 (\$M)</i>	<i>Rate of change as compared with the actual expenditure in 2010-2011</i>	<i>Reason(s) for the change in expenditure</i>
Office of the Telecommunications Authority	7.75	+11.3%	This is mainly due to the increase in salary expenditure arising from the filling of vacancies and salary increments.
Companies Registry	25.01	Comparable	-
Hongkong Post	48.04	+3%	Increase in expenditure on supporting business applications and operations.
Land Registry	65.67	+7.1%	This is mainly due to the increase in salary expenditure and material prices.

- (b) The estimated expenditure in part (a) and the manpower involved in the ongoing initiatives to be carried out by the above government departments in 2011-2012 are listed below with a detailed breakdown at Annex A:

<i>Ongoing initiatives</i>	<i>Manpower required in 2011-2012</i>			<i>Estimated expenditure in 2011-2012 (\$M)</i>
	<i>Civil service staff</i>	<i>Non-civil service contract staff</i>	<i>Staff of outsourced service provider</i>	
Office of the Telecommunications Authority	0	9.5	0	7.75
Companies Registry	15	0	14	25.01
Hongkong Post	15	20	36	48.04
Land Registry	27	10	23	65.67

In addition, the manpower and estimated expenditure involved in the new initiatives in 2011-2012 are listed below with a detailed breakdown at Annex B:

<i>New initiatives</i>	<i>Manpower required in 2011-2012</i>			<i>Estimated expenditure in 2011-2012 (\$M)</i>	<i>Implementation timetable</i>
	<i>Civil service staff</i>	<i>Non-civil service contract staff</i>	<i>Staff of outsourced service provider</i>		
Office of the Telecommunications Authority	0	2.5	0	2.74	2011-2012
Companies Registry	0	0	18	15.75	2012-2014
Hongkong Post	0	0	11	20.76	2011-2013
Land Registry	0	0	1.5	1.24	2011-2012

- (c) The above government departments have been actively disseminating public information through their websites and existing e-services (for example, electronic search services). Some of them have also been promoting computerized civic participation via platforms like YouTube and Facebook. The expenses involved have been included in the estimated expenditure for 2011-2012. These departments will examine whether and how to further promote computerized civic participation and the opening up of public sector

information as well as enhance their e-services to meet customers' needs.

- (d) The respective permanent establishment, existing strength and vacancies in the IT units of the above government departments are as follows:

<i>Government department</i>	<i>Analyst/ Programmer</i>			<i>Computer operator</i>			<i>Other civil service grades</i>		
	<i>Est.*</i>	<i>Str.#</i>	<i>Vac.^</i>	<i>Est.*</i>	<i>Str.#</i>	<i>Vac.^</i>	<i>Est.*</i>	<i>Str.#</i>	<i>Vac.^</i>
Office of the Telecommunications Authority	0	0	0	0	0	0	0	0	0
Companies Registry	5	5	0	10	10	0	0	0	0
Hongkong Post	8	8	0	0	0	0	7	7	0
Land Registry	12	11	1	12	12	0	0	0	0

Notes:

- * Est. refers to Establishment
- # Str. refers to Strength
- ^ Vac. refers to Vacancy

For the above government departments, there is one vacancy in the Analyst/Programmer grade. The Office of the Government Chief Information Officer is recruiting Analyst/Programmer II to fill the vacancy. Meanwhile, the related tasks will be temporarily carried out by contract staff until the vacancy is filled. The Hongkong Post is planning to create additional permanent Analyst/Programmer post(s) for their IT unit in 2012-2013 to cope with their operational needs.

- (e) Under the existing governance mechanism, the above government departments have each established a steering committee to review the manpower resources as well as the development plan of the IT unit every year. They also conduct regular reviews on customers' needs and views to ensure their IT unit's effectiveness and enhance the services.

Annex A

Major ongoing initiatives to be carried out by the
Office of the Telecommunications Authority, Companies Registry,
Hongkong Post and Land Registry in 2011-2012

<i>Ongoing initiatives</i>	<i>Manpower required in 2011-2012</i>			<i>Estimated expenditure in 2011-2012 (\$M)</i>
	<i>Civil service staff</i>	<i>Non-civil service contract staff</i>	<i>Staff of outsourced service provider</i>	
<i>Office of the Telecommunications Authority</i>				
Support of Business Applications and Operations	0	4	0	2.78
Support of IT Infrastructure and Facilities	0	2.5	0	2.31
Support of Business Strategy and Information Management	0	3	0	2.66
<i>Companies Registry</i>				
Support of Business Applications and Operations	15	0	14	25.01
<i>Hongkong Post</i>				
Support of Business Applications and Operations	10	11	17	28.18
Support of IT Infrastructure and Facilities	4	7	17	17.38
Support of Business Strategy and Information Management	1	2	2	2.48

<i>Ongoing initiatives</i>	<i>Manpower required in 2011-2012</i>			<i>Estimated expenditure in 2011-2012 (\$M)</i>
	<i>Civil service staff</i>	<i>Non-civil service contract staff</i>	<i>Staff of outsourced service provider</i>	
<i>Land Registry</i>				
Support of Business Applications and Operations	21	8	15	24.13
Support of IT Infrastructure and Facilities	4	1	8	38.36
Support of Business Strategy and Information Management	2	1	0	3.18

Annex B

New initiatives to be carried out by the
Office of the Telecommunications Authority, Companies Registry,
Hongkong Post and Land Registry in 2011-2012

<i>New initiatives</i>	<i>Manpower required in 2011-2012</i>			<i>Estimated expenditure in 2011-2012 (\$M)</i>	<i>Implementation schedule</i>
	<i>Civil service staff</i>	<i>Non-civil service contract staff</i>	<i>Staff of outsourced service provider</i>		
<i>Office of the Telecommunications Authority</i>					
Replacement of outdated computers				0.49	July to September 2011
Upgrade of file servers	0	2.5	0	0.45	April to August 2011
Upgrade of email system				1.80	2011-2012
<i>Companies Registry</i>					
Enhancement of Integrated Companies Registry Information System (ICRIS)	0	0	15	13.45	2012-2013

<i>New initiatives</i>	<i>Manpower required in 2011-2012</i>			<i>Estimated expenditure in 2011-2012 (\$M)</i>	<i>Implementation schedule</i>
	<i>Civil service staff</i>	<i>Non-civil service contract staff</i>	<i>Staff of outsourced service provider</i>		
Further system enhancements for the ICRIS for the rewrite of the Companies Ordinance	0	0	3	2.30	2013-2014
<i>Hongkong Post</i>					
Replacement of Interactive Voice Response Systems	0	0	1	1.66	2011-2012
Attendance Management System	0	0	0.5	3.18	2011-2012
New e-services	0	0	2	2.60	2011-2012
Vehicle Key Management System	0	0	0.5	0.63	2011-2012
Feasibility Study for Counter Automation System	0	0	5	3.90	2011-2012
IT Infrastructure Upgrade	0	0	1.5	8.59	2011-2012
System for Management of Application for Transfer	0	0	0.2	0.10	October 2012
Leave Reserve Management System	0	0	0.3	0.10	October 2012
<i>Land Registry</i>					
Enhanced version of electronic Memorial Form	0	0	1.5	1.24	Quarter three 2011-2012

Enforcement of Personal Data (Privacy) Ordinance

2. **DR MARGARET NG** (in Chinese): *President, according to the Year Ender 2010 released earlier by the Office of the Privacy Commissioner for Personal Data (PCPD), 1 179 complaint cases related to suspected contravention of the Personal Data (Privacy) Ordinance (Cap. 486) (the Ordinance) were*

received by the PCPD in 2010, but only 12 of these cases were referred to the police for consideration of prosecution. Among the cases referred to the police, prosecution was instituted for only one case so far (the offender was convicted by the Court), prosecution would not be instituted for seven cases, and the remaining four are still being followed up. There have been comments that the aforesaid rather low prosecution and conviction figures may give an impression to the public that "the law is laid aside and unused". In this connection, will the Government inform this Council:

- (a) whether it knows why the PCPD did not make any referral to the police for a great majority of these complaint cases, and why prosecution has not been instituted by the police in a majority of the cases referred to them; and*
- (b) whether the authorities will refine the prosecution policy relating to the Ordinance with a view to enhancing enforcement against contravention of the Ordinance; if they will, of the details?*

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in Chinese): President, my reply to the two parts of the question is as follows:

- (a) The PCPD completed 1 076 complaint cases in 2010. Amongst these, 928 cases involved allegations on contravention of data protection principles, which did not constitute any criminal offence. One of them involved contravention of an enforcement notice and was referred to the police for further investigation. The remaining 148 cases involved alleged offences under the Ordinance. Of these 148 cases, after considering the information collected, the Privacy Commissioner for Personal Data (Privacy Commissioner) referred 11 of them to the police for further investigation. Details of the remaining 137 cases are as follows:
 - three cases in which the parties complained against took remedial action by signing an undertaking;
 - one case in which no contravention of the requirements under the Ordinance was found after investigation;

- nine cases were outside the purview of the Ordinance;
- 61 cases were found to have no *prima facie* evidence;
- four cases were withdrawn by the complainants during enquiries;
- five cases were found to be unsubstantiated after enquiries with the parties being complained against;
- 51 cases in which the complainants had not responded to enquiries from the PCPD; and
- three cases were resolved through mediation.

Of the 12 cases referred by the Privacy Commissioner to the police for further investigation, one was withdrawn by the complainant and three cases are still under investigation. For the eight remaining cases, two cases resulted in conviction. The other six cases were not prosecuted by the Department of Justice (D of J) because of insufficient evidence after considering factors such as the actual circumstances of the relevant acts and the evidence collected.

- (b) The Statement of Prosecution Policy and Practice is applicable to the prosecutions instituted under the Ordinance. The reasonable prospect of conviction will be taken into account by the D of J when considering prosecution. If there is a reasonable prospect of conviction, further assessment will be made on whether prosecution is in the public interest. The existing prosecution policy is based on sound legal principles to ensure that criminal justice can be administered to all in a fair and just manner.

Instituting prosecution is one of the aspects of law enforcement. According to the Ordinance, the Privacy Commissioner may also handle the complaints received through other enforcement actions (for example, issuing warning letters or enforcement notices to the parties complained against). As such, the effectiveness of the enforcement of the Ordinance cannot be simply measured by referring to the number of prosecution cases.

Community Care Fund

3. **DR JOSEPH LEE** (in Chinese): *President, the Chief Executive announced in his 2010-2011 Policy Address the setting up of a Community Care Fund (CCF), to which the Government and the business sector would each contribute \$5 billion, to support people in need in areas not covered by the Comprehensive Social Security Assistance Scheme. It has been reported that a number of charity organizations reflected earlier that after the Government's announcement of the establishment of the CCF, some consortia had explicitly indicated that they might reduce their donations to these organizations as they had to contribute to the CCF. On the other hand, the Financial Secretary has recently proposed to inject additional money into the CCF (it has been reported that the amount earmarked for such purpose will be over \$1 billion) to help those who are unable to benefit from his proposed disbursement of \$6,000 to each permanent resident of Hong Kong but in need of financial assistance. Some members of the public worry that such a move may further reduce the consortia's desire to make donations to charity organizations, making fundraising more difficult for those charity organizations which mainly provide services to non-permanent residents in need. In this connection, will the Government inform this Council:*

- (a) *whether it knows the figures on the donations raised by the major charity organizations in Hong Kong in the past three years; whether the donations received by these organizations have dwindled after the Government's announcement of the establishment of the Fund; if so, of the details; if not, the reasons for that;*
- (b) *apart from the undertaking of the Chief Secretary for Administration that he would, as Chairman of the Steering Committee on the Community Care Fund, write to business corporations appealing to them that their contributions to the Fund should be made on top of their regular support for charities, how the authorities will encourage business corporations not to cut their donations to charity organizations for the reason that they have contributed to the Fund;*
- (c) *whether the authorities have established communication channels for charity organizations to relay to them their difficulties in fundraising and operations after the Government's announcement of the establishment of the CCF; if so, of the details; if not, the reasons*

for that; given that the fundraising performance of charity organizations have direct impact on the community services they provide, whether the authorities will offer relevant assistance or support to the seriously affected charity organizations; if they will, of the details; if not, the reasons for that; and

- (d) *given that the authorities have proposed to inject \$1 billion additional money into the CCF to help those in need, whether such a move will deviate from the original purpose of setting up the Fund; if not, of the reasons for that?*

SECRETARY FOR HOME AFFAIRS (in Chinese): President,

- (a) In general, the figures on the donations received by charitable organizations each year are available for public information at their annual reports and webpages. The fund-raising results and the levels of donations of charitable organizations also vary from time to time and depend on many different factors.
- (b) When the Chairman of the Steering Committee on the Community Care Fund (CCF) wrote to the business sector to appeal for donations earlier, it was already emphasized that donations to the CCF should be made on top of donors' regular support for charities. Moreover, the CCF would not launch public fund-raising campaigns.
- (c) The Administration has maintained close liaison with charitable organizations. Charitable organizations are also welcome to share their experiences with the CCF and offer valuable comments on fostering a caring culture and assisting the underprivileged.
- (d) The main objective of the CCF is to provide assistance to people facing economic difficulties, in particular those who fall outside the social safety net or those within the safety net but have special circumstances that are not covered. The Government's plan to inject additional money into the CCF to help those who have special needs is in line with the objective of the CCF.

Policy on Fees Collection

4. **MR CHIM PUI-CHUNG** (in Chinese): *President, at present, the three road harbour crossings (RHCs) in Hong Kong charge tolls of different levels, while the Courts, in principle, do not charge the public for their major services apart from collecting specified fees in respect of legal proceedings. In this connection, will the Government inform this Council:*

- (a) *of the reasons for the aforesaid two different policies on fees collection; and*
- (b) *whether it has considered buying out the franchises of all RHCs and opening them for public use free of charge; if not, of the reasons for that and the principle involved?*

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

- (a) The Eastern Harbour Tunnel (EHT) and Western Harbour Tunnel (WHT) were constructed adopting the Build-Operate-Transfer (BOT) mode. The two major principles of the Government in adopting the BOT mode in constructing and operating tunnels are: (1) the Government should encourage private participation and optimize the use of public resources, and, where feasible, adopt appropriate modes of public-private-partnership (PPP); and (2) as investors of PPP projects are required to make substantial upfront capital investment, they should be given the opportunity to make a reasonable return on their investment while bearing the commercial risk. The toll adjustment mechanisms of the BOT tunnels were drawn up having regard to factors including the social climate and economic condition, traffic condition, interest rate, investment opportunities and return at the time of construction. These mechanisms are enshrined in the relevant legislation and form part of the agreements between the Government and the franchisees concerned, and can be changed only by mutual agreement. As for the tolls of the Cross-Harbour Tunnel (CHT), the Government will take into account relevant factors including the costs, traffic

management as well as public affordability and acceptability in setting the toll levels.

The Court charges of the Judiciary are set according to the Government's general fee charging policy. Apart from the "user pays" principle, relevant factors such as the costs, nature of the service as well as public affordability and acceptability will also be taken into account in setting the charges.

- (b) The Government commissioned a consultancy study in November 2008 with a view to improving the distribution of traffic among the three RHCs. As pointed out by the consultancy report, buy-back is only one of the options to implement toll adjustments and should not be adopted with the sole objective of reducing the tolls of individual RHCs. We should consider whether an option is able to improve traffic distribution among the three RHCs, cost-effective and in line with the public interest. The consultants also pointed out that even if the buy-back option is adopted, it has to be combined with a toll adjustment in order to regulate the traffic flows at the RHCs effectively.

In considering proposals such as buying-back the EHT and/or WHT and making them toll-free, the Government has to consider the principles in setting tunnel tolls as set out in part (a) above. Among others, a requisite consideration is the traffic implication of such a proposal: whether making the RHCs toll-free would induce additional cross-harbour trips, causing further congestion at CHT and resulting in serious congestion at the three RHCs and their connecting roads, and so on.

Sex Crimes Occurring in MTR Stations and Trains

5. **MR LEE WING-TAT** (in Chinese): *President, in her reply to a question raised by a Member of this Council on 19 January 2011, the Secretary for Transport and Housing said that the Government and the Mass Transit Railway Corporation Limited (MTRCL) had implemented certain measures to prevent sex*

crimes from occurring within the area of MTR stations. In this connection, will the Government inform this Council:

- (a) of the respective numbers of staff of the Railway District of the police and of the MTRCL who are responsible for security in the MTR network, with a breakdown by rail line and name of station as well as the working hours of the staff; given that there was an upward trend of the number of indecent assault cases which occurred in the railway premises over the past five years, whether it knows if the MTRCL will consider providing more manpower to maintain law and order in railway network; if it will, of the details and the specific timetable; if not, the reasons for that;*
- (b) regarding the preventive and enforcement measures taken to strengthen patrol at blackspots and encourage passengers not to remain silent but report crimes to the police or station staff should they encounter such incidents, of the resources, manpower and amount of money allocated by the authorities in this regard in each of the past five years; whether they had reviewed the effectiveness of such measures and explored measures which are more effective;*
- (c) of a breakdown of the number of indecent assault and "under skirt photo-taking" cases that occurred in the railway premises from 2006 to October 2010 by rail line, name of station, as well as the month in which and the hour at which such incidents occurred;*
- (d) of the details of the joint anti-crime campaigns held regularly by the Railway District and the MTRCL (including members of the campaigns, number of such members, time and agenda) over the past five years, as well as the respective progress of the joint anti-crime campaigns in reviewing and formulating measures to combat offences in the railway premises in each of the past five years;*
- (e) whether it knows if the posters entitled "Don't be a Silent Victim, Report Indecent Assault", which were produced by the police in collaboration with the MTRCL, are at present displayed in each MTR station and train compartment; if not, of the reasons for that,*

and whether the Government or the MTRCL will consider displaying such posters or other publicity materials at prominent locations in each MTR station (for example, advertising boxes) and train compartment to encourage victims or witnesses of sex crimes not to remain silent but report crimes; if it will, of the details and the specific timetable; if not, the reasons for that; and

- (f) *whether the Government or the MTRCL will consider setting up a team dedicated to handling the sex crimes which occurred in railway premises; if it will, of the details and the specific timetable; if not, the reasons for that?*

SECRETARY FOR SECURITY (in Chinese): President, the security in the MTR network is looked after by the Railway Police District and the MTRCL. Information given below pertaining to the measures taken by the MTRCL for security in the MTR network is provided by the Transport and Housing Bureau.

- (a) The police will adjust the establishment of the Railway Police District as necessary in the light of the MTRCL's developments and crime trends. At present, the Railway Police District has a strength of 370 officers. A detailed distribution of manpower is at Annex I.

As the Railway Police District will arrange internal redeployment in a flexible manner taking into account actual situation and needs, and work with various ground police districts to combat specific crimes, there is no fixed number of officers for each station or time slot. With this strategy, the police are able to use their resources in a flexible and effective way, and tackle specific crimes in a purposive manner.

With regard to the MTRCL, all of their station staff have received crime prevention training to assist the police in combating crime. Station staff and station assistants are deployed to be on duty at stations on different railway lines as necessary. The main duties of station staff and station assistants are to maintain order and security at stations, manage passenger flow and provide assistance to

passengers so as to ensure smooth operations. Station staff and station assistants are deployed according to the need of different stations at different times. In general, more station staff and station assistants are deployed to busier stations such as interchange stations. In fact, there are staff on duty 24 hours a day in all heavy rail stations. In 2010, the total number of station staff and station assistants at heavy rail and light rail stations was 2 937. The MTRCL considers that the existing number is adequate to meet the present need.

- (b) To combat crimes in the railway premises, the police deploy officers to strengthen patrols at crime blackspots. In addition, the public are also encouraged to co-operate with the police by making prompt crime reports to the police or station staff should they encounter incidents or witness crimes, so as to bring offenders to justice. The police also synergize with different organizations to promote anti-crime messages. For example, projects such as "Little Smart Cop" and "Senior Smart Cop" are regularly organized by the Railway Police District to encourage the public to report crimes actively and raise their awareness of fighting crimes.

The officers of the Railway Police District also organize talks on crime prevention for the MTRCL station staff. Moreover, "Project Eyes and Ears" and "Project Light Fingers" have also been introduced to strengthen co-operation among the police, station staff and shop staff, and enhance intelligence collection for the combat against crime.

The police also work with the MTRCL to disseminate anti-crime messages, including the production of a series of posters entitled "Don't be a Silent Victim, Report Indecent Assault". The posters are displayed inside railway stations to encourage victims of indecent assault to report offences. They have also organized "Stay alert, watch out!" anti-crime campaign to remind the public to stay alert and avoid becoming victims of indecent assault and "under skirt photo-taking" cases.

In respect of educating the public on crime prevention, the police have produced short videos on the *modus operandi* of common crimes in railway premises for broadcast in the television programme "Police Magazine".

The maintaining of security in the railway network forms part of the work of the police in the area of crime prevention and detection. The police do not maintain a separate breakdown of expenditure in this regard.

On the whole, Hong Kong has all along been one of the safest cities in the world. Taking into account that about 4 million passengers ride on the MTR each day, the number of crimes that happened in the railway premises accounted for only 1.7% of the total crime in Hong Kong. The police will continue to work actively with the MTRCL and review the effectiveness of the measures from time to time in preventing and combating crimes in railway premises.

- (c) The number of indecent assault and "under skirt photo-taking" reported cases in railway premises (excluding that on the Light Rail) from 2006 to October 2010 is set out in Annex II. The police do not maintain a breakdown of figures on these cases by rail line, station, month and hour.
- (d) The Railway Police District has maintained close co-operation with the MTRCL. The management of both sides hold joint anti-crime and liaison meetings every two months to formulate measures to combat offences in the railway premises. Agenda items of such meetings will be determined by the prevailing crime trends in the railway premises. Strategies for combating different types of crime in the current year are discussed at such meetings. For example, regarding sex crimes, the police work with the MTRCL to promote anti-crime messages and to remind the public to be cautious of such crimes. Both parties conduct reviews from time to time on the effectiveness of the measures as necessary.

- (e) With regard to the set of "Don't be Silent" posters jointly produced by the MTRCL and the police, the MTRCL has displayed the posters at most of the MTR stations to encourage victims of indecent assault to report crimes. The relevant message is also disseminated through the electronic information displays in train compartments. The locations and the quantity of posters to be put up at individual stations are determined in a co-ordinated manner taking into account other passenger information needs. In future, the MTRCL will study to organize more promotions in train compartments to effectively disseminate the message.
- (f) The Railway Police District adopts a flexible deployment of manpower. In addition to high profile anti-crime patrols at various crime blackspots, uniformed and plain-clothes officers carry out special joint operations targeting at sex crimes. The MTRCL will continue to work closely with the police to deter crimes, including sex crimes in the railway premises. The police will continue their active co-operation with the MTRCL and review the effectiveness of its measures from time to time to prevent and combat crimes in the MTR premises.

Annex I

Detailed distribution of manpower in Railway Police District

<i>Unit/Line</i>	<i>Manpower</i>
Kwun Tong Line	54
Tsuen Wan Line	56
Island Line	61
Tung Chung Line and Airport Express	52
West Rail Line	37
East Rail Line	54
Headquarter, control centre and crime report centre	56

Annex II

The number of indecent assault and "under skirt photo-taking" reported cases in railway premises (excluding that on the Light Rail) from 2006 to October 2010

<i>Year</i>	2006	2007	2008	2009	2010 (January to October)
Indecent assault	98	121	135	110	126
"Under skirt photo-taking" cases	67	88	117	80	75

Government Subventions Provided to Statutory Bodies

6. **MR CHEUNG HOK-MING** (in Chinese): *President, regarding the provision of government subventions to statutory bodies, will the Government inform this Council:*

- (a) *of the number of statutory bodies receiving annual subventions from the Government at present, together with a list of the names of the statutory bodies concerned and the respective amounts of subventions received by individual statutory bodies in each of the past three years; and*
- (b) *whether an established mechanism is in place for determining and adjusting the amount of annual subventions that may be received by these statutory bodies; if so, of the details; if not, the criteria based on which the authorities determine the amount of annual subventions for statutory bodies and how the amounts are adjusted?*

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

- (a) According to records, the Government now provides recurrent subventions to 62 statutory bodies. The total amount of

subventions for the past three years is \$154,147 million. Please refer to the Annex for details.

- (b) Government departments take into account the statutory bodies' objectives, past performance and service requirements in the coming year in adjusting the subventions to statutory bodies. In addition, it has been the established practice that, if the subventions to the organizations are price-adjusted on the basis of formulae including a factor of civil service pay adjustment, the Government will adjust the provisions for these organizations following a civil service annual pay adjustment.

Annex

<i>Statutory organizations receiving recurrent subvention</i>	<i>Recurrent subvention in 2008-2009 Actual (\$M)</i>	<i>Recurrent subvention in 2009-2010 Actual (\$M)</i>	<i>Recurrent subvention in 2010-2011 Revised Estimates (\$M)</i>	<i>Total recurrent subvention in past three years (\$M)</i>
Hospital Authority	31,065.48	32,156.20	33,363.27	96,584.95
Prince Philip Dental Hospital	107.89	110.08	113.39	331.35
Hong Kong Council on Smoking and Health	10.91	12.60	13.24	36.75
Consumer Council	75.59	76.25	76.05	227.89
Hong Kong Tourism Board	464.89	501.52	500.96	1,467.37
Hong Kong Productivity Council	170.18	171.69	171.40	513.27
Hong Kong Trade Development Council	360.00	370.80	374.51	1,105.31
Equal Opportunities Commission	75.99	80.16	83.54	239.69
Office of the Privacy Commissioner for Personal Data	42.92	44.71	48.89	136.52

<i>Statutory organizations receiving recurrent subvention</i>	<i>Recurrent subvention in 2008-2009 Actual (\$M)</i>	<i>Recurrent subvention in 2009-2010 Actual (\$M)</i>	<i>Recurrent subvention in 2010-2011 Revised Estimates (\$M)</i>	<i>Total recurrent subvention in past three years (\$M)</i>
Legal Aid Services Council	4.05	4.75	4.72	13.52
Legislative Council Commission	387.71	412.58	412.98	1,213.27
Office of The Ombudsman	89.04	89.98	89.09	268.10
Independent Police Complaints Council	Note	23.17	28.48	51.66
Guardianship Board	4.49	4.15	4.11	12.75
Vocational Training Council	1,850.78	1,946.63	1,914.09	5,711.50
City University of Hong Kong	1,484.00	1,415.00	1,343.00	4,242.00
Hong Kong Baptist University	744.00	683.00	663.00	2,090.00
Lingnan University	285.00	292.00	272.00	849.00
The Chinese University of Hong Kong	2,633.00	2,546.00	2,500.00	7,679.00
The Hong Kong Institute of Education	524.00	520.00	519.00	1,563.00
The Hong Kong Polytechnic University	1,944.00	1,873.00	1,806.00	5,623.00
The Hong Kong University of Science and Technology	1,523.00	1,533.00	1,429.00	4,485.00
University of Hong Kong	2,574.00	2,614.00	2,490.00	7,678.00
Hong Kong Academy for Performing Arts	191.62	193.19	197.20	582.01
Hong Kong Arts Development Council	84.03	79.66	79.60	243.29
Heung Yee Kuk	2.04	2.04	2.04	6.12

<i>Statutory organizations receiving recurrent subvention</i>	<i>Recurrent subvention in 2008-2009 Actual (\$M)</i>	<i>Recurrent subvention in 2009-2010 Actual (\$M)</i>	<i>Recurrent subvention in 2010-2011 Revised Estimates (\$M)</i>	<i>Total recurrent subvention in past three years (\$M)</i>
English Schools Foundation	282.47	283.58	284.71	850.76
Alice Ho Miu Ling Nethersole Charity Foundation	35.49	35.93	36.30	107.72
Asbury Methodist Social Service	12.06	12.03	12.15	36.24
Caritas — Hong Kong	640.48	649.27	652.40	1,942.15
Tung Wah Group of Hospitals	647.94	675.95	699.76	2,023.65
Yan Chai Hospital	215.50	228.69	233.48	677.67
Pok Oi Hospital	117.03	118.89	119.42	355.34
Po Leung Kuk	271.21	284.32	311.82	867.35
The Hong Kong Council of the Church of Christ in China	8.36	8.41	8.38	25.15
China Peniel Missionary Society Incorporation	0.99	1.00	1.01	3.00
The Chinese Rhenish Church Hong Kong Synod	44.94	45.44	47.05	137.43
Chinese Young Men's Christian Association of Hong Kong	138.87	138.89	142.20	419.97
Hop Yat Church, the Church of Christ in China	0.97	0.91	0.93	2.81
Hong Kong Sheng Kung Hui Welfare Council	413.14	424.49	430.11	1,267.74
Emmanuel Church	0.45	0.48	0.48	1.41

<i>Statutory organizations receiving recurrent subvention</i>	<i>Recurrent subvention in 2008-2009 Actual (\$M)</i>	<i>Recurrent subvention in 2009-2010 Actual (\$M)</i>	<i>Recurrent subvention in 2010-2011 Revised Estimates (\$M)</i>	<i>Total recurrent subvention in past three years (\$M)</i>
The Mother Superior of the Congregation of Our Lady of Charity of the Good Shepherd of Angers at Hong Kong	13.01	13.30	13.48	39.79
The Hong Kong Council of Social Service	29.35	29.24	29.08	87.67
Hong Kong Juvenile Care Centre	11.43	12.03	12.14	35.60
Hong Kong Playground Association	76.93	78.61	79.10	234.64
Hong Kong Red Cross	11.16	11.15	11.71	34.02
The Hong Kong Society for the Blind	86.52	87.02	86.08	259.62
Hong Kong Society for the Protection of Children	33.79	33.24	33.04	100.07
The Hong Kong Tuberculosis, Chest and Heart Diseases Association	16.81	17.09	17.38	51.28
Kowloon City Baptist Church	2.31	2.33	2.36	7.00
Kwun Tong Methodist Social Service	10.46	10.54	10.56	31.56
Methodist Epworth Village Community Centre, Social Welfare	35.55	35.64	35.72	106.91
S.K.H. St. Simon's Social Services	1.42	1.34	1.33	4.09
The Superioress of the Sisters of the Precious Blood	8.76	9.53	9.42	27.71

<i>Statutory organizations receiving recurrent subvention</i>	<i>Recurrent subvention in 2008-2009 Actual (\$M)</i>	<i>Recurrent subvention in 2009-2010 Actual (\$M)</i>	<i>Recurrent subvention in 2010-2011 Revised Estimates (\$M)</i>	<i>Total recurrent subvention in past three years (\$M)</i>
The Salvation Army	265.28	268.18	274.27	807.72
Scout Association of Hong Kong	48.36	48.65	49.24	146.25
Society of Boys' Centres	36.45	36.88	37.08	110.40
Methodist Centre	20.25	20.61	20.97	61.82
Yang Memorial Methodist Social Service	86.32	99.13	101.74	287.19
Hong Kong Girl Guides Association	11.07	11.14	11.47	33.68
Hong Kong St. John Ambulance (Cadet Command)	1.17	1.17	1.40	3.74
Hong Kong Sea Cadet Corps	1.06	1.06	1.27	3.39
Total	50,335.95	51,492.33	52,318.56	154,146.84

Note:

Independent Police Complaints Council became a statutory body since 1 June 2009.

Bus Routes Meeting Criteria Adopted by Transport Department for Considering Improvement or Reduction in Bus Service

7. **MS AUDREY EU** (in Chinese): *President, will the Government inform this Council of the respective route numbers of franchised bus routes which at present meet the following criteria set out in the Guidelines on Service Improvement and Reduction in Bus Route Development Programmes issued by the Transport Department (TD):*

- (a) *an average occupancy rate below 85% during the busiest half-hour of the peak period, or below 30% during the off-peak period (for the TD to consider frequency reduction);*

- (b) *an occupancy rate of 100% during the busiest half-hour of the peak period and 85% during that one hour, or 60% during the busiest one hour of the off-peak period (for the TD to consider frequency improvement);*
- (c) *an occupancy rate below 50% during the busiest hour although the headway has been maintained at an interval of 15 minutes during peak hours and 30 minutes during off-peak hours (for the TD to consider route cancellation or amalgamation with other routes); and*
- (d) *an occupancy rate of not more than 20% to 30% at the proposed truncated section during the busiest hour (for the TD to consider route truncation)?*

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President, the public demand for franchised bus services changes over time as a result of district development and commissioning of new infrastructure. The TD reviews from time to time the changes in passenger demand for franchised bus services, and discusses with the franchised bus companies the corresponding service adjustments in order to meet the passenger demand.

In formulating franchised bus route development programme, the TD will consider proposals to enhance or reduce bus services according to the planning guidelines on franchised bus services (planning guidelines). Apart from specifying various occupancy rates as a factor for consideration for service enhancement or reduction, the guidelines also set out other relevant factors for consideration. They include the nature of the bus routes proposed to be cancelled, amalgamated or reduced; availability of reasonable alternative services; level of fares of alternative services; operational issues for interchange; impact on bus captains; and environmental benefits arising from the service change. The TD will take into consideration all the relevant factors to ensure that the interests of passengers are taken care of and the impact on them can be minimized as far as possible. The planning guidelines are at Annex 1.

Under the 2011-2012 bus route development programme, details of bus routes for which services will be improved or reduced according to the planning guidelines are as follows:

- (a) a total of 18 franchised bus routes for consideration of frequency reduction;
- (b) a total of 42 franchised bus routes for consideration of frequency improvement;
- (c) a total of five franchised bus routes for consideration of route cancellation or amalgamation; and
- (d) one franchised bus route for consideration of route truncation.

Details of the concerned franchised bus routes are at Annex 2. The TD is consulting the relevant District Councils regarding the above bus route development programme.

Annex 1

Guidelines on Service Improvement and Reduction in Bus Route Development Programmes

Service Improvement

(I) Frequency Improvement

If the occupancy rate of any bus route reaches 100% during any half-hour of the peak period and 85% during that one hour, or reaches 60% during the busiest one hour of the off-peak period, the Transport Department (TD) will consider the deployment of more vehicles to enhance the service level. In increasing the vehicle allocation, priority will be given to redeploying vehicles saved from other rationalization items.

(II) New Bus Service

If the frequency improvement alone is not sufficient to meet demand and no practical alternatives are available, we will give consideration to the

provision of new bus service, with priority to serve areas that are beyond the catchment area of existing railways or railway feeders. In approving any new bus service, we will also consider the impact of such new service on the traffic condition on major roads, and will as far as possible refrain from providing long haul bus routes or routes that operate via busy districts such as Mong Kok, Tsim Sha Tsui, Central, Wan Chai, Causeway Bay, and so on.

Service Reduction

In pursuance of our policy objective of providing a safe, efficient and reliable transport system in a sustainable environment, franchised bus routes with low utilization would be rationalized from time to time to enhance bus operation efficiency while meeting passenger demand and matching local operating environment, reducing traffic congestion and roadside emission. These guidelines set out the situations whereby rationalization measures such as adjustment to service frequency and timetable, route cancellation/amalgamation, route truncation, and so on, would be pursued.

(III) Reduction of Bus Trips along Busy Corridors

In view of concentration of activities in the urban areas leading to serious environmental and traffic concerns, the TD is committed to reducing the number of bus trips along busy corridors and bus stoppings through various measures of service cancellation/reduction and route rationalization. If it is inevitable for new routes or enhanced bus services to operate via these busy corridors, the bus operators will have to reduce the same number of trips plying through the same corridor from other routes in order not to aggravate the traffic and environmental conditions in these busy corridors.

(IV) Frequency Reduction

If the average occupancy rate of an individual route is below 85% during the peakiest half-hour of the peak period, or below 30% during the off-peak period, the TD will consider reducing bus deployment for the route.

Railway feeder routes, socially essential routes (such as bus routes serving remote areas or where the majority of the passengers are elderly) with no alternatives available, and routes with peak headways at 15 minutes or more will be considered on individual merits.

(V) *Route Cancellation/Amalgamation*

If the utilization of a low-frequency route does not improve (that is, a bus route with average occupancy rate lower than 50%, despite its headways having already been reduced to 15 minutes and 30 minutes during peak hours and off-peak hours respectively), the TD will consider proposing cancellation of the route or amalgamation of the route with other route(s) in consultation with the bus operators.

(VI) *Route Truncation*

To optimize the use of resources, the TD will review with relevant bus operators the feasibility of truncating routes, in particular those where majority of the passengers will have alighted en route. In formulating truncation proposals, the TD will consider whether the number of affected passengers is excessive (that is, the occupancy rate of not more than 20% to 30% at the proposed truncated section during the peakiest hour); whether enough roadside space is available to accommodate the affected passengers for interchange; and whether terminal space for the changed route is available.

Factors to be Considered in Bus Service Rationalization

In formulating rationalization proposals, in particular those where drastic measures are to be adopted, the TD would give due consideration to ensure that the interests of passengers would be taken care of and to minimize impact on them as far as possible. Factors that will be taken into account include:

-
- (a) nature of the services proposed to be cancelled: For services the utilization rates of which have been consistently low but are socially essential (that is, those serving remote areas or where majority of the passengers are elderly) and without reasonable alternatives, the TD would consider other means to improve the service performance, such as through the use of vehicles with smaller carrying capacities, provision of alternatives such as introduction of replacement green minibus services, and so on;
- (b) availability of reasonable alternatives: In proposing service cancellation, measures have to be taken to ensure that reasonable alternatives for the affected passengers are provided as far as possible. Factors such as the availability of spare capacity of alternative services in taking up the diverted passengers, the number and convenience of interchanges involved, the total journey time (including interchange and on-vehicle time) as compared with the existing services, and so on, would be assessed carefully to ensure the reasonableness of the alternative services;
- (c) fare of the best available alternative service: The total journey fare as compared with the fare of the existing service would be assessed. Positive consideration to route cancellation will be given if the total journey fare is not higher than that of the service being considered for cancellation. The relevant bus operators would also be requested to consider the provision of fare concessions, such as interchange discounts, section fares, special discounts to elderly, and other incentives wherever appropriate and feasible, to provide attraction to the affected passengers to facilitate the implementation of the rationalization proposals;
- (d) transport operational considerations: The proposed service rationalization should not cause undue hardship to passengers or operational problems. Factors such as the number of passengers requiring interchanges, the availability of space for interchange activities, and so on, would be carefully assessed. The deployment of the saved vehicles to improve services within the same district would also be spelt out where appropriate;
- (e) impact of the proposed service rationalization on bus captains: Factors to be considered include the number of bus captains that would be affected by the proposed service rationalization, and whether the excess bus captains

could be absorbed through natural wastage or other means without causing any major staff issues; and

- (f) environmental benefits arising from the service rationalization: Environmental benefits such as the reduction in emission, reduction of bus trips in busy corridors, and so on, would be spelt out in the consultation documents for the public to take note of.

Annex 2

- (I) *Franchised bus routes for consideration of frequency reduction in accordance with the planning guidelines*

	<i>Bus company</i>	<i>Bus route</i>
1	The Kowloon Motor Bus Company (1933) Limited (KMB)	260B
2		260X
3		268B
4		76K
5		85C
6		208
7		15A
8	KMB/ New World First Bus Services Limited (NWFB)	621
9		690
10		641
11		692
12	Citybus Limited (Citybus)	10S
13		3B
14		962X
15	NWFB	66
16		94
17		3A
18		796S

(II) *Franchised bus routes for consideration of frequency improvement in accordance with the planning guidelines*

	<i>Bus company</i>	<i>Bus route</i>
1	KMB	38
2		41
3		45
4		263
5		961
6		968
7		258D
8		268C
9		269C
10		269D
11		273B
12		277X
13		279X
14		35A
15		42A
16		42C
17		43X
18		67M
19		67X
20		68M
21		68X
22		74X
23	KMB/Citybus	118
24		171
25		307
26		106
27		680
28		948
29	Citybus	1
30		12M
31		25C
32		969B
33		B3A

	<i>Bus company</i>	<i>Bus route</i>
34	NWFB	91
35		590
36		682
37		796X
38	Long Win Bus Company Limited	E32
39		E34
40		E41
41		E42
42		S1

(III) *Franchised bus routes for consideration of route cancellation or amalgamation in accordance with the planning guidelines*

	<i>Bus company</i>	<i>Bus route</i>
1	KMB	2
2		6
3		6A
4		8P
5	Citybus	25A

(IV) *Franchised bus routes for consideration of route truncation in accordance with the planning guidelines*

	<i>Bus company</i>	<i>Bus route</i>
1	KMB	203

Uncompensated Overtime Work Undertaken by Staff of Labour and Welfare Bureau

8. **MR IP WAI-MING** (in Chinese): *President, recently, I have received complaints from a group of staff from the Labour and Welfare Bureau, including contract staff, indicating that their supervisors or department heads had demanded them to undertake uncompensated overtime work for long hours over an extended period of time. The complainants also alleged that whether or not*

they had worked overtime had been used as one of the criteria for appraising their performance or considering their promotion. In this connection, will the Government inform this Council:

- (a) whether the Labour and Welfare Bureau as well as the Labour Department (LD) and Social Welfare Department (SWD) within its purview, including the various offices and service units of these departments, have fully implemented the five-day week arrangement at present; if they have, of the actual situation; and the average weekly standard working hours of staff (both in civil service grades and in non-civil service grades) under the five-day week arrangement, with a breakdown by rank;*
- (b) whether the Labour and Welfare Bureau knows if it is common for the LD and SWD staff to undertake uncompensated overtime work; of the average weekly hours of uncompensated overtime work undertaken by staff of various ranks; whether the department heads have issued related guidelines or instructions to the staff, indicating that uncompensated overtime work will be one of the criteria for appraising their performance and considering their promotion;*
- (c) whether the Labour and Welfare Bureau, being the Policy Bureau responsible for the study on standard working hours, has taken the lead in supervising and regulating the working hours of the staff of the LD and SWD within its purview, so as to ensure that their staff can benefit from the five-day week arrangement, and that they only need to work according to standard working hours; if it has not, of the reasons for that; and*
- (d) whether the Labour and Welfare Bureau will focus on the problem of uncompensated overtime work undertaken by employees of various government departments or even those in different sectors in Hong Kong and conduct a dedicated survey, so as to obtain specific data for the forthcoming study on standard working hours; if it will, of the details; if not, the means through which the Labour and Welfare Bureau will obtain information on uncompensated overtime work undertaken by employees for the study concerned?*

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President, my reply to Mr IP Wai-ming's question is as follows:

- (a) With the primary consideration of maintaining the overall level and efficiency of government services and under the four basic principles of no additional staffing resources, no reduction in the conditioned hours of service of individual staff, no reduction in emergency services, and continued provision of some essential counter services on Saturdays, the Civil Service has implemented the five-day week initiative in three phases since 1 July 2006. As at 31 December 2010, the number of staff (including non-civil service contract staff) working on a five-day week work pattern stood at around 87% of the total strength of the Labour and Welfare Bureau, LD and SWD.

The working hours of civil servants are determined having regard to the "conditioned hours of work" of the grades concerned. As five-day week is implemented with no additional staffing resources and no reduction in the conditioned hours of service of individual staff, the conditioned hours of work of staff before and after the implementation of the five-day week are the same. Of the staff (including non-civil service contract staff) in the Labour and Welfare Bureau, LD and SWD, over 94% are conditioned to work 44 hours per week, whereas the remaining staff are mainly conditioned to work 45 hours per week.

- (b) Under the prevailing civil service policy, overtime work should be undertaken only when it is unavoidable, which means the duties to be performed at the time are essential and the duties must be performed at that time and cannot be deferred. Overtime work is at all times strictly controlled and kept to the absolute minimum as justified by operational requirements. Time off in lieu (TOIL) is the normal recompense for overtime work performed and may be granted subject to exigencies of service. Monetary compensation for overtime work performed may be approved only when granting of TOIL is impracticable within a reasonable period of time from the date when overtime work is performed. The above policy guidelines are closely followed in the LD and SWD. Both departments do not have information on overtime work undertaken

by their staff without compensation, nor is there any departmental instruction that the undertaking of overtime work without compensation would be taken into account in staff performance appraisal or promotion.

- (c) As mentioned above, the conditioned hours of work of civil servants before and after the implementation of the five-day week are the same, while overtime work is at all times strictly controlled and kept to the absolute minimum.
- (d) The policy study on working hours will cover the regimes and experiences of other places in regulating working hours; and the collection of information on working hours of different sectors in Hong Kong including overtime situation. At this stage, we are still examining ways to collect the relevant statistics.

Retrofitting Automatic Platform Gates at Stations Along East Rail Line and Ma On Shan Line

9. **MR WONG SING-CHI** (in Chinese): *President, as regards retrofitting platform screen doors (PSDs) or automatic platform gates (APGs) at stations along the East Rail Line (EAL) and Ma On Shan Line (MOSL) of the MTR Corporation Limited (MTRCL), will the Government inform this Council:*

- (a) *given that in its reply to a question raised by a Member of this Council on 9 June 2010, the Transport and Housing Bureau indicated that "as there are platforms with relatively greater curvatures and wider platform gaps at some stations of the East Rail Line, the problem of wide platform gaps has to be properly resolved before APGs are installed at stations along the line in order to reduce the risk of passengers inadvertently stepping into the platform gaps because of sight line obstructions caused by the APGs", whether the authorities know:*
 - (i) *the definitions of "relatively greater curvatures" of the platforms and "wider platform gaps" referred to by the Transport and Housing Bureau, and whether there are*

objective measurement standards for such; if yes, of the details; if not, the reasons for that;

- (ii) among the stations along EAL and MOSL, the names of those stations having platform(s) with relatively greater curvatures and wider platform gaps, as well as other stations (please list the stations by rail line); and*
- (iii) whether the MTRCL will first retrofit PSDs or APGs at those stations with straight platforms only; if so, of the details and timetable; if not, the reasons for that;*
- (b) concerning the numbers of passengers who fell onto tracks as set out in Annex I of the Transport and Housing Bureau's reply to my question on 19 January 2011, of the respective numbers of injuries and deaths among such cases, with a breakdown by station and year;*
- (c) given that the MTRCL indicated in its paper submitted to the Subcommittee on Matters Relating to Railways in January 2011 that "Synergy can be identified through integrating the APG and SCL (the Shatin to Central Link) projects while large amounts of redundancy and wastage would be incurred if the two were implemented separately", whether the authorities know the criteria and methods for evaluating the "synergy" and "large amounts of redundancy and wastage" referred to by the MTRCL, as well as the details; if not, of the reasons for that, and when the Government can obtain such information; and*
- (d) given that the MTRCL also indicated in the paper mentioned in part (c) that consideration must be given to the impact that APGs would have on the circulation of air on EAL platforms, and that studies showed that existing station ventilation would have to be improved to maintain a comparable environment as before the installation of APGs for passengers waiting for trains on platforms, whether the authorities know if the MTRCL (or its predecessor, the MTRCL before the rail merger) had studied the issue of ventilation when it retrofitted PSDs or APGs at other underground stations in*

the past and if it has conducted such studies at present when retrofitting PSDs or APGs at the eight aboveground and at-grade stations; if so, of the respective details of such studies and the aforesaid studies on EAL; if not, the reasons for that?

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President, the replies to various parts of the question are as follows:

- (a) (i) In railway operations, factors such as wind speed, train speed, geographic conditions and passenger loading could cause slight, left-right swaying movements in trains while entering or leaving a platform. Hence, a suitable distance between the platform and the train has to be maintained to prevent trains from hitting the platform to ensure safe train operations. In the case of a curved platform, arc movements of a train occur when it is entering or leaving a platform. Therefore, a certain distance is also required between the train and the platform.

The design and construction of the EAL were different from that of the other railway lines. This is because apart from domestic passenger trains, there are Intercity Through Trains with wider train bodies operating on the EAL. Due to geographic constraints, some EAL platforms are located on curved sections, necessitating wider gaps between the train and the platform. There are design standards for these technical aspects.

The MTRCL has already taken the following measures to ensure the safety of passengers waiting on platforms:

- Platform gap fillers are installed to narrow the gap between the train and the platform;
- Yellow tactile strips are installed along platform edges to remind passengers not to stand beyond the yellow line;

- Door chimes are broadcast before train doors close to remind passengers not to charge in the compartments;
 - CCTV system is installed at platforms for monitoring purpose, public announcements are made on platforms and in train compartments to remind passengers to mind the platform gaps; and
 - Illumination is installed under the platforms and flashing lights are installed at the edge of the EAL platforms at locations where the gap between the platform and the train is relatively wide so that passengers would pay attention to the gap.
- (ii) At present, the platforms at Tai Wai Station, Sha Tin Station, Fo Tan Station, Racecourse Station, Fanling Station, Sheung Shui Station, Lok Ma Chau Station on the EAL and all stations on the Ma On Shan Line (MOL) are straight. Some platforms at Hung Hom Station, Mong Kok East Station, Kowloon Tong Station, University Station, Tai Po Market Station, Tai Wo Station and Lo Wu Station on the EAL are situated on curved sections.
- (iii) The design of the MTR station platforms is safe. With the above facilities and measures taken by the MTRCL, as well as regular passenger education activities, the MTRCL has been providing a safe travelling environment for passengers.

Regarding the retrofitting of APGs along EAL, technical studies have been conducted by the MTRCL with a view to identifying feasible solutions. The studies reveal that retrofitting of APGs at EAL stations poses particularly difficult challenges, which include safety risk associated with wider platform gaps; limitations of the existing signalling system; limitations of the existing trains; and limitations of platform structure. The feasibility of retrofitting of APGs at straight platforms first have been considered. However, due to the problems with the existing system, retrofitting of APGs at

straight platforms will require at least the replacement of the signalling system.

- (b) Regarding the reply on 19 January 2011 to the Legislative Council on passenger-on-track cases from 2006 to September 2010, the information provided by the MTRCL regarding the cases in respect of the year, stations, number of injuries and fatalities are set out in the Annex. There were different causes to these passenger-on-track cases, which include accidents in which passengers fall onto the track (for example, under the influence of alcohol or medicine, due to sickness, and so on); suicides and attempted suicides; and trespasses onto the track (for example, passengers trying to retrieve items fallen onto the track, crossing the track to the platform on the other side, and so on).
- (c) According to the MTRCL, before retrofitting of APGs at EAL stations, the following are required to ensure passenger safety, reliable train service and maintenance of current service levels:
 - (i) development of a highly-reliable Mechanical Gap Filler system which is suitable for use under Hong Kong's adverse weather conditions, or other solutions that can solve platform gap problem to effectively address the safety risk caused by wider platform gaps;
 - (ii) installation of a new signalling system;
 - (iii) a train fleet equipped with motoring and braking systems suitable for use with APGs; and
 - (iv) modifications to station platform structure and ventilation systems.

Under the North-South Line (NSL) of the Shatin to Central Link (SCL) project, the MTRCL has proposed a new signalling system and new trains for the operation of the NSL. As both retrofitting of APGs on EAL and SCL projects require substantial work to be done on EAL platforms, the MTRCL is of the view that the two projects

should be carried out in tandem to achieve synergy. However, if APGs are to be retrofitted as a standalone project, work will overlap at sites, causing delay to one project or the other; or once one has finished work on a particular platform, the other will commence and may go in to dismantle what has just been installed, creating waste and abortive work.

According to the MTRCL's assessment, even if the time frame or time clash of the two projects are not taken into account, the following wastage would be incurred during the construction of the SCL if retrofitting of APGs at EAL stations is to be implemented as a standalone project:

- EAL is currently operated with 12-car trains. The future NSL of the SCL project will be operated with nine-car trains. This is because the NSL of SCL will extend the rail line through the Hong Kong Convention and Exhibition Centre to Admiralty where platforms for 12-car trains cannot be accommodated due to space constraints. When SCL is in service, trains will stop at the straighter part of the platforms to help narrow the platform gap. As the train door positions may have to re-align with the straighter part of the platforms, all the relevant APGs will have to be dismantled and reinstalled, resulting in wastage.
- If retrofitting of APGs on EAL platforms is to be implemented as a standalone project, the MTRCL will need to first procure 12-car new trains to maintain its current service level. When SCL is completed, due to the above technical reason, nine-car trains will be used. As the combinations of motor cars and trailer cars of nine-car trains and 12-car trains are different, a certain number of trailer cars will be wasted when converting 12-car trains into nine-car trains. More motor cars will need to be procured and driving-cabs will have to be modified and all previous work done will be wasted. At the same time, enhancements will have to be made to the signalling system with a view to increasing train frequency and total capacity.

Regarding the time required for the project, according to the MTRCL's assessment, it is expected that the retrofitting of APGs as a standalone project at EAL stations will take about 10 years to complete. About 8.5 years will be needed to procure and replace the signalling system and the train fleet with the first APGs being operational at the same time, and then the retrofitting of APGs at all the stations will take about 1.5 years. Once the SCL Project is given the go-ahead, the NSL is expected to be completed in 2020, similar to that of implementing the APG project as a standalone one. Therefore, it does not justify the abortive works.

Besides, work will continuously be carried out on EAL platforms if both projects are undertaken separately, causing extensive inconvenience to passengers.

- (d) Ventilation was taken into account when the pre-merger MTRCL retrofitted PSDs at all underground stations and APGs at the eight aboveground and at-grade stations. Consultants were commissioned by the MTRCL (and the pre-merger MTRCL) during the design stage to evaluate the impact of PSDs and APGs on ventilation at stations.

Before PSDs were retrofitted at underground stations, trains in motion could produce piston effect and drive fresh air from the station into the tunnel to provide ventilation. Retrofitting of PSDs can reduce the loss of air-conditioning and maintain the temperature at platforms at a consistent level in order to provide a better travelling environment for passengers. However, as the tunnel and platform area were separated after retrofitting of the PSDs, additional facilities such as air ducts and ventilation system had to be built at tunnels. The pre-merger MTRCL carried out major alterations to the station and tunnel ventilation, air-conditioning and smoke extraction systems.

Ventilation for the eight aboveground and at-grade stations is different from that of the underground stations as natural ventilation is used. After APGs are retrofitted, further enhancement to ventilation is required at platforms in order to maintain the same

level of comfort for passengers. Therefore, installation of conducting fans at station platforms where APGs are retrofitted has been included in the project.

As for the impact on ventilation at EAL platforms after APGs are retrofitted, preliminary studies show that substantial improvement works to the existing station ventilation will have to be carried out to maintain a comparable environment as before the installation of APGs for passengers waiting for trains on platforms. The MTRCL will conduct a detailed study when designing the APG system for EAL stations.

Annex

Number of passengers fell onto tracks from 2006 to September 2010 categorized by stations
(including the number of injured and fatality)

Station	2006			2007			2008			2009			January to September 2010		
	Number of cases	Number of Injured	Number of fatality	Number of cases	Number of Injured	Number of fatality	Number of cases	Number of Injured	Number of fatality	Number of cases	Number of Injured	Number of fatality	Number of cases	Number of Injured	Number of fatality
Heng Fa Chuen	2	0	0	5	0	1	2	1	0	3	1	0	1	0	0
Chai Wan	0	0	0	2	1	0	1	0	0	2	1	0	2	1	0
Kowloon Bay	4	0	0	3	1	0	0	0	0	6	2	1	0	0	0
Ngau Tau Kok	0	0	0	2	0	2	2	2	0	3	1	0	1	0	1
Kwun Tong	5	2	0	2	0	0	2	2	0	0	0	0	3	1	0
Kwai Fong	0	0	0	2	2	0	2	0	2	2	1	1	0	0	0
Kwai Hing	0	0	0	2	0	0	1	1	0	4	1	0	1	0	0
Tsuen Wan	1	1	0	2	2	0	1	0	0	3	1	0	1	1	0
Hung Hom (East Rail Line)	2	1	0	2	0	0	1	0	0	2	0	0	1	0	0
Mong Kok East	2	0	0	2	1	0	4	1	0	3	0	1	3	0	0
Kowloon Tong	5	1	1	10	2	1	6	0	1	5	1	1	7	0	0
Sha Tin	0	0	0	3	1	0	0	0	0	6	0	2	0	0	0

Station	2006			2007			2008			2009			January to September 2010		
	Number of cases	Number of Injured	Number of fatality	Number of cases	Number of Injured	Number of fatality	Number of cases	Number of Injured	Number of fatality	Number of cases	Number of Injured	Number of fatality	Number of cases	Number of Injured	Number of fatality
Tai Wai (East Rail Line)	2	1	0	0	0	0	2	1	0	4	0	1	4	1	0
Fo Tan	2	0	1	3	0	1	2	0	1	3	0	0	1	0	0
University	1	0	0	0	0	0	2	0	0	3	0	1	1	0	0
Tai Po Market	0	0	0	2	0	0	1	1	0	1	0	0	2	0	1
Tai Wo	4	0	0	1	0	0	0	0	0	2	0	0	1	0	0
Fanling	6	1	1	4	1	1	1	1	0	1	0	0	0	0	0
Sheung Shui	7	2	1	10	1	0	7	1	0	5	1	0	2	0	1
Lok Ma Chau	0	0	0	0	0	0	1	0	0	2	0	0	0	0	0
Lo Wu	0	0	0	0	0	0	8	0	0	11	0	0	9	1	0
Tai Wai (Ma On Shan Line)	1	1	0	1	0	0	1	0	0	3	2	0	2	1	0
Che Kung Temple	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0
Heng On	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0
Ma On Shan	0	0	0	0	0	0	0	0	0	1	1	0	1	0	0
Hung Hom (West Rail Line)	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0
Light Rail	23	12	0	10	3	0	11	5	0	14	7	2	12	7	0

Note:

The above figures excluded 34 cases involving trespassing or attempted suicide between stations on different rail lines.

Implementation of Hong Kong Bill of Rights Ordinance

10. **MS EMILY LAU** (in Chinese): *President, the Hong Kong Bill of Rights Ordinance (Cap. 383) (HKBORO), enacted in June 1991 by the former Legislative Council, has been implemented for nearly 20 years. Regarding the implementation of the HKBORO, will the executive authorities inform this Council:*

- (a) *since the HKBORO came into operation, of the contents of the provisions in the HKBORO which had been amended or repealed, the parties that put forward the proposals of amending or repealing such provisions, and the reasons for amending or repealing such provisions (set out each item by the year in which the provisions were amended or repealed);*
- (b) *of the statutory provisions, policies, measures and professional codes which had been ruled by the Courts to be in contravention of the HKBORO in the past 20 years, and list in table form the name and case number of each case, as well as the dates on which the relevant judgments were delivered by the Court; and*
- (c) *of the statutory provisions, policies, measures and professional codes which were amended by the authorities in response to the Court rulings in part (b) (set out each of the cases); if amendments have not been made in response to some of the Court rulings, of the reasons for that?*

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in Chinese): President, my reply to the three parts of the question is as follows:

- (a) The provisions in the HKBORO that have been amended or repealed since the enactment of the HKBORO, together with the relevant year, the initiating parties and the reasons for amending or repealing such provisions are listed at Annex A.

(b) and (c)

Since the enactment of the HKBORO, there are around 1 000 judgments (excluding oral judgments) which included references to the HKBORO according to the Legal Reference System of the Judiciary. While an exhaustive examination of these judgments is not possible in the time available, a list of judgments since the establishment of the Hong Kong Special Administrative Region

(HKSAR), in which the Court has held the relevant statutory provisions, policies or measures (or part of them) of the Administration to be inconsistent with the HKBORO is at Annex B, alongside with the follow-up measures taken by the Administration.

The list of cases comprises those cases relating to the HKBORO in the Legal Reference System which were indicated as being reported in the Authorised Hong Kong Law Reports & Digest. In general, reported cases represent the more important cases.

Annex A

Changes to the HKBORO

<i>Item</i>	<i>Changes to HKBORO</i>	<i>Year</i>	<i>Initiating parties</i>	<i>Reasons for changes</i>
1.	Under section 7(2), the words "由眾人組成的團體" in the Chinese text were repealed and replaced by "團體".	1995	The Administration	Technical change to better reflect the English version.
2.	Section 2(3) relating to the interpretation and application of HKBORO, section 3 on the effect on pre-existing legislation, and section 4 on the interpretation of subsequent legislation were not adopted as laws of the HKSAR.	1997	Standing Committee of the National People's Congress	In contravention of the Basic Law.
3.	Under the Schedule, the words "人民入境條例" in the Chinese text were repealed and substituted by "入境條例".	1997	The Administration	Technical change arising from the establishment of the HKSAR.

<i>Item</i>	<i>Changes to HKBORO</i>	<i>Year</i>	<i>Initiating parties</i>	<i>Reasons for changes</i>
4.	Sections 3(3) and 3(4) were added, suspended, and then repealed from the laws of the HKSAR.	1997 to 1998	Added by Mr LAU Chin-shek Suspended and repealed by the Administration	Sections 3(3) and (4) were added in purported clarification of the scope of application of the HKBORO, suspended as the Administration needed to consider their effect further, and repealed because they were unnecessary and, when read with section 7(2), they introduced legal uncertainty and confusion.
5.	Under the Schedule, the words "警察條例" in the Chinese text were repealed and substituted by "警隊條例".	1998	The Administration	Technical change arising from the establishment of the HKSAR.
6.	Under section 13, the words "行政局" in the Chinese text were repealed and substituted by "行政會議"; and the words "立法局" in the Chinese text were repealed and substituted by "立法會".	1999	The Administration	Technical change arising from the establishment of the HKSAR.
7.	Under the Schedule, the words "《總督特派廉政專員公署條例》" in the Chinese text were repealed and substituted by "《廉政公署條例》".	2003	The Administration	Technical change arising from the establishment of the HKSAR.

Annex B

Statutory Provisions, Policies and Measures Held by the Court
to be Inconsistent with the HKBORO
since the Establishment of the HKSAR

	<i>Case name</i>	<i>Case number</i>	<i>Date of judgment</i>	<i>Issue</i>	<i>Action taken by the Administration in response to the judgment</i>
1.	Lam Tat Ming v Chief Executive of HKSAR and Secretary for the Civil Service	HCAL 121/2009	1/11/2010	The Secretary for the Civil Service's exercise of power under the Pension Benefits Ordinance (Cap. 99) to refuse a pension	The Administration has lodged an appeal to the Court of Appeal. Appeal to be heard in December 2011.
2.	Wong Tak Wai v Commissioner of Correctional Services	CACV 231/2009	21/7/2010	The standard of proof in prisoner disciplinary proceedings conducted by the Correctional Services Department (CSD)	The CSD has adopted a standard of proof from balance of probabilities to beyond reasonable doubt in conducting prisoner disciplinary proceedings as advised by the Court.
3.	Yao Man Fai George v Director of Social Welfare	HCAL 69/2009	21/6/2010	The one-year continuous residence requirement under the Comprehensive Social Security Assistance Scheme	The Social Welfare Department has ceased to execute the requirement. The Administration has lodged an appeal against the High Court judgment, which will be heard in July 2011.
4.	Lam Siu Po v Commissioner of Police	FACV 9/2008	26/3/2010	Legal representation at disciplinary hearings under regulations 9(11) and 9(12) of the Police (Discipline) Regulations (Cap. 232A)	Action is in hand to amend, among other things, regulations 9(11) and 9(12) of the Police (Discipline) Regulations to allow for legal representation at disciplinary hearings where fairness so requires. Disciplined services departments have put in place interim administrative arrangements to consider requests for legal representation at disciplinary hearings from defaulters pursuant to the principle of fairness.

	<i>Case name</i>	<i>Case number</i>	<i>Date of judgment</i>	<i>Issue</i>	<i>Action taken by the Administration in response to the judgment</i>
5.	Chan Kin Sum Simon v Secretary for Justice and another	HCAL 79/2008	8/12/2008	Across-the-board restrictions on prisoners' right to be registered as electors and to vote	The Administration introduced the Voting by Imprisoned Persons Bill into the Legislative Council in May 2009 to remove the disqualification of imprisoned persons and persons convicted of certain election-related or bribery offences from being registered as electors and from voting in elections. The Bill came into operation in October 2009. The Electoral Affairs Commission made amendment regulations to provide for the detailed practical arrangements.
6.	Leung Kwok Hung v Secretary for Justice and another	HCAL 82/2008	8/12/2008		
7.	Choi Chuen Sun v Secretary for Justice and another	HCAL 83/2008	8/12/2008		
8.	Koon Wing Yee v Insider Dealing Tribunal	FACV 19/2007	18/3/2008	The power under section 23(1)(c) of the Securities (Insider Dealing) Ordinance (SIDO) (Cap. 395) to impose a penalty	The Insider Dealing Tribunal (IDT) has ceased making penalty order. The SIDO was repealed in April 2003 following the enactment of the Securities and Futures Ordinance (SFO) (Cap. 571). Under SFO, the Market Misconduct Tribunal, which has taken over the role of the IDT, does not have any power to impose penalty.
9.	Secretary for Justice v Yau Yuk Lung Zigo and another	FACC 12/2006	17/7/2007	Some of the existing sexual offences under the common law and statute law including the provisions under the Crimes Ordinance (Cap. 200)	The Law Reform Commission appointed a Subcommittee in April 2006 to review the issue.
10.	Leung TC William Roy v Secretary for Justice	CACV 317/2005	20/9/2006		

	<i>Case name</i>	<i>Case number</i>	<i>Date of judgment</i>	<i>Issue</i>	<i>Action taken by the Administration in response to the judgment</i>
11.	Leung Kwok Hung and another v Chief Executive of the HKSAR	HCAL 107/2005	9/2/2006	Section 33 of the Telecommunications Ordinance (Cap. 106) which authorizes or allows access to or disclosure of the contents of any message	In line with the judgment, section 33 of the Telecommunications Ordinance was amended under the Interception of Communications and Surveillance Ordinance in August 2006.
12.	Leung Kwok Hung and others v HKSAR	FACC 1/2005	8/7/2005	The interpretation of "public order" in sections 14(1), 14(5) and 15(2) of the Public Order Ordinance (Cap. 245)	The police have issued Guidelines on the handling of public meetings and public processions to the police officers.
13.	Leung Kwok Hung and others v HKSAR	FACC 2/2005	8/7/2005		
14.	Director of Immigration v Lau Fong	FACV 10/2003	26/3/2004	The applicability of sections 4(1)(a), 7(1), 11(10) and 18 and detention pursuant to section 26 of the Immigration Ordinance to a person having an unexpired permission to remain in Hong Kong and supported by holding of an identity card	Starting from March 2005, the Immigration Department would determine resident status prior to removal of a non-permanent resident who has obtained permission to stay by deception.
15.	Wong Kam Kuen v Commissioner for Television and Entertainment Licensing and another	CACV 41/2003	30/7/2003	The licence conditions for Amusement Game Centres (AGCs) imposed by the Television and Entertainment Licensing Authority (TELA)	The TELA has revised the AGC licence conditions. Licensees of and game suppliers for Adult AGCs are no longer obliged to submit games to the TELA for vetting before installation. The sexual, violent and gambling contents in games are subject to control under relevant legislation.

	<i>Case name</i>	<i>Case number</i>	<i>Date of judgment</i>	<i>Issue</i>	<i>Action taken by the Administration in response to the judgment</i>
16.	Secretary for Justice and others v Chan Wah and others	FACV 11/2000	22/12/2000	(a) The 1999 electoral arrangements used in the Village Representative elections in the Shek Wu Tong and Po Toi O villages (b) The authority of the Secretary for Home Affairs in approving Village Representatives elected from electoral arrangements which are inconsistent with HKBORO	A new set of arrangements as regulated under the Village Representative Election Ordinance (Cap. 576) was enacted in February 2003.
17.	Ng Ka Ling and another v Director of Immigration	FACV 14/1998	26/2/1999	(a) Whether the Immigration (Amendment) (No. 3) Ordinance 1997 has retrospective effect	Paragraph 1(2) of Schedule 1 to the Immigration Ordinance was amended in July 1999.
18.	Tsui Kuen Nang v Director of Immigration	FACV 15/1998	26/2/1999	(b) The definition of "permanent residents of the HKSAR" under Schedule 1 to the Immigration Ordinance	
19.	Director of Immigration v Cheung Lai Wah	FACV 16/1998	26/2/1999		
20.	The Association of Expatriate Civil Servants of Hong Kong v Chief Executive of the HKSAR	HCAL 90/1997	3/4/1998	Section 17 of the Public Service (Administration) Order which restricted an officer on interdiction from leaving Hong Kong without the permission of the Chief Executive	Section 17 of the Public Service (Administration) Order was repealed in April 2000.

Low-platform Buses

11. **MR ALBERT CHAN** (in Chinese): *President, on 6 May 2009, I raised a question in this Council regarding the issue that most of the trips of the bus routes to and from Tin Shui Wai were not serviced by wheelchair-accessible low-platform buses. It has been learnt that as most of these trips are at present*

still not serviced by low-platform buses, wheelchair users often have to wait for more than 30 minutes for such buses. In this connection, will the Government inform this Council:

- (a) of the respective numbers of low-platform buses added to the fleet of each franchised bus company and the respective percentages of such addition during the two periods from May 2009 to May 2010 and from June 2010 to the present;*
- (b) of the daily number of trips of the bus routes to and from Tin Shui Wai which are run by low-platform buses at present, and the percentage of such number in the total number of relevant bus trips, and how such figures compare with the relevant figures in May 2009; and*
- (c) whether it will reconsider adding a clause to the future franchise agreements with the franchised bus companies, requiring them to retrofit facilities to all in-service non-low-platform buses to make it convenient for wheel-chaired users to board and alight buses; if it will, of the details; if not, the reasons for that?*

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

- (a) The total number of wheelchair accessible low-floor buses in the franchised bus fleet has increased from 2 892 in end May 2009 to 3 082 in end May 2010, and further to 3 251 in end February 2011, representing a growth of about 6.6% and 5.5% respectively. The number of low-floor buses of the franchised bus companies is shown at the Annex.
- (b) In end May 2009, the total number of bus trips to and from Tin Shui Wai was about 3 600 per day, of which some 2 530 trips or 70% were operated by low-floor buses. In view of the commissioning of the Kowloon Southern Link by the MTR Corporation Limited in August 2009, the services of some bus routes have been rationalized. At present, the total number of bus trips to and from Tin Shui Wai is

about 3 380 per day, with some 2 600 trips or 77% made by low-floor buses. Compared with the situation in end May 2009, the number of trips operated by low-floor buses to and from Tin Shui Wai has increased by about 70 per day.

- (c) All franchised bus companies, except New Lantao Bus Company (1973) Limited (NLB), have agreed and implemented since 2001 that all new buses purchased as additional or replacement vehicles will be wheelchair accessible.

As regards NLB, topographical constraints make it unsuitable for wheelchair accessible low-floor buses to ply along all of its routes. However, NLB has purchased and deployed wheelchair accessible low-floor buses as far as practicable to run on routes where the terrain permits.

Annex

Number of Low-floor Buses of Franchised Bus Companies

<i>Franchised bus companies</i>	<i>Number of low-floor buses (Total number of buses)</i>			<i>Percentage change in number of low-floor buses</i>	
	<i>May 2009</i>	<i>May 2010</i>	<i>Feb 2011</i>	<i>May 2010 vs. May 2009</i>	<i>Feb 2011 vs. May 2010</i>
Kowloon Motor Bus Company (1933) Limited	1 885 (3 901)	1 991 (3 870)	2 090 (3 790)	+5.6%	+5.0%
Citybus Limited (Hong Kong Island and cross harbour routes)	107 (748)	136 (763)	199 (768)	+27.1%	+46.3%
Citybus Limited (Airport and North Lantau routes)	168 (172)	168 (172)	165 (169)	0.0%	-1.8% ⁽¹⁾
New World First Bus Services Limited	542 (683)	587 (705)	593 (701)	+8.3%	+1.0%

<i>Franchised bus companies</i>	<i>Number of low-floor buses (Total number of buses)</i>			<i>Percentage change in number of low-floor buses</i>	
	<i>May 2009</i>	<i>May 2010</i>	<i>Feb 2011</i>	<i>May 2010 vs. May 2009</i>	<i>Feb 2011 vs. May 2010</i>
Long Win Bus Company Limited	157 (160)	167 (169)	166 (166)	+6.4%	-0.6% ⁽²⁾
NLB	33 (104)	33 (104)	38 (104)	0.0%	+15.2%
Total	2 892 (5 768)	3 082 (5 783)	3 251 (5 698)	+6.6%	+5.5%

Notes:

- (1) Owing to maintenance arrangements of three low-floor buses, Citybus Limited (Airport and North Lantau routes) suspended the renewal of licences of the three buses from January to February 2011.
- (2) While the number of low-floor buses of Long Win Bus Company Limited in February 2011 compared with May 2010 has been reduced by one, its entire fleet has been made up of low-floor buses since August 2010.

Implementation of Statutory Minimum Wage Legislation

12. **MR LEUNG KWOK-HUNG** (in Chinese): *President, on 22 March this year, the Employers' Federation of Hong Kong (EFHK) placed an advertisement in the press, providing an example to illustrate that after the implementation of statutory minimum wage (SMW) legislation, the salary of an employee who works nine hours per day for 23 days in a month and is currently paid \$5,796 monthly will reach \$8,456 per month, if rest days and meal breaks are included in the calculation of monthly wages. As a result, the employer has to increase that employee's monthly salary by \$2,660. The EFHK suggested that employers should, before 1 May this year, examine and revise the employment contracts of their monthly paid employees, and it might be necessary to state that meal breaks and rest days "should not be treated as if they are paid". Quite a number of members of the public have relayed to me their worries that employers will, by "exploiting loopholes in the law", revise contracts to deduct employees' wages in respect of meal breaks and rest days. In this connection, will the Government inform this Council:*

- (a) *whether it has assessed if the deduction of employees' wages in respect of meal breaks and rest days is the legislative intent of the Minimum Wage Ordinance (MWO) (Cap. 608); if it is, of the Government's stance on paid meal breaks and paid rest days; if not, whether the Government will publicly reprimand the EFHK so as to safeguard the interests of employees in Hong Kong;*
- (b) *whether it has assessed if the content of the aforesaid advertisement has violated the reference guidelines on SMW made by the Government; if it has violated those guidelines, how the Government will follow up this; if not, whether the Government has assessed if there are inadequacies in the MWO;*
- (c) *whether it has assessed if the EFHK's advertisement has abetted employers to revise employment contracts, so that they will not violate the MWO even if employees' meal breaks and rest days are excluded from the computation of SMW;*
- (d) *whether there is any effective legislation to impose severe punishment on such employers who are "unscrupulous" and deliberately deduct employees' wages in respect of meal breaks and rest days; if so, of the legislation and the penalty concerned, and which government departments are responsible for enforcing the legislation; if not, whether the Government will enact emergency legislation to safeguard the interests of the employees in Hong Kong; and*
- (e) *before the enactment of the MWO, whether the Government has consulted Members of various political parties/groupings or independent Members of the Legislative Council on whether the deduction of employees' wages in respect of meal breaks and rest days is reasonable; if it has, which political parties/groupings or independent Members have concurred with such practice; if not, whether the Government will promptly "bring order out of chaos" with regard to the EFHK's suggestion?*

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

(a) to (c)

The MWO establishes a SMW regime to set a wage floor, with the aim of striking an appropriate balance between forestalling excessively low wages and minimizing the loss of low-paid jobs while sustaining Hong Kong's economic growth and competitiveness.

Neither the MWO nor the Employment Ordinance (EO) prescribes that meal breaks and rest days are with pay or not. These matters have all along been subject to the agreement between employers and employees. If existing employment terms in these respects need to be clarified because they are unclear or employers have genuine problems in shouldering the financial burden, there should be thorough staff consultation with a view to gaining mutual understanding and reaching consensus on lawful, sensible and reasonable grounds through labour-management communication and negotiation. According to the EO, employers should not unilaterally vary the employment terms and conditions of employees. The Labour Department stands ready to assist employers and employees to resolve their problems and reach consensus. If employees suspect that their employment rights have been undermined, they could seek help from the Labour Department.

SMW is new to Hong Kong and it will take time for the community, especially employers and employees, to adjust to it. We have prepared the Statutory Minimum Wage: Reference Guidelines for Employers and Employees to illustrate the provisions and application of the MWO.

Employees are an enterprise's valuable asset. We appeal to employers to treat their employees well so as to maintain harmonious labour relations and avoid affecting staff morale. Employers should carefully assess the impact both on themselves and on the employees in contemplating any change to the employment terms. Employers should not reduce employees'

existing remuneration upon the implementation of SMW, and should not give employees a monthly pay lower than what they get before the implementation of the legislation. Sufficient communication between employers and employees is necessary during SMW implementation.

- (d) All along, employers and employees may, depending on the circumstances of individual enterprise or personal needs, agree on their employment terms, including whether meal breaks and rest days are paid or not. While the EO has no provision in these respects, if meal breaks or rest days are paid in accordance with their employment contracts or agreement, employers should not unilaterally vary the employment terms. Otherwise, the employees may file claim against their employers in accordance with the EO. The Labour Department will actively follow up the cases of employees who find their employment rights undermined.
- (e) In the last Legislative Session, the Bills Committee of the Legislative Council deliberated the policy and content of the Minimum Wage Bill thoroughly, including the proposal of excluding the time that is not hours worked and the payment for such time from the computation of minimum wage. The MWO as ultimately enacted has stipulated the relevant provisions.

Parking Spaces in Car Parks Managed by The Link Management Limited

13. **MR KAM NAI-WAI** (in Chinese): *President, recently, some residents of public rental housing (PRH) estates and Home Ownership Scheme (HOS) courts in quite a number of districts have indicated that The Link Management Limited (The Link Management) has suddenly ceased to lease the parking spaces in its car parks to them recently. In reply to my enquiry, The Link Management said that such cessation was made in order to comply with the lease conditions of the car parks (including restrictions on the status of the tenants and the numbers of various types of parking spaces, and so on). On the other hand, should The Link Management wish to lease the parking spaces in its car parks to non-residents of the PRH estates concerned (non-residents), it has to apply to the authorities for*

waiver of the relevant Government lease conditions and pay waiver fees. In this connection, will the Government inform this Council:

- (a) whether it has assessed if the current mismatch in the demand and supply of parking spaces (for example, the absence of parking spaces for motorcycles and goods vehicles in some districts while the residents are not allowed to use the nearby car parks of The Link Management) is caused by the actual needs not having been considered in the first place during the planning of the number of parking spaces in various districts;*
- (b) if the planning blunder in part (a) is proved to be true which has caused members of the public with parking needs to suffer, why the authorities have not, for the convenience of the public, rectified such planning blunder proactively, and whether the authorities attach importance to the income of waiver fee payable by The Link Management; how the waiver fees are calculated, and whether reference will be made to the operating expenses of similar car parks (such as those managed by the Hong Kong Housing Authority (HA));*
- (c) regarding the 178 car parks in public housing estates/HOS courts that the HA sold to The Link Real Estate Investment Trust (The Link REIT), of the respective numbers of parking spaces for private cars, motorcycles, light goods vehicles and heavy goods vehicles in these car parks, the respective numbers of the various types of parking spaces currently leased to eligible persons specified in the Government leases and to non-residents, the number of vacant spaces, the occupancy rate, and, where applicable, the ceilings of the various types of parking spaces to which permanent waivers of planning permissions have been granted, the expiry dates of temporary waivers of planning permissions which are still valid at present, and the expiry dates of temporary waivers of planning permissions which have become invalid, with a breakdown of the figures and information by the following categories, 18 District Council (DC) districts, and the names of the car parks:*

- (i) *the car parks to which permanent waivers of planning permissions have been granted, thus allowing surplus parking spaces to be leased to non-residents;*
 - (ii) *the car parks to which the temporary waivers of planning permissions (allowing surplus parking spaces to be leased to non-residents) granted are still valid;*
 - (iii) *the car parks to which the temporary waivers of planning permissions (allowing surplus parking spaces to be leased to non-residents) granted have become invalid; and*
 - (iv) *the car parks to which both permanent and temporary waivers of planning permissions have not been granted;*
- (d) *of the present number of waiver applications which the authorities have received from The Link Management, the names of the car parks involved, the numbers of the various types of parking spaces, the estimated rental value under the existing leases, the estimated new rental value after the granting of the waivers, for how long such applications have been submitted, and among the various types of parking spaces of The Link Management, the estimated number of surplus parking spaces available for leasing to non-residents, together with a breakdown by 18 DC districts;*
- (e) *given that in reply to an enquiry from a Member of this Council in January 2010, the authorities indicated that The Link Management had applied to the Lands Department (LandsD) for short-term waivers in respect of the car parks in 15 housing estates, of the latest progress of these applications; the current progress of the Government's follow-up on, as well as the vetting and approving of, other waiver applications submitted by The Link Management;*
- (f) *given that The Link REIT told the Kwai Tsing and Tai Po DC that the LandsD "has set the waiver fee at a level equivalent to 85% of the income at full occupancy within the waiver period", how the rate of 85% is determined; why the waiver fee is calculated on the basis of "full occupancy within the waiver period", instead of the actual occupancy rate;*

- (g) *whether it knows the number of special purpose vehicles, such as school buses, school private light buses and rehabuses, and so on, parked at the parking spaces for goods vehicles in the car parks of The Link Management at present, and whether these vehicles are not permitted to park at the parking spaces for goods vehicles of The Link Management under the relevant lease conditions;*
- (h) *how the authorities plan to deal with the problem that "some drivers are unable to find parking spaces for their vehicles while some parking spaces are left vacant", and how the authorities will make arrangements regarding the parking of the vehicles in part (g); and*
- (i) *whether the authorities will consider dealing with the relevant land lease problems in one go and amend afresh the land leases of the relevant car parks according to the demand for parking spaces in various districts, so that The Link Management is not required to submit waiver applications on a regular basis?*

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President, before the divestment of 180 commercial and carparking facilities to The Link REIT in November 2005, the HA looked into the leasing status of the carparks concerned. In the case where the demand of the local residents for carparking spaces in particular estates was not high, where there was no objection from local residents of the estates to the letting of surplus carparking spaces to non-residents and there were genuine demand from residents of the adjoining estate or HOS court for these carparking spaces, the HA, would apply to the Town Planning Board (TPB) for planning permission in accordance with the prevailing legislation and procedures concerned and to the LandsD for necessary waivers in accordance with the stipulations under the relevant land leases as appropriate so as to let the surplus carparking spaces to non-residents, including residents of the adjoining estates or HOS courts.

Premised on the above principles, the HA has applied to the TPB for planning permissions and the LandsD for necessary waivers for those relevant carparks before the divestment of commercial and carparking facilities to The Link REIT. However, just as under the current arrangements, the relevant planning permissions and waivers concerned were time-limited.

Since the divestment of the carparks concerned to The Link REIT in 2005, The Link REIT is the owner of those carparks. Should The Link REIT find it necessary to let its carparking spaces to non-residents, or to convert the use of some of its surplus carparking spaces for parking other types of vehicles, it should apply to the TPB for planning permissions and the LandsD for necessary waivers in accordance with the prevailing legislation and procedures concerned as appropriate under the established procedures.

In fact, the Housing Department (HD) has repeatedly reminded The Link Management through various channels, including in writing to The Link Management and through various operational contacts with The Link Management, of the requirement to apply to the LandsD if it would like to continue letting the carparking spaces to non-residents upon the expiry of the waivers. The HD also requested The Link Management, in making its decision, to take into full account the demand for different types of carparking spaces from local residents of the estates, and residents of the adjoining estates or HOS courts.

With the input from the LandsD, the Planning Department (PlanD) and the Transport Department (TD), my reply to the nine parts of the question is as follows:

(a) and (b)

In planning and developing public housing estates and HOS courts, the HA, after making reference to the then prevailing standards of carparking facilities stipulated in the Hong Kong Planning Standards and Guidelines as well as in consultation with the TD, determined the carparking facilities to be built for the public housing estates or HOS courts concerned. Should the parking facilities of public housing estates or HOS courts be located outside their boundaries, the HA would provide in a designated nearby carpark a stipulated number of parking spaces for private vehicles or/and goods vehicles for the use of residents of the estates/courts concerned. Subsequently, the relevant arrangements on parking space would be duly reflected in the lease conditions when drawing up the land lease of the relevant housing estates. The Link Management is not required upon taking over the estate carparks, to apply for waivers for letting these carparking spaces to residents of the specified

estates/courts. The rest of the carparking spaces in the estate carparks were intended for the exclusive use of local residents of the housing estates only. However, should the HA find that the demand of estate residents for these carparking spaces was not high and there were surplus carparking spaces, the HA, for the optimal use of resources, would apply to the TPB for planning permissions and to the LandsD for necessary waivers as appropriate so as to let the surplus carparking spaces to non-residents, including residents of the adjoining estates or HOS courts.

The above arrangements were made beyond the scope of the planning standards and in the light of the prevailing circumstances at the time for the optimal use of resources. Given the social and economic conditions may change over the years, the actual demand for different types of carparking spaces from residents of individual estates would vary from time to time. As such, it is a flexible and proper approach to cope with the demand for carparking spaces in different periods of time by way of acquiring the necessary planning permissions/temporary waivers. This approach not only ensures the priority use of the carparking facilities concerned by the local residents, but also allows for a flexible and responsive adjustment in a timely manner to any changes in the demand for carparking spaces that may take place from time to time from the local residents or from the adjoining estates or HOS courts.

The HA has been and is still using this approach to deal with surplus parking spaces in its carparks and it is in line with the approach for handling divested carparks.

The use of each carpark divested to The Link REIT must comply with the restrictions under the relevant land leases. In general, it is stipulated in the land leases of The Link REIT's carparks that carparking spaces could not let to non-residents other than those specified in the land leases. However, The Link REIT, with reference to the actual situation of individual estate carparks, may apply to the LandsD for temporary waivers to waive the restriction regarding the use of carparking spaces in the land leases. Since its listing in 2005, The Link REIT is a private organization operating

under commercial principles. The Link REIT can earn revenue from the temporary waivers which waive the restriction regarding the use of carparks in the land leases. The LandsD will process The Link REIT's waiver applications according to its established procedures. When a temporary waiver is issued, the LandsD will incorporate appropriate terms and conditions, including payment of administrative charges and waiver fees. The basis for calculating the waiver fee is detailed in the reply to part (f) as below.

Besides, the LandsD has put in place an appeal mechanism. Should The Link REIT disagree with the LandsD's assessment on the proposed waiver fee, it may submit an appeal to the LandsD through the established mechanism with relevant justifications for the LandsD's consideration.

- (c) According to the Offering Circular of The Link REIT, as at 31 March 2005, about 10% (that is, about 5 000) of the more than 50 000 monthly tenants of the carparking facilities to be divested were not local residents of the estates concerned. Following the listing of The Link REIT, and given the changes in economic climate and The Link REIT's own considerations, the situation may have changed.

As for the carpark facilities under The Link REIT, according to the PlanD's information, 12 carparks obtained permanent planning permissions; 12 carparks obtained temporary planning permissions which are still in effect; 122 carparks obtained temporary planning permissions but they are all now expired; and 32 carparks do not have any planning permission.

The Link REIT is a private organization which is entirely independent of the Government and the HA. The daily operation and management of its properties are taken up by The Link Management, with no participation by the Government and the HA. Therefore, the Administration does not hold any of the present leasing information of the carparks under The Link REIT, including the types of monthly tenants, distribution of carparking spaces, number of vacant carparking spaces and letting rate.

(d) and (e)

In the reply to the enquiry of the Legislative Council Panel on Housing about the operation of the carparks of The Link REIT in January 2010, the Administration stated that The Link REIT was applying to the LandsD for waivers for the carparking spaces in its 15 carparks so that it could let some of the carparking spaces to non-residents. According to the LandsD, The Link REIT withdrew its applications for three of those carparks concerned in mid-March 2011 while the LandsD approved and offered the proposed terms of waiver for two carparks to The Link REIT in October and December 2010 respectively. However, The Link REIT responded that the waiver fees to be charged were too high but it has not made any appeal submission to the LandsD. For the remaining 10 carparks, The Link REIT is dealing with the relevant planning applications and objections from residents to its waiver applications.

The Link REIT subsequently applied to the LandsD for other temporary waivers to convert the use of some carparking spaces and to let some carparking spaces to the residents of the adjoining estates or courts. The Link REIT eventually confirmed in end 2010 that its waiver applications involved a total of 119 carparks, with some 1 600 carparking spaces. The Link REIT revealed to the LandsD that the number and types of the said carparking spaces had been changed between April 2009 and end December 2010. The said carparking spaces were also let to residents of the adjoining estates or courts. The LandsD is processing these waiver applications, which will be of a retrospective nature.

Meanwhile, according to the LandsD, The Link REIT has also applied to the LandsD for temporary waivers in respect of some 3 700 carparking spaces in 122 carparks so as to change the number and types of some carparking spaces and to let some of the carparking spaces to residents of the adjoining estates or courts with effect from January 2011. The LandsD is consulting relevant government departments' views on this batch of waiver applications. Of these applications for temporary waivers, the one for the carpark in Cheung Fat Estate in Kwai Tsing had been approved and the proposed terms of the waiver was offered to The Link REIT in end

January 2011. In March 2011, The Link REIT paid to the LandsD relevant fees for this temporary waiver application. The LandsD understands that The Link REIT intends to lodge an appeal against the waiver fees concerned. The LandsD, however, has yet to receive any formal waiver fee appeal submission from The Link REIT.

The LandsD is now making every effort to process the remaining applications for temporary waivers. According to the LandsD, The Link REIT intends to further revise the number of carparking spaces in its applications but the LandsD has yet to receive from The Link REIT the latest information.

- (f) According to the LandsD, its principle of determining the waiver fees is, in general, to reflect the enhancement in the value of the property after the relevant lease restriction is waived. When processing The Link REIT's waiver applications for temporarily waiving the lease restriction regarding the use of carparking spaces, the LandsD will assess the waiver fees based on the number of carparking spaces applied for by The Link REIT, that is, the additional number of carparking spaces which The Link REIT deems as lettable.

- (g) to (i)

According to the Road Traffic Ordinance, the parking spaces for goods vehicles are for the parking of goods vehicles only, but not other types of vehicles. In general, the parking spaces for goods vehicles stipulated in the land leases are for the parking of goods vehicles only. In the waiver applications submitted by The Link Management in end 2010, they are seeking permission to allow parking of special purpose vehicles including school buses, nanny vans and rehabuses in some 550 parking spaces for goods vehicles. As mentioned in the reply to parts (d) and (e) above, the LandsD is awaiting the updated information on number of carparking spaces from The Link Management for further processing of its applications.

In fact, as mentioned in the reply to parts (a) and (b) above, given the social and economic conditions may have changed over the years, the actual demand for carparking spaces from local residents of individual estate may vary from time to time. Therefore, it is a flexible and proper approach for The Link REIT to apply to the LandsD for temporary waivers to amend the stipulations in the land leases to address the demand for carparking spaces in different periods of time. This approach not only ensures the priority use of the carparking facilities concerned by the local residents, but also responds flexibly and in a timely manner to any changes in the demand for carparking spaces in different periods of time from the local residents or from the adjoining estates or HOS courts.

We understand that The Link Management is applying to the LandsD for the necessary waivers. The LandsD is now making every effort to follow up The Link Management's applications expeditiously, and to consult relevant government departments' views on such applications to ensure that resources are effectively utilized; that the current demand from residents of the adjoining estates and HOS courts for carparking spaces is reasonably satisfied; and that any inconvenience caused to the public be minimized as far as practicable. During the period of processing of The Link Management's waiver applications, the LandsD has no plan to carry out enforcement actions against leasing out of the carparks concerned.

Taxation Problems Faced by Enterprises

14. **DR LAM TAI-FAI** (in Chinese): *President, regarding the taxation problems faced by Hong Kong enterprises engaged in processing operations, will the Government inform this Council:*

- (a) *given the judgment in the High Court case HCAL49/2009 has revealed that the Commissioner of Inland Revenue (the Commissioner) demanded a certain enterprise to purchase Tax Reserve Certificates (TRCs) for a total value of \$430 million, upon the objections lodged by the enterprise against the tax assessments,*

which stood at approximately \$1.4 billion in relation to the years from 1997-1998 to 2002-2003 as assessed by the Inland Revenue Department (IRD), and the enterprise disclosed subsequently in its annual report that its tax disputes with the IRD relating to the years from 1997-1998 to 2008-2009 were settled by paying a sum of less than \$200 million, what criteria are adopted by the Commissioner in determining the amount of TRCs which a taxpayer is required to purchase, as well as what mechanism is in place for monitoring the Commissioner's exercise of the statutory power to issue the "Conditional Standover Order";

- (b) *given the provision of the Inland Revenue Ordinance (Cap. 112) (IRO) that upon the lodging of an objection or appeal against tax assessments by an enterprise, interest shall be payable on the tax held over at the "Judgment Interest Rate" (8% per annum at present) if the enterprise concerned fails the case eventually, whereas interest shall be payable on the TRCs it purchased at the interest rate on TRCs (0.0433% per annum at present) if the case is successful, whether the authorities have examined the reason for the substantial difference between the two interest rates; since the low interest rate on TRCs will lead to the relatively small amount of interest payable by the Government even when it fails the case, whether, as a result, the Commissioner will be inclined to casually require enterprises to purchase huge amount of TRCs as cost risks are low; given that the authorities have prescribed that the interest payable on tax payment in unsuccessful cases is to be calculated at the "Judgment Interest Rate" which is a relatively high interest rate, whether it is meant to deter enterprises from exercising the right to lodge objections or appeals against tax assessments by charging a penal rate of interest; whether the authorities have assessed if such a practice is unfair to the enterprises;*
- (c) *whether it has assessed if the IRD's demanding enterprises to purchase huge amounts of TRCs or furnish bankers' undertakings before their tax disputes are settled will deal a severe blow to their cash flow and increase their expenditure on loan interests, thus imposing heavy cost and psychological burdens on them and putting them in a disadvantaged position in tax disputes;*

- (d) *of the legal basis for the IRD to adopt the current arrangement of "Assess First Audit Later"; whether there is any case to which this practice is not applicable; if so, of the cases and the reasons for that;*
- (e) *given that under the existing "Assess First Audit Later" arrangement, the subsequent one-off recovery by the IRD from enterprises of unpaid taxes accumulated over the past years without promptly informing them of the errors in their tax returns in the first place will create an unaffordable snow-ball effect on their tax burden, even though their errors are just a result of the differences in the views between them and the IRD on tax legislation, whether the authorities have assessed if the arrangement of "Assess First Audit Later" can be replaced by that of "Audit First Assess Later" for controversial cases such as those concerning section 39E of the IRO (section 39E) and the assessment of Hong Kong profits tax on a 50:50 basis of apportionment; if they have not, of the reasons for that;*
- (f) *given that at present, the IRD grants special depreciation allowances for machinery outside Hong Kong for cases engaged in "contract processing", whether the authorities will grant the same special allowances for cases engaged in "import processing"; if they will not, of the reasons for that;*
- (g) *given that in the case of Davies & Anor, R v HM Revenue & Customs (2010) in Britain, the Judge pointed out that the taxation authorities' published guidance was legally enforceable, whereas in the Departmental Interpretation and Practice Notes (DIPN) No. 21 issued by the IRD in 1998, it does not stipulate that the 50:50 basis of apportionment of profit tax applies only to enterprises engaged in "contract processing" but not to enterprises engaged in "import processing", whether the authorities have assessed if it is a fair and reasonable practice for the IRD to impose penalty on those local enterprises that have made arrangements according to DIPN No. 21; if they have, of the details; if not, the reasons for that;*
- (h) *given that some members of the commercial and industrial sectors have relayed to me that some assessors have told the enterprises*

which had raised objections or lodged appeals to tax assessments that if the enterprises do not comply with the IRD's request of purchasing TRCs and compromise with the IRD, they would pass their cases to the Field Audit and Investigation Unit of the IRD for thorough investigations, whether the authorities have assessed if such a practice is appropriate and whether this will make the enterprises concerned feel uneasy, thereby affecting them in exercising their legal rights of lodging appeals or raising objections to tax assessments;

- (i) given that the authorities invited the Joint Liaison Committee on Taxation (JLCT) in March 2010 to review the implementation of section 39E, and then they announced in November of the same year that they refused to accept all the recommendations made by the JLCT, whether the authorities will assess the functions of the JLCT and consider dismissing it;*
- (j) given that the authorities have refused to accept the recommendations of the JLCT on the ground that it has not proposed effective measures to plug possible tax avoidance loopholes, whether they have conducted studies on their own on this subject; if they have, whether the report and information of the study can be disclosed to the public; if not, of the reasons for that; and*
- (k) given that the purposive approach, which has been recognized by the courts, and section 19 of the Interpretation and General Clauses Ordinance (Cap.1) both require that in interpreting law, the legislative intent must be established, and that in Medical Council of Hong Kong v Chow Siu Shek David, the Court of Final Appeal states, "When the true position under a statute is to be ascertained by interpretation, it is necessary to read all of the relevant provisions together and in the context of the whole statute as a purposive unity in its appropriate legal and social setting", and that the Commissioner also holds the same view in the case of CIR v Sawhney (HCIA1/2006), whether the authorities have assessed if the decision made by the Board of Review on the case D61/08, which contains the comments that "From the provision (of section 39E) itself, it does not require an intention to avoid tax for its*

application", is a correct one; if they have assessed, of the details; if not, the reasons for that?

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

(a) to (c) and (h)

In our reply to Dr LAM Tai-fai's written question on 9 March 2011, we have already explained in detail the legal basis and relevant criteria for the Commissioner to issue, in relation to objection or appeal cases, "conditional stand-over orders" requiring taxpayers to purchase TRCs in the amount of tax held over, or to furnish banker's undertakings. Owing to the secrecy provisions in the IRO, we would not make any comments or responses on individual cases.

Generally speaking, when determining the amount of tax held over, the IRD will compare the tax attributable to the disputed item against the total tax payable. If taxpayers encounter financial difficulties in purchasing TRCs in the amount of tax held over in pursuance of "conditional stand-over orders", they may approach the IRD to resolve the problem under the established mechanism, including application to the IRD for payment of tax by instalments.

According to section 71 of the IRO, if taxpayers have purchased TRCs in pursuance of "conditional stand-over orders" in relation to objection or appeal cases, interest (the current interest rate of TRC is 0.0433% per annum) will be paid on these TRCs to the extent to which the TRCs are eventually not required to settle the tax held over, that is, the parts in which the taxpayers' objection or appeal are successful. If the objections or appeals are withdrawn or determined against the taxpayers (wholly or in part), the taxpayers may tender the TRCs or a part of the TRCs in payment of the tax held over and found payable. No interest is payable upon any TRCs or part thereof so tendered.

If the taxpayers are granted with "unconditional stand-over orders", or "conditional stand-over orders" requiring the provision of banker's undertakings, issued by the Commissioner for their objection or appeal cases, and the taxpayers eventually withdraw the objections or appeals or the objections or appeals are determined against the taxpayers, the taxpayers would be required to pay interest on so much of the tax or any part held over which, upon the withdrawal or final determination of the objections or appeals, is found payable. The rate of interest payable is the judgment debt rate (the current rate is 8% per annum) prescribed in section 50 of the District Court Ordinance (Cap. 336). The relevant provisions aim to protect tax revenue by preventing taxpayers from abusing the objection mechanism for the purpose of deferring tax payment.

All along, the IRD handles tax matters in a fair, impartial and professional manner, without interfering with taxpayers' rights to lodge objections or appeals. If taxpayers disagree with the Commissioner's decision to require them to purchase TRCs or to furnish banker's undertakings in pursuance of the "conditional stand-over orders", they may seek judicial review in the High Court.

(d) and (e)

According to section 59(1) of the IRO, an assessor is required to raise an assessment as soon as possible upon the taxpayer has furnished a tax return. Section 59(2)(a) of the IRO stipulates that where a taxpayer has furnished a return, the assessor may accept the return and make an assessment accordingly. An assessor is also empowered under section 60(1) of the IRO to raise additional assessment on any taxpayer who has not been assessed or has been assessed at less than the proper amount within the year of assessment or within six years after the expiration thereof. Hence, the "Assess First Audit Later" arrangement fully meets the legal requirements while enabling the IRD to deploy resources in a flexible and effective manner. A taxpayer may, after furnishing a tax return, approach the IRD if he prefers to have the information furnished in the return examined before an assessment is raised. The IRD would make relevant arrangements as far as practicable.

(f) and (g)

In response to Dr LAM Tai-fai's oral and written questions, we have on a number of occasions explained to Members of the Legislative Council that Hong Kong enterprises maintain the buyer/seller relationship with their Mainland counterparts under the "import processing" arrangements. The taxable profits of the Hong Kong enterprises in Hong Kong are derived from their trading transactions. Since the profits derived from the production activities in the Mainland under "import processing" are not attributable to the Hong Kong enterprises, the IRD, according to the "territorial source" principle, would not charge profits tax on Hong Kong enterprises for the Mainland production activities. Based on the "tax symmetry" principle, the Hong Kong enterprises would not be granted with depreciation allowances for the machinery and plant solely used in the production activities in the Mainland.

In our previous replies to the written questions raised by Dr LAM Tai-fai, we have indicated that the IRD would update their DIPNs as and when necessary to provide explanations and illustrations for individual provisions, but such DIPNs do not have any legal effect and cannot change any provisions in the law. In this regard, the Court of Appeal reiterated in the case *CIR v Datatronic Ltd* (CACV 275/2008) that whether tax should be charged or otherwise should be determined by the provisions of the IRO, and that DIPN No. 21 issued by the IRD in 1998 did not have any legal effect.

(i) and (j)

The JLCT is a discussion forum set up on the initiative of the accountancy and commercial sectors in 1987. It discusses various tax issues and reflects the views of the industry to the Government. The JLCT is not an advisory body established or appointed by the Government, though Government officials are invited to attend its meetings. We are grateful to the JLCT for its study and recommendations in relation to section 39E of the IRO. Nevertheless, owing to the established principles of "territorial source" and "tax symmetry" under the Hong Kong tax system and

the issue of transfer pricing, we consider that there are no justifiable grounds to relax the existing restriction in section 39E.

- (k) We respect the taxpayers' rights under the IRO to raise reasonable grounds of appeal against tax assessments to the Board of Review (Inland Revenue Ordinance) (the Board) and the Court. We also respect the judgments made by the Board and the Court of all levels.

Supply of Infant Formulas

15. **MR FREDERICK FUNG** (in Chinese): *President, it has been reported that the incident of radiation leak in Japan has sent consumers scrambling for infant formulas in Hong Kong recently, thus further tightening the supply. Some members of the public criticized that some shops had increased the price excessively, and some even bundled the sale of infant formulas with other goods. As revealed by the CHOICE magazine published by the Consumer Council (CC) in March 2011, of the 33 items of the major brands of infant formulas surveyed, 24 had had their average retail prices increased from 4% to 12% (comparing the prices for April 2009 to February 2010 with those for the same period from 2010 to 2011), registering an increase in price higher than the food price inflation rate (3.6%) for the corresponding period. The survey also shows that the out-of-stock rate of infant formulas of some popular brands was as high as 64%, and it is believed that the scrambling for these products by non-local people is one of the causes of the heightened out-of-stock rate. In this connection, will the Government inform this Council:*

- (a) *whether the authorities have looked into the reasons why the increase in retail prices of infant formulas is much higher than the food price inflation rate; and whether there is stockpiling and hoarding for speculation; given that the CC has urged formula suppliers to consider setting up an industry code of practice to ensure adequate supply to local consumers, will the Government consider facilitating the trade in drawing up a code of practice, including ensuring adequate supply to local consumers and adopting the means of suspending supply to retail shops which raise the price of infant formulas unreasonably;*

- (b) *given the recent situation of intense scrambling for infant formulas, of the authorities' concrete measures to ensure adequate supply and stabilize the prices of infant formulas, so as to avoid speculative surge of prices; and what measures are in place to ensure that the grassroots need not bear huge expenses on infant formulas; and*
- (c) *whether the authorities will grasp this opportunity to promote the benefits of breastfeeding to the public and step up public education, so as to eliminate the misconception of the public that infant formulas are richer and more comprehensive in nutrient components than breastmilk, and to address parents' concern that switching to other brands of infant formulas may affect the health of their babies, so that they will consider choosing other brands with relatively stable supply, and to change the current situation of the blind worship of famous brands by parents; if they will, of the specific details; if not, the reasons for that?*

SECRETARY FOR FOOD AND HEALTH (in Chinese): President, the Government cares about babies' health and has been promoting the merits of breastfeeding in order to encourage its adoption by parents. The Government also understands that some parents still prefer infant formula, and has therefore paid particular attention to their safety and supply. Since the reports of shortage of infant formula, we have been proactive in liaising closely with major infant formula suppliers, the Hong Kong General Chamber of Pharmacy and major retailers. We were assured by the suppliers that they had sufficient stock on hand, and that they would increase supply to cope with the growing market demand.

After the nuclear radiation leak triggered by earthquake and tsunami in Japan, we noted that the supply of certain brands of Japanese infant formula might be reduced as a result. Japanese brands accounted for about one fourth of the supply in the local market in the past year, and shortage of some brands might have direct impact on those babies consuming these products. Meanwhile, suppliers of other infant formula brands have indicated that they had adequate stock to meet the demand if parents chose to switch to their brands. As the nuclear radiation leak may have a prolonged impact, the supply of Japanese infant formula to Hong Kong will inevitably be unstable. In these circumstances, the

Government asks parents to consider switching to other brands of infant formula for their babies when necessary. As the ingredients of different brands of infant formula are generally the same, switching brands for babies should not pose problems provided that due care is exercised during the transition period.

The reply to the three parts of the question is as follows:

(a) and (b)

Since the earthquake and the incident of nuclear radiation leak in Japan, we have been proactive in liaising closely with major suppliers, importers and retailers to keep in view the supply and market situation of Japanese infant formula, and to understand the impact of the earthquake and nuclear incident in Japan on the supply of infant formula in Hong Kong. At the meeting chaired by the Permanent Secretary for Food and Health (Food) on 22 March 2011, major suppliers, importers and retailers of food and infant formula indicated that the supply of Japanese infant formula could not meet the recent surge in demand. Importers have already requested the suppliers in Japan to increase their exports. There were indeed uncertainties as to the quantity of supply in the near future since some Japanese manufacturers had advised the local trade that the exports to Hong Kong might be reduced in order to meet domestic need in Japan. Nonetheless, the trade will step up liaison with the Japanese suppliers with a view to minimizing the impact on Hong Kong as far as possible.

As the public expected that the nuclear incident would have a prolonged impact on the supply of Japanese infant formula, many of them scrambled to purchase those products manufactured before the earthquake, generating a sudden upsurge of demand. Given the dynamics of supply and demand, prices at some retail outlets soared. This was due to a short-term imbalance in demand and supply and the suppliers' commercial considerations.

As regards infant formula imported from other countries, their supply will not be affected by the earthquake and nuclear incident in Japan since their raw materials come mainly from Europe, Australia

and New Zealand. Representatives of the trade have also indicated that supply of these infant formulas was abundant. They are prepared to provide guidance to parents who wish to switch from Japanese brands to other brands. The major brands have already set up hotlines or purchase and delivery services.

During their communication with the Government, the representatives of the major infant formula suppliers have all agreed that meeting the needs of local babies was their prime responsibility, and they had been closely monitoring the market situation. If necessary, arrangements would be made for increasing supply in Hong Kong to ensure a stable supply of infant formula in the local market.

Hong Kong practises free trade, and the best way to maintain a reasonable price for infant formula is to ensure a stable and sufficient supply. In addition, the CC also releases information of major brands of infant formula through the *CHOICE* magazine and its website, including the out-of-stock rate, prices, customer services information and hints for switching formula for babies, and so on. Such information will increase the market transparency and competition.

The Administration will continue to keep close liaison with the major suppliers, importers and retailers of infant formula and take corresponding actions to jointly ensure their stable supply in the local market.

- (c) The World Health Organization (WHO) recommends breastfeeding as the way of providing the best food for healthy growth and development of infants. It recommends that babies under six months of age should preferably be exclusively breastfed, and then continue to be breastfed along with supplementary foods up to two years of age or beyond. The Government has all along endeavoured to promote, protect and support breastfeeding and to implement this policy through the Department of Health (DH) and the Hospital Authority. Healthcare professionals provide

counselling service for breastfeeding mothers, and help post-natal women acquire breastfeeding skills and tackle the problems they may encounter during breastfeeding. Maternal and Child Centres under the DH also conduct workshops to equip breastfeeding working mothers with the necessary skills so that they are prepared for continuing breastfeeding after returning to work. To enhance parents' understanding on diet for babies and infants, the DH plans to produce a parenting education kit on healthy diet for babies and infants, which will include a handbook, education VCDs and recipes, and so on, so as to disseminate positive health information among parents.

Besides, the Government is now in the process of drafting a Hong Kong Code of Marketing of Breast-milk Substitutes (the Hong Kong Code). The Hong Kong Code aims to regulate the manufacturers and distributors of breast-milk substitutes and to prohibit them from advertising and marketing their breast-milk substitutes and related products by way of malpractice. In developing the Hong Kong Code, the Government will take into account the details and scope of regulation recommended in the WHO Code. When the Hong Kong Code comes into effect, we will monitor its implementation to ensure that the correct information reaches the parents.

Influence of International Air Transport Association on Air Transport Market

16. **MR PAUL TSE** (in Chinese): *President, a great majority of the airlines operating in Hong Kong are members of the International Air Transport Association (IATA). Earlier, the IATA has unilaterally notified all registered travel agents in Hong Kong that the payment period for the Billing and Settlement Plan in respect of the purchase of air tickets (that is, the period within which travel agents are required to effect payment to airlines after purchase of air tickets) will be shortened from the original 15 days to seven days. Some members of the trade have pointed out that such an arrangement has seriously impacted the cash flow of travel agents, and some of them may possibly be closed down as a result. In this connection, will the Government inform this Council:*

- (a) *as some members of the trade have pointed out that given the enactment of anti-trust laws by a number of countries, airlines generally avoid, as far as possible, entering into any negotiation or agreement in respect of their operation mode, yet they often manipulate the operation mode of the market and implement measures for such purpose through the IATA, whether the authorities have assessed if the act concerned is anti-competitive conduct which is proposed to be regulated under the Competition Bill; whether the Government can undertake that, after the passage of the Bill, it will examine immediately if the relevant arrangement between the IATA and the airlines concerned have violated the principle of fair competition; and*
- (b) *whether the Government has, before the Competition Ordinance comes into operation, any other policies or means to monitor if the airlines have acted in collusion to manipulate the market, so as to uphold the principle of fair competition?*

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

- (a) We have consulted the Commerce and Economic Development Bureau. Whether the concerned act of the IATA constitutes a breach of the provisions under the Competition Bill needs to be investigated by the future independent Competition Commission and adjudicated by the Competition Tribunal before a breach can be established.

Any person may lodge a complaint with the Competition Commission which could conduct an investigation if it has reasonable cause to suspect that a contravention of a competition rule has taken place; and

- (b) We understand from the IATA that the shortening of the payment period referred to in the question has yet to be implemented. The IATA is consulting the local travel agents and travel agents may lodge their views during the process. Before the enactment of the Competition Bill, an aggrieved party may lodge a competition-related complaint to the Competition Policy Advisory Group, chaired by the Financial Secretary, which may refer the

complaint to the concerned Policy Bureau/government department for investigation and consideration.

Competitiveness of Hong Kong Stock Exchange

17. **MR ABRAHAM SHEK:** *President, it has been reported that although the market capitalization of the securities traded in the stock exchange of Hong Kong is the world's seventh-largest, and the financial services industry in Hong Kong accounts for about 16% of the gross domestic products, the securities turnover of Hong Kong in recent years has never reached the top 10 because of the high trading costs. It has also been reported that the securities trading costs in Hong Kong are 35% and 25% higher than those in the United States and the United Kingdom respectively, which discourages institutional investors from trading frequently and thus impacts on the overall trading volume. In this connection, will the Government inform this Council:*

- (a) *whether it has considered implementing any measure to lower the securities transaction costs so that the competitiveness of Hong Kong's stock exchange may be maintained; if so, of the details regarding its timetable for public consultation;*
- (b) *given that dark pools which help keep trading costs down have already been established in the United States, Europe and Japan, whether the Government will consider encouraging the development of dark pools in Hong Kong to boost trading; if so, of the details; if not, the reasons for that; and*
- (c) *as it was reported that the Hong Kong Exchanges and Clearing Limited (HKEx) would spend \$1 billion to build a lightning-fast data and processing centre over the next three years to increase the liquidity in the market, whether it knows if any measure will be taken to lessen market volatility which may be caused by such high-speed automated trading, so that incidents similar to the "Flash Crash" in the United States last year, which had resulted in the Dow Jones Industrial Average plunging 700 points in a matter of minutes, will not occur in Hong Kong?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY:
President, my reply to the three parts of the question is as follows:

- (a) As at end 2010, Hong Kong ranked 10th among exchanges in the world in terms of turnover. We note the press report about higher trading costs in Hong Kong on 10 January 2011. According to the report, the relevant cost analysis covers the cost of spreads, brokerage charges and other implicit costs of implementing the trade arising from the difference between the price that the investor intended and what was actually executed. The latter relates to spreads and, according to some brokers, the lack of anonymity whereby some orders can be paired with the broker's identity. In the past, the HKEx has reduced spreads and considered anonymity, but these have turned out to be controversial with some market participants. The HKEx believes that such changes would be beneficial to the market. It will continue to explore with the market on the best way forward.
- (b) Currently, there are 13 dark pools operating in Hong Kong. They are mainly brokers/banks' internal crossing engine whereby their customers' orders would be channelled to the internal pool for matching. Currently, trades conducted in these dark pools are required to be reported to the HKEx, and the HKEx provides post-trade transparency through its market data system.

We note that the emergence of dark pools has raised concerns over the lack of transparency which could create a two-tiered market that deprives the public of information about trades and liquidity in dark pools. We understand that the United States and the European Union are also reviewing their regulatory framework for dark pools in relation to, among other things, transparency.

The Securities and Futures Commission (SFC) has been actively participating in international discussions on regulatory issues related to dark liquidity. Together with the SFC, we will continue monitoring the development of dark pools in Hong Kong and other major markets.

- (c) The United States "flash crash" on 6 May 2010 is attributed to the ill-timed execution of an automated execution algorithm that was programmed to feed orders into the E-Mini market without regard to price or time. The plunge in prices was caused by many factors. They include very fragmented execution venues with different rules and practices; the retreat of liquidity providers and high frequency traders from the market; and the presence of "stub quotes" (that is, quotes placed by liquidity providers at extreme prices to fulfil liquidity obligations or by bottom fishers looking for bargains) coupled with widespread use of market and stop loss orders. These factors are absent in Hong Kong. For example, the HKEx has imposed a set of order entry rules that restrict orders being placed far away from the current market, serving as a safeguard in our market to prevent the occurrence of a "flash crash" similar to the one occurred in the United States.

Employment of Foreign Domestic Workers

18. **MRS REGINA IP** (in Chinese): *President, at present, foreign domestic helper (FDH) employment agencies (EAs) are the major channel through which Hong Kong people employ FDHs, and the EAs, in order to attract business, usually claim that the FDHs referred by them have received training in domestic work and/or baby care offered by FDHs' local EAs. However, some members of the public have relayed to me from time to time that the qualifications of the FDHs employed through EAs are inconsistent with what the agencies have claimed. Under such circumstances, even if the agency concerned is willing to provide the employer with a replacement FDH, the employer still has to pay for expenses such as the visa fee and medical examination fee for the replacement FDH, and also give the dismissed FDH one month's wages in lieu of notice and provide the FDH free passage to return to his/her place of origin. In this connection, will the Government inform this Council:*

- (a) *whether any legislation or measure is in place at present to regulate the making of misleading and false claims by FDH EAs; if so, of the details; and*

- (b) *in view of the fact that at present, in case an employer find his newly employed FDH incompetent, the employer may only dismiss the FDH in accordance with the Standard Employment Contract (SEC) provided by the Government, and there is no other more convenient way for the employers, whether the Government will consider providing a probation period in SEC; if it will, of the timetable; if not, the reasons for that?*

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President, the Labour Department (LD) attaches great importance to ensuring that EAs operate according to the law. On the regulation of EAs, the LD is responsible for enforcing Part XII of the Employment Ordinance (Cap. 57) (EO) and the Employment Agency Regulations (the Regulations) made thereunder. Its duties include the processing of licence applications, checking compliance of EAs with the EO requirement to keep records of job seekers and employers, and conducting investigation into complaints about operating without a licence and overcharging of agency fees. Every EA is required to apply for a licence from the LD before undertaking any job placement business. If an EA is convicted of contravening Part XII of the EO and the Regulations in the course of operation, the Commissioner for Labour will consider refusing to issue or renew its licence, or revoking its licence.

My reply to the question raised by Mrs Regina IP is set out below:

- (a) According to the Trade Descriptions Ordinance (Cap. 362) (the Ordinance), it is an offence for any person to apply a false trade description to goods. To strengthen protection for consumers, the Government consulted the public last year on the relevant legislation and released a public consultation report in January this year. One of the legislative proposals was to broaden the scope of application of the Ordinance to cover trade descriptions in respect of services made in consumer transactions, including indications, direct or indirect, of the quality of the services. Under this proposal, an agency will commit an offence if it applies a false description with respect to the standard, quality or other attributes of the services that it provides to consumers.

- (b) It is the established principle of the Government's labour policy to strike a reasonable balance between the interests of employers and employees. We consider that the current arrangement of not setting a probation period for FDHs achieves that balance.

For FDHs, the existing arrangement requires that an FDH must have at least two years' working experience as a domestic helper before coming to Hong Kong, and thus allowing them to stay and work in Hong Kong for a longer period (with a two-year contract term) is a reasonable arrangement. For FDH employers, the relevant SEC prescribed by the Government requires them to pay for certain expenses when employing an FDH, such as travel fee, visa fee and authentication fee. Even if a probation period were to be set, employers' expenses in this regard would not be exempted. If, during the probation period, the employee requests to terminate the contract, in addition to bearing the travel fee for the employee's return to the latter's place of origin, the employer has to bear the travel fee, visa fee and authentication fee, and so on, for the new employee. Hence, the employer's expenses in this regard will not be reduced. On the other hand, FDHs incur considerable costs and expenses for accepting employment in Hong Kong. If they are required to bear the risk of the probation period and the aforementioned expenses, it is likely that a large number of FDHs would not be able to afford the costs of coming to work in Hong Kong, or suffer serious losses as a result of not passing the probation. This would affect the desire and number of FDHs to work in Hong Kong, thereby limiting employers' choices, and even rendering some employers with genuine needs unable to get an FDH. In addition, the probation period arrangement may also lead to FDHs who are not offered employment being stranded in Hong Kong owing to lack of travel funds, and the Government may eventually need to use public funds for their repatriation.

The present SEC provides that either the employer or the employee may terminate the contract by giving not less than one month's notice in writing or by paying one month's wages to the other party. This arrangement already offers both parties a degree of flexibility. After carefully weighing the above considerations, we consider that

it would be inappropriate to introduce a probation period for the employment of FDHs.

Statistics on New Immigrants Receiving Welfare Benefits

19. **MR CHEUNG KWOK-CHE** (in Chinese): *President, at present, Mainland people may apply to the Mainland authorities for a Permit for Proceeding to Hong Kong and Macao (One-way Permit or OWP) to settle in Hong Kong on grounds of "family reunion". The current daily OWP quota is 150. Recently, it has been reported that quite a number of Hong Kong people are worried that the fiscal reserves of Hong Kong may be exhausted by the people who have arrived and settled in Hong Kong (new immigrants) continuously receiving welfare benefits in Hong Kong. In this connection, will the Government inform this Council:*

- (a) of the current number of new immigrants who have resided in Hong Kong for less than seven years;*
- (b) among the new immigrants who have resided in Hong Kong for less than seven years at present, of the respective numbers of those who have been granted the Comprehensive Social Security Assistance (CSSA) at the discretion of the Director of Social Welfare (Director), and those who have been allocated public rental housing (PRH) flats through compassionate rehousing by the Director; the percentage of such numbers in the total number of new immigrants who have resided in Hong Kong for less than seven years at present;*
- (c) of the average monthly standard rate for each recipient in part (b) who has been granted CSSA at the Director's discretion; and among these CSSA recipients, the respective numbers and percentages of those who have and those who do not have paid jobs; and*
- (d) of the total expenditure incurred in each of the past three years on granting CSSA payments to new immigrants who had resided in Hong Kong for less than seven years; the percentages of such payments in relation to the fiscal reserves in the respective years; whether the authorities have estimated if the relevant expenditure*

will exhaust our fiscal reserves; if the fiscal reserves will be exhausted, in how many years this will happen?

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President, my reply to the four parts of the question raised by Mr CHEUNG Kwok-che is set out below:

- (a) We understand that immigrants from the Mainland residing in Hong Kong in the question refer to those who arrived in Hong Kong with OWPs. In the seven years preceding end-February 2011, a total of 314 437 persons arrived in Hong Kong with OWPs.
- (b) Applicants for CSSA aged 18 or above must have been a Hong Kong resident for at least seven years. In exceptional circumstances, the Director can exercise discretion to grant CSSA to a person who does not meet the above requirement. According to the information supplied by the recipients, of the CSSA recipients who had resided in Hong Kong for less than seven years as at end-February 2011, there were, regardless of nationality, altogether 17 621 recipients whose place of origin was Mainland China. The Social Welfare Department (SWD), however, does not keep record of whether these recipients arrived at Hong Kong with OWPs, and whether their CSSA applications were approved at the Director's discretion. For this reason, we are unable to calculate the percentage of persons arriving in Hong Kong with OWPs who were granted CSSA at the Director's discretion in the past seven years.

According to the requirement of the Housing Department (HD), at least half of the family members included in a PRH application must have lived in Hong Kong for seven years and are still living in Hong Kong at the time of allocation. In the past seven financial years (up to end-February 2011), there were 585 Compassionate Rehousing cases in relation to exemption of the above PRH residence requirement which were recommended by the SWD to the HD for early admission to PRH.

- (c) The CSSA Scheme adopts a household approach in the calculation and payment of different types of assistance. The SWD does not compile statistics on the average standard rates with breakdown by the background of individual recipients (including their place of origin).

Of the 17 621 CSSA recipients mentioned in part (b) above, 7 405 were aged below 15 and therefore were not subject to the work requirements under the CSSA Scheme. Of the remaining 10 216 recipients, 2 963 (29%) had paid jobs and 7 253 (71%) did not. The SWD does not have separate figures on how many CSSA applications from these recipients were approved at the Director's discretion.

- (d) The amounts of CSSA payment to recipients who had resided in Hong Kong for less than seven years were about \$1.02 billion, \$870 million and \$640 million respectively in each of the three financial years starting from 2008-2009. The SWD does not have separate figures on the payment to those whose place of origin was Mainland China and who were granted CSSA by the Director on a discretionary basis.

The fiscal reserves should be sufficient to meet daily operational requirements, and to provide adequate resources for coping with fiscal pressure arising from unfunded liabilities, economic downturns and unforeseen events, or structural changes in the community. CSSA is only part of government expenditure. It is therefore not appropriate to compare CSSA expenditures with the fiscal reserves.

Provision of Community Facilities

20. **MR LEE WING-TAT** (in Chinese): *President, the Government will make reference to the Hong Kong Planning Standards and Guidelines (HKPSG) when it plans for the use of various land sites and the construction of community facilities. HKPSG recommend the provision of 760 half-day and 210 full-day places of nursery classes and kindergartens for every 1 000 children in the age*

group of three to under six, one whole-day primary school classroom for every 25.5 children in the six to 11 age group, one whole-day secondary school classroom for every 40 young persons in the 12 to 17 age group; and also, one Integrated Children and Youth Services Centre should be provided for every 12 000 children/young persons in the six to 24 age group, one Integrated Family Service Centre (IFSC) for every 100 000 to 150 000 persons and one General Clinic/Health Centre for every 100 000 persons. In this connection, will the Government inform this Council:

- (a) whether the authorities have considered the relevant principles of gender mainstreaming in formulating HKPSG; if they have, of the principles considered and the relevant standards formulated; if not, the reasons for that;*
- (b) regarding Maternal and Child Health Centres (MCHCs) and Woman Health Centres (WHCs), which provide services to women, as well as Child Care Centres (CCCs) which provide occasional child care service, of the number of these types of community facilities and the respective service quotas available for women and children in each of the 18 local administrative districts;*
- (c) whether the authorities have formulated any planning guidelines and standards in respect of the community facilities mentioned in part (b), for example, the ratio of MCHCs as well as WHCs to the female population; if they have, of the relevant planning guidelines and standards; if not, the reasons for that; whether the authorities are aware of the relevant guidelines and standards adopted by the Mainland and overseas countries when planning for these community facilities;*
- (d) of the current number of women aged 25 or above in each of the 18 local administrative district (broken down by age group each covering five years);*
- (e) of the current number of married women aged 25 or above in each of the 18 local administrative district (broken down by age group each covering five years);*

- (f) *of the current number of infants and children aged zero to three years in each of the 18 local administrative districts;*
- (g) *of the current number of households, in each of the 18 local administrative districts, with household income less than the median household income of the corresponding household size; among them, the number of households with infants and children aged below three; whether the authorities will consider setting up more CCCs to provide occasional child care service in districts with a larger number of poor families and a greater need for such service, or enhancing the provision of occasional child care service in these districts; and*
- (h) *whether the existing facilities meet the standard of providing one IFSC for every 100 000 to 150 000 persons, and the respective numbers of persons served by the IFSCs in various districts at present?*

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

- (a) According to the Development Bureau, the provision standards for community facilities such as schools and social welfare facilities as stipulated in the HKPSG are formulated mainly on the basis of the overall population. The standards provide guidance on the reservation of land and the locational factors of facilities according to the relevant policy requirements. In case the relevant Policy Bureaux/departments determine that the policy of gender mainstreaming should be incorporated as a consideration in their study of issues relating to the provision of facilities under their purview, and if that will affect the reservation of land and locational factors, that consideration can be suitably reflected in the relevant standards and guidelines.
- (b) According to information provided by the Food and Health Bureau, the Family Health Service under the Department of Health provides a comprehensive range of health promotion and disease prevention services for children from birth to five years and women at or below

64 years of age through a network of 31 MCHCs and three WHCs distributed among 18 districts. MCHCs provide services in accordance with the service demand. There is no service quota.

In 2010, the number of attendance for the various services provided by MCHCs were as follows:

Child Health Service:	616 000
Maternal Health (antenatal and postnatal) Service:	152 000
Family Planning:	128 000
Cervical Screening:	99 000

(Note: The figures are rounded up.)

The three WHCs located in Chai Wan, Lam Tin and Tuen Mun and 10 MCHCs provide woman health service for women aged 64 years and below. The number of enrolment quota provided for woman health service each year is 22 000. In 2010, the number of enrolment was 19 000.

The distribution of the 31 MCHCs and three WHCs is at Annex 1.

To support families which cannot take care of their young children temporarily because of work or other reasons, the Social Welfare Department (SWD) provides subvention to non-governmental organizations to run various kinds of child care services for needy families. The department also strives to increase the flexibility of such services. Besides providing regular care services through independent CCCs and kindergarten-cum-child care centres (KG-cum-CCCs), the SWD has also proactively introduced child care services of occasional nature which are more flexible in both service modes and hours, including the Occasional Child Care Service and Extended Hours Service provided at CCCs and KG-cum-CCCs, as well as Mutual Help Child Care Centres and the Neighbourhood Support Child Care Project (NSCCP), and so on. The numbers of service places of the various child care services of occasional nature in each district are at Annex 2.

- (c) The planning of MCHCs has always been guided by the needs of the target population and the principle of easy accessibility. As the birth rate fluctuated over the past few decades, MCHCs were opened or closed depending on the demand of its services.

As for the establishments of three WHCs in the mid-1990s, the purpose was to provide more choice of women health services in the market and planning was not guided by the needs of the population in the districts.

On child care services, the SWD also conducts service planning in accordance with the service demand and operation in each district.

The Administration does not have information about the guidelines and standards adopted by the Mainland and overseas countries for planning for the above community facilities.

- (d) According to the results of the General Household Survey conducted by the Census and Statistics Department in 2010, the numbers of females aged 25 and over categorized by District Council district and age group are at Annex 3.
- (e) According to the results of the General Household Survey conducted by the Census and Statistics Department in 2010, the numbers of married females aged 25 and over categorized by District Council district and age group are at Annex 4.
- (f) According to the results of the General Household Survey conducted by the Census and Statistics Department in 2010, the number of persons aged below three categorized by District Council district are at Annex 5.
- (g) According to the results of the General Household Survey conducted by the Census and Statistics Department in 2010, the number of domestic households with monthly household income less than the median monthly household income of the corresponding household size, and of which, households with at least one member aged below three categorized by District Council district are at Annex 6.

The SWD has been closely monitoring the service demands and operation of the various child care services to ensure that the services can meet the demands of different districts. There are still vacancies in the various services. The SWD has not received any report of needy children having to wait for the service/not provided with service because of insufficient service places. Under the NSCCP, service operators may increase the number of home-based child care places in addition to the minimum requirement set by the SWD in order to meet the demand for temporary child care service in their districts.

- (h) At present, there are altogether 61 IFSCs over the territory. Each IFSC serves a well-defined geographical boundary. There is no overlapping in service boundary. The standard of each IFSC serving a population of around 100 000 to 150 000 is being met. The distribution of IFSCs in the administrative districts of the SWD and the number of population to be served in each district is at Annex 7.

Annex 1

Distribution of MCHCs and WHCs

<i>District</i>	<i>Number of MCHC</i>	<i>Number of WHC/MCHC with women health service</i>
Eastern	3	1 ⁽¹⁾
Wan Chai	1	
Southern	1	1
Central and Western	1	1
Island	3	
Sham Shui Po	1	1
Kwun Tong	2	1 ⁽¹⁾
Wong Tai Sin	4	1
Yau Tsim Mong	1	
Kowloon City	1	
North	1	1

<i>District</i>	<i>Number of MCHC</i>	<i>Number of WHC/MCHC with women health service</i>
Tai Po	1	
Sha Tin	2	2
Sai Kung	1	1
Kwai Tsing	3	2
Tsuen Wan	1	
Tuen Mun	2	1 ⁽¹⁾
Yuen Long	2	
Total	31	13 ⁽²⁾

Notes:

- (1) Number of WHC.
- (2) Includes 10 MCHCs with women health service and three WHCs.

Annex 2

Service places of various child care services of occasional nature

<i>Service type</i>	<i>Occasional child care service</i>	<i>Extended hours service</i>	<i>Mutual help child care centre</i>
<i>Number of places in each district</i>			
Central/Western	19	52	14
Eastern	21	96	0
Southern	19	58	42
Wan Chai	15	56	0
Kowloon City	32	66	0
Kwun Tong	47	122	56
Sham Shui Po	33	76	51
Wong Tai Sin	38	84	14
Yau Tsim Mong	25	58	14
Islands	8	14	11
Kwai Tsing	48	88	14
North	30	58	14
Sai Kung	16	56	0

<i>Number of places in each district</i> \ <i>Service type</i>	<i>Occasional child care service</i>	<i>Extended hours service</i>	<i>Mutual help child care centre</i>
Sha Tin	35	82	0
Tai Po	19	66	0
Tsuen Wan	17	50	14
Tuen Mun	38	78	28
Yuen Long	34	70	42
Total	494	1 230	314

NSCCP

The NSCCP currently covers all 11 administrative districts of the SWD. Under the NSCCP, each administrative district provides at least 40 service places, including 26 home-based child care places and 14 centre-based care group places. The NSCCP therefore provides a total of at least 440 service places (including 286 home-based child care places and 154 centre-based care group places).

Considering that the NSCCP has achieved its objectives, the Administration has decided to regularize it and extend its service coverage to all 18 districts. Each District Council district will provide at least 40 service places, including 26 home-based child care places and 14 centre-based care group places. Therefore, after the extension of service coverage, the NSCCP will provide at least 720 service places in total.

Annex 3

Females⁽¹⁾ aged 25 and over by
District Council district and age group, 2010

<i>District Council district</i>	<i>Age group</i>								<i>Overall⁽²⁾</i>
	<i>25-29</i>	<i>30-34</i>	<i>35-39</i>	<i>40-44</i>	<i>45-49</i>	<i>50-54</i>	<i>55-59</i>	<i>≥60</i>	
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	
Central and Western	14 900	14 500	15 100	13 300	11 700	11 300	8 800	24 400	113 900
Wan Chai	9 200	9 600	9 900	8 300	9 800	7 400	5 700	16 100	75 900
Eastern	25 600	27 700	27 400	27 700	29 900	27 600	23 700	66 000	255 700
Southern	13 100	11 600	12 600	13 200	14 800	12 900	9 200	25 900	113 400
Yau Tsim Mong	14 600	18 400	16 800	14 000	14 000	11 600	9 500	29 800	128 700

<i>District Council district</i>	<i>Age group</i>								
	<i>25-29</i>	<i>30-34</i>	<i>35-39</i>	<i>40-44</i>	<i>45-49</i>	<i>50-54</i>	<i>55-59</i>	<i>≥60</i>	<i>Overall⁽²⁾</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
Sham Shui Po	15 000	15 200	17 200	17 000	17 100	15 600	13 200	41 700	152 100
Kowloon City	17 800	19 000	19 000	18 700	17 600	15 000	12 900	40 600	160 600
Wong Tai Sin	13 700	14 100	16 000	18 000	22 400	18 900	14 200	50 600	168 000
Kwun Tong	21 700	24 400	26 700	27 800	29 700	26 600	21 700	68 100	246 600
Kwai Tsing	20 500	19 300	23 500	22 000	23 500	24 600	17 700	49 200	200 300
Tsuen Wan	12 200	15 900	15 500	14 500	15 500	12 600	9 200	25 300	120 700
Tuen Mun	22 000	24 200	21 400	21 100	26 500	24 300	19 700	31 100	190 300
Yuen Long	24 900	24 800	28 200	29 900	30 100	22 200	15 900	33 800	209 700
North	14 400	12 500	12 800	15 000	15 900	15 200	9 700	21 600	117 100
Tai Po	15 100	12 100	11 900	11 600	16 500	16 600	11 600	19 500	115 000
Sha Tin	28 600	27 900	26 100	27 900	32 400	31 200	28 000	51 600	253 700
Sai Kung	19 100	20 900	24 800	23 000	23 700	17 700	12 000	27 500	168 800
Islands	6 800	6 900	9 000	8 000	7 400	6 100	3 900	9 900	57 900
Total ⁽²⁾	309 300	319 200	333 900	330 900	358 400	317 400	246 600	632 700	2 848 400

Notes:

- (1) Include foreign domestic helpers.
- (2) Figures may not add up to totals due to rounding.

Source: General Household Survey, Census and Statistics Department

Annex 4

Married females⁽¹⁾ aged 25 and over by District Council district and age group, 2010

<i>District Council district</i>	<i>Age group</i>								
	<i>25-29</i>	<i>30-34</i>	<i>35-39</i>	<i>40-44</i>	<i>45-49</i>	<i>50-54</i>	<i>55-59</i>	<i>≥60</i>	<i>Overall⁽²⁾</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
Central and Western	4 100	8 100	10 500	9 900	8 500	8 600	6 800	13 100	69 700
Wan Chai	2 300	5 600	6 100	5 900	7 800	5 700	3 900	8 200	45 600
Eastern	6 400	15 300	19 500	21 100	22 500	21 400	17 700	35 700	159 500
Southern	3 000	6 900	8 900	9 700	11 900	10 200	6 800	13 300	70 600
Yau Tsim Mong	4 900	11 300	12 100	10 300	9 900	9 100	7 500	16 800	81 800
Sham Shui Po	4 100	8 900	12 800	12 900	12 300	11 800	9 300	21 300	93 500
Kowloon City	5 000	12 200	14 200	13 400	13 000	10 200	9 400	21 600	99 100
Wong Tai Sin	3 800	7 900	11 300	12 500	15 200	13 500	10 200	23 700	98 100
Kwun Tong	6 100	15 300	19 900	20 300	21 400	19 400	14 800	34 400	151 600

<i>District Council district</i>	<i>Age group</i>								
	<i>25-29</i>	<i>30-34</i>	<i>35-39</i>	<i>40-44</i>	<i>45-49</i>	<i>50-54</i>	<i>55-59</i>	<i>≥60</i>	<i>Overall⁽²⁾</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
Kwai Tsing	5 600	10 900	17 700	15 200	17 300	17 600	12 800	25 700	122 800
Tsuen Wan	4 000	10 700	12 100	11 300	11 900	10 600	6 700	14 700	81 900
Tuen Mun	6 300	14 300	15 300	17 100	20 600	19 300	15 400	16 600	124 900
Yuen Long	8 500	15 800	21 800	22 600	22 900	17 200	11 800	16 200	136 800
North	4 300	7 900	9 700	11 600	13 300	11 300	7 600	10 600	76 400
Tai Po	3 400	7 300	8 900	9 200	13 300	14 000	9 500	11 100	76 700
Sha Tin	7 000	16 500	18 700	20 900	25 500	23 800	22 500	28 300	163 200
Sai Kung	6 300	14 000	19 100	18 800	18 900	14 500	9 300	14 400	115 300
Islands	2 300	4 500	6 300	6 200	5 400	4 400	2 900	4 900	36 700
Total ⁽²⁾	87 300	193 400	244 900	249 000	271 600	242 600	184 900	330 400	1 804 100

Notes:

- (1) Include foreign domestic helpers.
- (2) Figures may not add up to totals due to rounding.

Source: General Household Survey, Census and Statistics Department

Annex 5

Persons aged below three by District Council district, 2010

<i>District Council district</i>	<i>No.</i>
Central and Western	9 800
Wan Chai	5 000
Eastern	16 800
Southern	8 400
Yau Tsim Mong	10 700
Sham Shui Po	9 500
Kowloon City	10 000
Wong Tai Sin	8 000
Kwun Tong	13 400
Kwai Tsing	12 500
Tsuen Wan	10 100
Tuen Mun	13 500
Yuen Long	16 200

<i>District Council district</i>	<i>No.</i>
North	8 300
Tai Po	7 400
Sha Tin	15 400
Sai Kung	14 200
Islands	5 500
Total ^{Note}	194 700

Note:

Figures may not add up to totals due to rounding.

Source: General Household Survey, Census and Statistics Department

Annex 6

Number of domestic households with monthly household income less than the median monthly household income of the corresponding household size⁽¹⁾, and of which, households with at least one member aged below three by District Council district, 2010

<i>District Council district</i>	<i>Number of domestic households with monthly household income less than the median monthly household income of the corresponding household size⁽¹⁾</i>	<i>Of which, households with at least one member aged below three</i>
Central and Western	29 900	2 500
Wan Chai	16 100	*
Eastern	81 400	4 900
Southern	39 600	2 300
Yau Tsim Mong	49 000	5 200
Sham Shui Po	74 600	4 400
Kowloon City	51 800	3 200
Wong Tai Sin	84 400	4 500
Kwun Tong	128 000	6 800
Kwai Tsing	103 500	6 500

<i>District Council district</i>	<i>Number of domestic households with monthly household income less than the median monthly household income of the corresponding household size⁽¹⁾</i>	<i>Of which, households with at least one member aged below three</i>
Tsuen Wan	41 600	3 200
Tuen Mun	89 500	6 800
Yuen Long	105 700	8 500
North	52 600	4 800
Tai Po	43 300	3 300
Sha Tin	93 600	6 700
Sai Kung	53 500	4 300
Islands	24 700	2 000
Total ⁽²⁾	1 162 700	80 600

Notes:

- (1) Compiled based on the median household income of the corresponding household size of all domestic households in Hong Kong.
 - (2) Figures may not add up to totals due to rounding.
- * Figure is not released due to very large sampling error.

Source: General Household Survey, Census and Statistics Department

Annex 7

Distribution of IFSCs in the administrative districts of the SWD
and the number of population to be served

<i>Administrative district</i>	<i>Number of IFSCs</i>	<i>Population in the district⁽¹⁾</i>
Central Western, Southern and Islands	5	593 500 ⁽²⁾
Eastern and Wan Chai	7	756 100
Kwun Tong	6	612 600
Wong Tai Sin/Sai Kung	7	843 500
Kowloon City/Yau Tsim Mong	6	683 400
Sham Shui Po	4	375 800
Sha Tin	5	621 700

<i>Administrative district</i>	<i>Number of IFSCs</i>	<i>Population in the district⁽¹⁾</i>
Tai Po/North	5	605 200
Yuen Long	5	563 600
Tsuen Wan/Kwai Tsing	7	806 300
Tuen Mun	4	498 500
Total	61	6 960 200

Notes:

- (1) Source of information: "Projections of Population Distribution, 2010-2019" by the Planning Department.
- (2) As the residents of Lantau Island are served by two Integrated Services Centres located in Tung Chung, the population of Lantau Island is not included in the population served by IFSCs of the Central Western, Southern and Islands District.

BILLS

Second Reading of Bills

Resumption of Second Reading Debate on Bills

PRESIDENT (in Cantonese): Bill. Council now resumes the Second Reading debate on the Appropriation Bill 2011. Members may speak at the meeting held today or tomorrow.

PRESIDENT (in Cantonese): Members who wish to speak today will please press the "Request to speak" button.

Under the Rules of Procedure, each Member may speak for up to 15 minutes. When a Member speaks in excess of the specified time, I will direct him/her to discontinue.

APPROPRIATION BILL 2011

Resumption of debate on Second Reading which was moved on 23 February 2011

MR TAM YIU-CHUNG (in Cantonese): President, this year's Budget has aroused more controversies than the others since the reunification, but it is also the Budget which has made the largest financial provisions for the people's

livelihood and introduced the most extensive range of long-term measures since the reunification. But why has this Budget still aroused controversies in all sectors of the community? In the opinion of the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB), one of the reasons is that the injection of \$6,000 into Mandatory Provident Fund (MPF) accounts cannot immediately benefit the public. Despite holding a huge fiscal surplus of \$71.3 billion, the Government did not propose adequate relief measures to address the serious inflation problem. No wonder the public were dissatisfied with it. In response to the public aspirations, the Financial Secretary proposed a revised package a week later, that is, a week after the release of the Budget, announcing that the Government will directly grant a sum of \$6,000 to Hong Kong permanent residents aged 18 or above, and provide a tax rebate of 75% of salaries tax and tax under personal assessment subject to a ceiling of \$6,000 for the year 2010-2011. Public support for the Budget has hence turned around to register a significant increase.

Leaving aside the more controversial measures, I believe most people would agree that this year's Budget is more detailed in the overall contents and has a broader coverage compared with those in past years. Also, the Government has made more long-term financial commitments in areas including education, welfare, medical and healthcare, as well as community building. For example, the funding for education has increased by 6% over that in the last financial year, which includes the provision of \$2.5 billion to support the development of self-financing post-secondary education, extending the HKSAR Government Scholarship Fund to cover students of sub-degree programmes, enabling 7 500 additional students from low-income families to benefit from the full level of financial assistance each year, increasing the grants for post-secondary students and giving additional grants to some post-secondary students, providing after-school homework guidance for primary students from grass-roots families, and implementing the Mainland Experience Scheme for Post-secondary Students. These measures show an increase in the Government's investment on talents, and they can also benefit more students in low-income families.

The DAB put forward a series of demands to the Government in November last year with the objective of relieving the public of their difficulties. In this year's Budget, the Financial Secretary has positively responded to most of these demands by, in respect of taxation, waiving rates for one year and increasing the

child allowance and the allowance for dependent parents; in respect of taking care of the elderly and people with disabilities, providing 1 270 additional places for elderly care and fully implementing the Integrated Discharge Support Programme for Elderly Patients, providing one additional month of payment to recipients of the Old Age Allowance and Disability Allowance; in respect of helping the poor, providing one additional month of payment to Comprehensive Social Security Assistance (CSSA) recipients, paying the rent for public housing tenants for two months; and in respect of the community, allocating an additional \$1 billion for Operation Building Bright, and so on. On the other hand, in respect of economic development, the Budget has proposed a package of corresponding measures and in particular, more undertakings have been made on how the six industries where Hong Kong enjoys clear advantages can be developed, which is of concern to the DAB. The Government has announced earlier on the cancellation of the proposed injection into MPF accounts. To enable the public to benefit from the relief measures in the Budget early, the DAB supports the Appropriation Bill this year.

The injection into MPF accounts proposed in the Budget has caused huge controversies. This has highlighted two points which are worthy of in-depth consideration by the Government. Firstly, the consultation and formulation mechanisms of the Budget. Currently, consultation on the Budget starts as early as in November in the previous year and after collecting views for several months, the Government generally makes a final decision in mid-February on the fiscal measures to be proposed for implementation. During the four-month interim, there can be great changes in public sentiments. On the other hand, there may also be great changes in the Government's fiscal position. The livelihood measures that can be proposed for implementation by the Government are indeed vastly different between the two different scenarios of recording a budget deficit and a \$70 billion surplus. Therefore, after drafting the preliminary proposals the Financial Secretary should, in fact, gauge the public's acceptability of the preliminary proposals. Given that the Budget will ultimately have to be approved by the Legislative Council, if the Government fails to obtain the basic support, a heavy blow will certainly be dealt to the prestige of the Government. In order to secure enough votes in the Legislative Council, the Government should hold more discussions and conduct more studies beforehand with political parties which support the Government to govern according to law. Most importantly, before the introduction of any important policy, the Government must promptly make adjustments and amendments based on the

opinions of political parties, to ensure that the Government's policies can better meet the aspirations of the public.

Moreover, within the Government, all departments should enhance their work efficiency and the accuracy of their budget estimates. The Minimum Wage Ordinance was enacted in July last year. This statutory requirement will definitely bring along huge changes to the cost of cleaning and security services outsourced by the Government as well as that of various social welfare services. But to date, when there are only some 20 days before the minimum wage takes effect, many government departments are still saying that they are considering whether there is a need to provide additional resources. I have raised questions on the relevant issues at the special meetings of the Finance Committee because the minimum wage will certainly have a bearing on the expenditure of departments but at that time, many government departments still could not provide the relevant information and statistics. According to the Government's estimate, the inflation rate will be 4.5% in 2011, and after the implementation of the minimum wage, the cost of many services involving elementary jobs will certainly rise. However, the monthly costs per place of homes for the aged, care-and-attention homes and nursing homes under the Social Welfare Department (SWD) are similar to those of last year. The SWD worked out with private homes for the elderly the increase in funding for the Bought Place Scheme only last week. Should such work not be completed before the announcement of the Budget? As for the Food and Environmental Hygiene Department, the costs of its cleaning service are expected to see zero growth, which is obviously a deviation from the actual situation. The minimum wage can be regarded as a major change in public policies in recent years, but it seems that the departments have not yet made preparations for it accordingly. This will, I am afraid, adversely affect the prestige of the Government.

The second problem of the injection into MPF accounts is that the public consider the exorbitantly high administrative fees charged by MPF trustees grossly detestable ("深惡痛絕" in Chinese) (Mr TAM pronounced the word "惡" as "og³"). Currently, there are mainly five major types of MPF products. The three types of products with lower risk have an average return rate as follows over the years: 1.2% for Conservative Fund, 1.6% for Guarantee Funds and 0.9% for Money Market Fund, while the highest administrative fee is for Conservative Fund 2.49%, 3.92% for Guarantee Fund and 1% for Money Market Fund. In other words, the administrative fees charged by some MPF trustees are far higher

than the return rates and as a result, the contributors can only watch their assets keep on shrinking, unable to do anything. The Government's simple hope that the administrative fees will be lowered through the market competition mechanism is not going to work. Therefore, apart from expediting the "quasi-free-choice scheme" for MPF, the Government should consider legislating to impose control on the caps of fees for various types of investment funds, while introducing government-operated investment funds which charge a low administrative fee, thereby giving more choices to contributors. As a mandatory universal contribution scheme, the MPF is different from the ordinary types of investment fund scheme in the market. Given the protection of the policy, the industry faces relatively low risks in operation and therefore, the rate of the fees charged for MPF should be adjusted downward accordingly as the size of assets increases. I hope that the Government can carry out reforms drastically in this respect.

With regard to specific welfare policies, I would like to talk about the demand for homes for the aged and hostels for people with disabilities. The DAB has all along considered that the Government must draw up long-term five-year plans on social welfare, in order to implement concrete work plans. But in this year's Budget, we still have not seen any determination on the part of the Government to set work objectives. Although the Government will make an additional provision of \$130 million to provide 1 270 additional subsidized residential care places for the elderly, and together with the undertaking made years ago, it means that an average of about 580 places will be increased by the Government annually, we consider this measure inadequate for shortening the waiting time for the elderly.

The Budget has not proposed adequate measures to address the problems of spiralling property prices and asset bubbles. Since the special stamp duty came into effect for property transactions at the end of last year, property prices in Hong Kong have remained on a rising track. Although the Budget has mentioned an increase in land supply, no measure has been proposed to guarantee that such land can be turned into a stable supply of residential flats. In this connection, the DAB strongly calls on the Government to resume the Home Ownership Scheme and improve the My Home Purchase Plan to enable the public to choose between renting and buying a flat. In view of the inflationary pressure and continual fare increases by various public transport operators, the DAB urges the Government to expeditiously study the setting up of a \$30 billion-public

transport fare stabilization fund to ease the heavy financial burden of transport fares on the public.

Members in the pan-democratic camp have made universal retirement protection scheme the target of their criticism, using it as a reason to oppose the Budget. I think this reason is questionable. Besides, with regard to what the public think about a universal retirement protection scheme, we actually lack such information and different organizations may have different views. Therefore, I think this issue indeed warrants serious consideration. A universal retirement protection scheme is a pay-as-you-go social security system whereby anyone who reaches the prescribed age is eligible for pension. The burden on the working population will increase continuously as the population ages. I think there must be in-depth and long-term consultation and discussion before we can understand the views of the community on this model of contribution.

The DAB, the Hong Kong Democratic Foundation and the Association for Democracy and People's Livelihood jointly promoted the old age pension scheme in 1994, but no consensus could be reached among various sectors of the community at the time. Subsequently, the Government introduced a personal account-based MPF system in 1995, but it could be implemented only five years later in December 2000. The DAB considers that a two-tier social security programme should be introduced, which means that in addition to the MPF, members of the public should be provided with further protection for their retirement life. We are willing to continuously explore the feasibility and details of this plan with various sectors of the community. Universal retirement protection is a long-term policy proposal. The campaigning for this proposal should not affect the benefits that should be enjoyed by the public in the Budget; nor should it be used as a tool to negative the Appropriation Bill.

With these remarks, I support the Appropriation Bill 2011 on behalf of the DAB. Thank you, President.

PRESIDENT (in Cantonese): The Member mentioned the four-worded idiom of "深惡痛絕" (meaning grossly detestable), in which the word "惡" should be pronounced as "wu"³

DR DAVID LI: President, for the very first time in my memory, the Budget we debate today differs in major respects from the one presented by the Financial Secretary in his Budget speech. I am disappointed at the changes. I fear that the revisions were made in haste, without due consideration of the practical issues involved.

However, I hope that this experience will have one positive benefit: that it will serve as a wake-up call to the Government. I hope that it will lead to greater emphasis on long-term policy planning, and away from short-term relief measures.

This Government takes pride in its conservative approach to public finance. Traditionally, at budget time, it underestimates income and overestimates expenditure. At the end of every year, the Government reports a higher surplus than forecast. There is a common belief that a strong surplus is a good thing, much like a company delivering a strong profit. But governments are not in business to make money. Unlike a company, both a deficit and a surplus are evidence of poor performance.

The role of a government is to balance resources for the good of society as a whole. Income should cover the cost of providing services, and no more. Governments should not collect money of taxpayers, and then look for ways to spend it. Governments have a duty to explain how they wish to allocate funds first. Then — and only then — should they levy taxes to pay for these programmes.

This Government speaks of the need to save for a rainy day; of the impact of an ageing population; and of the importance of education for the future. Yet, it hesitates to make major commitments that require long-term and recurrent funding. Instead, at budget time, it launches special programmes with a one-off subvention, funded from the current surplus. While needs are being met, there is lingering concern that larger issues are not being addressed.

The elderly and the underprivileged see a rich but miserly government; the middle class suffers from rising taxes and worries about a place to live; and the rich fear that the Government is weak and vulnerable to populism.

In his election campaign, the Chief Executive pledged to reduce the corporate tax rate to 15%. He has not carried through on this promise. Nevertheless, the business sector has not spoken up strongly to demand that the Chief Executive fulfil his promise. I believe that this is because the business community is concerned for the public welfare.

We are a caring society. We recognize the need to invest in the future and to look after those in need. There is broad support for greater investment in healthcare, in services for the elderly, in education, and in environmental protection.

The business sector believes in investing for the future. It expects that the Government will use tax revenue wisely to invest in our community. It remains for the Government to set out a clear vision, to establish identifiable goals and to provide for community needs. With a long-term commitment to achieving these goals, surely the Government will rally wide support.

We are now facing renewed inflation. The Financial Secretary recognized this challenge in his Budget speech, and announced a number of anti-inflation measures. These included rebates on electricity bills, rebates on rates and sale of inflation-linked bonds. Yet the budget did not take very basic and necessary measures to protect the incomes of taxpayers from inflation.

The dark secret is that the Government benefits from inflation. This is because salary tax bands are not indexed. As inflation pushes wages higher, the taxpayer sees a larger cut of his wages go to the Government. His wages may be going up, but he is getting poorer in real terms. The Financial Secretary owes a duty to taxpayers to adjust the tax bands in order to offset the impact of inflation.

Inflation also drives income from Government rates higher. To compensate, for the fifth year in a row, the Financial Secretary offered rate payers a one-off rebate. Surely, we should offer a more permanent solution to benefit those who need assistance the most. The elderly, in particular, require our attention. Living on their savings, they are highly vulnerable to inflation. I urge the Financial Secretary to consider permanent rates relief for the elderly.

The banking sector welcomes the significant advances that have been made during the past year to develop Hong Kong as a centre for Renminbi business. Before the rules on the use of Renminbi for trade settlement in Hong Kong were amended in June last year, the amount of trade settled in Renminbi was negligible. In January this year, almost 22% of total trade of Hong Kong was settled in Renminbi.

Looking at the picture from the Mainland perspective, 2.6% of total trade of the Mainland in 2010 was settled in Renminbi. The total value of such trade was RMB 506 billion yuan; 73% of these transactions were handled in Hong Kong. This is a dramatic example of how a change in regulations can open up new business opportunities.

The banking sector welcomes the commitment of the Financial Secretary to fostering the further development of offshore Renminbi business in Hong Kong. We look forward to advances in a number of areas, including lending, initial public offerings and direct investment. However, we understand that any progress must be made in line with the Mainland's own development priorities.

The banking sector very much appreciates the hard work of the Government during the past year to sign new double-taxation agreements. These agreements have greatly improved the business environment for overseas firms that base their regional headquarters here. We look forward to more progress in this regard, as well as stepped up efforts to forge ties with emerging market economies that have strong ties with the Mainland, including in particular those in Latin America.

The banking sector remains disappointed, however, that the Financial Secretary continues to maintain a silence with respect to the call of the industry, for many years now, for the introduction of Group Loss Relief. This principle is widely accepted in advanced economies, and is particularly important to the financial services industry. I hereby make a plea to the Financial Secretary to study this issue carefully, and to weigh the potential loss of revenue against the larger opportunities that may arise.

There are countless examples of new business opportunities created through a change of regulations. I spoke earlier of Renminbi business. The Financial Secretary himself knows how important his decision to abolish the duty

on wine has been for the development of Hong Kong as a centre for wine trading. We must not be complacent in the face of competition from elsewhere.

President, I trust that the experience of the past few weeks has reinvigorated the entire Government and that we will see a renewed commitment from all Secretaries to build a solid foundation for our future prosperity.

President, I take pleasure in supporting the Appropriation Bill.

MS MIRIAM LAU (in Cantonese): President, according to the projection made by the Financial Secretary, John TSANG, when unveiling this year's Budget, we will have a consolidated surplus of \$71.3 billion and fiscal reserves of up to \$600 billion. Hong Kong can be described as demonstrating the best financial strength since the reunification. However, I wonder if it was because of our exceedingly good position or excessive cash in reserve that the Financial Secretary lost his direction in handling issues concerning how to repay the public and answer the aspirations of the community in the Budget. As a result, he has made repeated mistakes, thus leading to incessant disputes in the community.

The Liberal Party considers that the most serious failure of this Budget is its lack of foresight and failure to deliver in promoting long-term social and economic development. It lacks not only long-term strategies on eliminating poverty, but also measures for promoting industrial development to lead Hong Kong to move forward in a new direction. Given its lack of foresight, the Government has impressed people that it is just "a caretaker government", waiting to call it a day.

Nowadays, the economy and society as a whole have reached a turning point. Under the general trend of globalization and increasingly keen competition, even China, the world's second largest economy, has to seek strategic economic adjustments and improvements to the living standard of its people. I do not understand why Hong Kong could have acted with such self-complacency, believing with "excessive" confidence that we still enjoy a lot of advantages and thinking we can continue to make social and economic progress without doing and caring about anything.

This is the opening year of the National 12th Five-Year Plan (FYP). In its Outline, a separate chapter is even dedicated to the positioning of the Hong Kong and Macao Special Administrative Regions, reaffirming the strategic status and role played by Hong Kong in national development, and stating explicitly the continued national support for Hong Kong to develop high-value added core industries and six innovative industries.

Even Premier WEN Jiabao reminded Hong Kong in particular of the need for long-term and scientific development planning and emphasis on education and technology in order to enhance Hong Kong's momentum and develop small innovative and technology enterprises, thereby boosting employment.

I think the Central Government's expectation of the SAR Government cannot be clearer. The former is obviously concerned that the latter does not know how to cherish the development opportunities that lie before it for upgrading Hong Kong's competitive edge. Despite the commitment in the Budget that support will be given to industrial development, there is a lack of measures to achieve this, and there are more words than initiatives. The SAR Government is playing with figures without any concrete actions.

It is indicated in the Budget that the Government is "rolling out support measures for the six industries where we enjoy clear advantages". There is also good news that, despite our economic contraction in 2009, the six industries still contributed over \$120 billion value added to our economy and employed over 390 000 people, representing an increase of 3% and 17% respectively over 2008.

However, the relevant figures are actually misleading. For instance, the figures provided by the Census and Statistics Department indicate that both the cultural and creative industries actually registered a fall of 0.2% and 1.6% in terms of added value and the number of employed people respectively. It has been pointed out by members of the industries that, due to a lack of government support, the cultural and creative industries are regarded merely as a sub-culture. Their development has even shrunk in tandem with the general economic climate.

As for innovation and technology, for instance, the investments currently made by Hong Kong in research and development (R&D) are actually minimal, accounting for only some 0.7% of our Gross Domestic Product (GDP), far less in comparison with our neighbouring countries, such as 1.56% recorded by

Singapore. The Government's policy of encouraging the private sector to engage in scientific research is also conservative and backward. In April last year, the Innovation and Technology Commission (ITC) launched a Research and Development Cash Rebate Scheme whereby enterprises are provided with a 10% cash rebate for R&D investment. However, the Scheme has proved to be extremely unattractive. Despite the commitment of \$200 million for the first year, only \$4.46 million has been drawn for the first nine months, benefiting only 153 enterprises.

Over the years, the Liberal Party has been advocating for the offer of tax deductions not less than three times the amount of scientific research investments. However, the Government has all along been turning a deaf ear to our appeal. As a result, the community has failed to create a scientific research atmosphere. It is disappointing that Hong Kong is lagging behind our neighbours. Even the R&D Centre Programme, launched by the ITC for the setting up of six Centres, has still not shown any outstanding results. In particular, in the area of logistics/supply chain management enabling technologies, the logistics industry has no idea at all of what research has been completed or is being conducted. Neither can it see any result that can be applied extensively by the industry. In fact, the problem simply lies in the poor liaison between the Centres and the industry, and there is very little understanding of the operational needs of the industry. Should this situation continue, I really have no idea how the innovation and technology enterprises can be developed in Hong Kong.

On the other hand, President, despite its encouragement of post-secondary education in recent years, the SAR Government has not made any efforts to complement the trend of economic development. For instance, the six priority industries, despite their development, have still failed to create adequate job vacancies to absorb tertiary graduates, especially associate degree graduates. As a result, these students become unemployed immediately upon graduation. What is more, they are debt-ridden as a result of loans made to pay for their education. Although the unemployment rate has fallen to a new low of 3.3% recently, the number of unemployed people aged 30 or below receiving Comprehensive Social Security Assistance (CSSA) has even risen rather than fallen, from approximately 4 200 in January 2008 to 6 000 early this year. The number of CSSA recipients with tertiary qualifications has even soared by 80% to approximately 900 in a matter of four years.

The Liberal Party considers this situation not at all satisfactory. Hence, the Government must seriously take forward our industrial development and encourage business start-ups, with a view to creating business opportunities and increasing job opportunities. Only in this way can talents be put to the optimal use.

President, words must be turned into actions in respect of the six priority industries. There is also a need for Hong Kong's pillar industries, such as the financial and logistics industries, to upgrade their competitive edge before they can compete with the places around us. Let me cite the logistics industry as an example. In recent years, Hong Kong has fallen from being the "first major port" to the "third major port" and is facing severe challenges from Shenzhen.

It is mentioned in the 12th FYP that the Central Authorities will continue to support the development of value-added services, such as shipping and logistics services, as well as high-value inventory management and regional distribution centres in Hong Kong. This has given Hong Kong a shot in the arm and impetus for developing its shipping and logistics industries. However, should the Administration fail to grasp these opportunities by formulating proper complementary policies and measures, I am worried eventually Hong Kong will still stand to be marginalized as a result of lagging development and the failure to complement the overall development trend.

In my opinion, the logistics industry can no longer win by relying purely on quantity. Hence, I already proposed some time ago that Hong Kong must follow a high value-added line, integrating new technologies, develop electronic and modernized logistics management, amend the outdated Import and Export Ordinance, and study the feasibility of streamlining the customs declaration formalities and visa requirements for transshipment cargoes, in order to attract more cargo transshipment via Hong Kong. In order to achieve this goal, the Government must allocate more resources and provide assistance by all means.

President, while developing the logistics industry, the Government also needs to provide abundant land for storage, cargo handling and value-added services. Adequate infrastructure must be provided, too. Therefore, besides allocating long-term sites in the Kwai Tsing District for assisting the long-term development of the industry, the authorities should also actively identify other logistics sites and, what is more, consider the construction of a logistics park and

the feasibility of building a third runway, for the purpose of coping with the need of the industry and providing diversified logistics services. The authorities must stop its practice of discussion without decision and wasting time.

We are faced with both imminent challenges and long-term worries. In fact, high inflation has further aggravated the burden on the transport industry. The rising fuel prices have also become hardly affordable to the industry. This is why they hoped the Financial Secretary could consider waiving licence fees for commercial vehicles for a year to ease the pressure on the operation of the industry. However, the Financial Secretary has disappointed them.

Apart from these, I also wish to say a few words about measures for improving air quality. The funding scheme launched by the Government sometime ago to provide \$3.2 billion for the replacement of pre-Euro and Euro I diesel commercial vehicles is already concluded with fair response. Of the 60 000 eligible vehicles, only around 17 000 vehicles have taken up the funding, hence a participation rate of only 30%.

For this reason, the industry, green groups and I hope that the authorities can relaunch the funding programme with certain enhancements, including buying back old vehicles at a depreciated value to lure their owners to write them off earlier, in order to facilitate the removal of old diesel vehicles from the roads expeditiously such that emissions can be reduced.

Next, I will say a few words about another contentious part of the Budget, namely tax rebate and the proposal of "paying back to the public" by giving cash handouts. In fact, the Liberal Party has proposed the theme of "sharing the dividend and the fruits of success by all people" in our expectation of the Budget, because we have foreseen an overflow of the coffers again. What we advocate is that all sectors must be taken care of, including tax rebate and reduction for the middle class.

Nevertheless, the Budget has disappointed the public by making the mistake of "not knowing what to do even though it has money to spend". Despite lacking foresight in developing the economy, the Government, on the contrary, considers that the public should have a long-term plan to put their money into MPF accounts for use later, when they reach the age of 65. This has triggered hunger strikes and marches in protest by the young group of the Liberal

Party, demanding the Government to "return the money" immediately, so that members of the public can get cash promptly to cope with inflation this year.

By "sharing the dividend and the fruits of success by all people", as proposed by the Liberal Party, it means that, apart from developing economic policies, all people of Hong Kong, including the poor, must be enabled to share the economic fruits resulting from the huge surplus. In particular, more assistance should be given to the public to combat inflation and efforts must be made to narrow the wealth gap. It is a great pity that, probably due to the Government's biased consultation or refusal to listen to anything, the Government has got itself in such a mess.

But, in all fairness, subsequent to the relay of views by us and members of the public, Financial Secretary John TSANG, considered quick in response, revised the proposals promptly in a real attempt to allow "all the people to share the dividend" by abolishing the unpopular MPF injection proposal and, instead, offering a cash handout of \$6,000 to each permanent resident aged 18 or above in Hong Kong. In addition, a 75% salaries tax rebate, capped at \$6,000, would be offered to taxpayers, to benefit members of the public, particularly the middle class.

Unfortunately, however, the Government still has no idea of how to make the best of this opportunity, failing to properly seize this opportunity of mending the fold after a sheep is lost and, once again, making things worse over the issue of whether non-permanent residents should share the dividend has earned it the bad reputation of dividing society. If the Financial Secretary was willing to make serious reference to the methods used by our neighbour, such as the offer of "cash handouts" in Macao, so that even new immigrants can receive the handouts, though at a smaller amount, the situation today might have been much different.

President, another great concern to the public is soaring property prices. Although it is mentioned in the Budget that land supply will be increased in the coming year, the Liberal Party considers the effort far from adequate. In particular, only 3 000 flats, which is a drop in the ocean, can be built on the land supplied for the construction of small and medium flats for first-time home buyers. On the other hand, the My Home Purchase Plan, like distant water failing to put out a fire close at hand, can hardly provide adequate supply.

In our opinion, the best method to stabilize the property market is regular land sale and an increase in land supply. This means providing land once every two months on a regular basis for building 2 000 small and medium flats for first-time home buyers who are permanent Hong Kong residents. I believe only in doing so can an effect of stabilizing the property market be achieved.

In all fairness, President, the Budget is not entirely useless when it comes to providing services for the grassroots, despite the poor comments it has attracted from all quarters. The Budget has proposed a series of initiatives for supporting students from low-income families, including relaxing the means test to allow more students, or 75 000 additional students, to receive full assistance, providing free after-school care and guidance services for primary schools, and so on. All these measures, which are good, can help parents in grass-roots families. The notion of these initiatives is close to that of the Liberal Party. We consider the initiatives useful.

However, we think that the Government can still make more efforts in primary services, such as medical care. The Budget has mentioned providing more resources, shortening the waiting time for specialist services, and increasing the number of cataract operations. All these are good measures. However, we are still worried about inadequate strength because it has recently been rumoured that the healthcare manpower in public hospitals is inadequate. We hope the Government can expeditiously increase resources to ensure the objective of shortening the waiting time for specialist services can be achieved. Furthermore, the number of places for elderly services is grossly inadequate. There have been complaints from the public over the years about the need for the elderly to wait for many years before they can receive the relevant services. Despite improvements in this respect with an increase in the number of places, the shortage is still most acute. Hence, I hope the Government can strengthen services in this respect by all means.

President, I so submit.

MR ALBERT HO (in Cantonese): President, rightly as Dr David LI said, for many years, the Government has often underestimated its revenue and overestimated its expenditure when preparing the Budget, thus making the Government excessively conservative in fiscal management. In fact, the

Government often ended up with a huge fiscal surplus. The accumulative surplus of the past seven years has reached a total of \$316.3 billion. The funds kept by the Government in the Exchange Fund have reached \$619.8 billion. Together with the return of \$605.1 billion accumulated by the Exchange Fund over the years, the total fiscal reserves have reached \$1,224.9 billion. From 1997 to 2010, the Government's share of the investment return from the Exchange Fund amounted to an average of \$23 billion per annum. Of course, there is definitely room for increasing its share of the return in this regard.

Overall, the Government has sufficient financial means to increase its recurrent expenditure, so as to help resolve long-term and deep-rooted social conflicts. However, the Government still uses the principle of "prudent public finance management and keeping expenditure within the limits of revenues" as the excuse to refuse to make well-planned and long-term social investments. This only shows that the Government is unwilling to make long-term social commitments and lacks a strong will in governance, thus manifesting the mentality of a caretaker Government. The Government has many concepts in fiscal management that only follow the old rut and are outdated, for example, such rules as keeping public expenditure to about 20% of the GDP. Hence, due to a lack of funds, many measures conducive to social reform cannot be implemented effectively. We can see that the deep-rooted conflicts nowadays, such as the widening wealth gap, the impoverishment of the grassroots, the lack of adequate care for the elderly and the increasing difficulty of the public in acquiring their own properties, are all attributable to the failure of our fiscal policy in taking effective counter-measures.

President, take the transport subsidy intended to encourage the grassroots to work across districts as an example, the scheme will be implemented over four fiscal years and the total expenditure is \$4.8 billion, that is, the annual expenditure is about \$1.2 billion on average. We estimate that even if the dual-track system, which will benefit more people, is implemented, the increase in expenditure will still be very small, amounting to a maximum of several hundred million dollars each year. However, the Government would rather deprive some members of the public who could originally benefit from this scheme, in particular, young people who have just started their working career, of the subsidy and insist on introducing a family means test. If the Government can make good use of the fiscal reserves, it can surely inject more resources, so as to resolve the social conflicts arising from such policies as the one on transport

subsidy, enable more needy people to be benefited and make the poor feel that they have a way out, thereby reducing the grievances in society. However, why can the Government not do so?

President, when the Budget was initially announced, the Government proposed that \$24 billion be injected into MPF accounts, but that attracted fierce criticisms. As a result, an unprecedented volte-face occurred within the short span of several days, with this plan being transformed into the measure of immediate cash handouts. A sum of \$37 billion will be spent in one go to hand out \$6,000 to each member of the public aged 18 or above who holds a Hong Kong permanent resident identity card. In addition, a one-off tax reduction is also offered, thus making the coffers forego \$5.3 billion in the coming year. This volte-face will make the Government spend \$42.2 billion of cash in one go.

The \$37.1 billion handed out in one go is indeed no small sum. It is roughly equivalent to half of the cost of building the Express Rail Link, which stands at \$70 billion, and it is nearly double the construction cost of the West Kowloon Cultural District, which stands at \$21.6 billion. Since the Government has the means and willingness to hand out a large amount of cash within a short time, why is it unwilling to increase its recurrent expenditure to meet such long-term needs as improving healthcare, education and welfare, so as to ease the social conflicts resulting from the wealth disparity? This is indeed very disappointing and exasperating.

The fiscal objective and philosophy of the Financial Secretary have indeed become alienated from the expectations of society. His decisions can hardly help retain public confidence in him. This is also the major reason for the Democratic Party finding it difficult to support the Budget.

President, I now wish to talk a little bit about healthcare. Although the Government has increased the expenditure on healthcare in recent years, we all know that the number of elderly people is on the increase, with people aged 65 or above increasing from 835 000 in 2005 to 938 000 in 2010. However, the percentage of healthcare expenditure as a share of public expenditure has decreased over the years, from 12.5% in 2009-2010 to 11.5% this year. President, with the large amount of surplus in the coffers and the ambitious infrastructure projects launched by the Government, there is no due allocation for improving healthcare services, so this is really baffling.

The Government has shunned from making investments in long-term recurrent expenditure, evident in the decrease in the percentage of healthcare expenditure each year. I wish to reiterate that the proportion of recurrent expenditure to total healthcare expenditure has decreased from 94% in 2007-2008 to 88.4% in 2011-2012. Regarding the increase in healthcare expenditure, most of it is earmarked for short-term pilot schemes or one-off expenditure on infrastructure.

Insofar as the one-off expenditures in recent years are concerned, they include \$720 million for the development of the electronic records system, the injection of \$226 million in 2009 into the Health and Health Services Research Fund and the injection of \$1 billion into research on healthcare policy and services. However, in contrast, the increase in expenditure that will benefit the public and patients directly has decreased. Some services that can benefit the public directly, for example, healthcare vouchers and outreaching primary dental care services for the elderly, are implemented as pilot schemes and the Government is unwilling to make long-term commitments. We are worried that should the economy turn for the worse, these services will be suspended at any time.

On recurrent expenditures, the Government is unwilling to increase the resources even for some very urgent needs through increased fund allocation. Recently, due to the poor working conditions for doctors in public hospitals, doctors are facing the problem of serious wastage all the time. They warned the Government that the public healthcare system was on the brink of collapse, but the Government has still failed to propose effective solutions. Of course, the most effective solution is to make funding provisions and increase the expenditure.

Take mental rehabilitation services as another example, for more than a decade, the Democratic Party and civic groups have demanded that the Government provide mobile assertive case management services to rehabilitated patients. However, it was only due to the occurrence of tragedies in recent years that the Government hastily introduced a Case Management Programme for people with serious mental illness. However, in 2011-2012, the programme will be implemented in eight districts only. It is believed that it will take several years before the programme will be expanded to the whole territory. We think

that given the prevailing social conditions, the expansion of the programme is indeed far too slow.

President, in respect of education, although the Government has stressed repeatedly that the expenditure on education accounts for the greatest share of total public expenditure, the Government has all along evaded issues on which society has reached a consensus, including the immediate introduction of 15 years of free education, the implementation of small class teaching in primary and secondary schools and increasing the number of subsidized places in universities. All these measures are intended to give all students, no matter from which social class they come, an equal start, so that they can enjoy equal opportunities in receiving quality education and in competition.

However, we have pointed out that the recipients of education are not confined to children only. In the face of economic restructuring, lifelong learning has all along been advocated in society but the Government's funding for adult education has been continually on the decrease. We wish to talk about government evening secondary schools in particular. As we all know, in the 1960s and 1970s, many impoverished people, including factory workers, would receive their education in evening schools, which served as venues for their continued education. Now, adult education programmes are mainly designed for elderly people, new arrivals, women with low educational attainment and people who need vocational education or training. They all belong to the socially disadvantaged groups. However, in August 2005, the Government stopped operating its adult education programmes altogether. At present, learners who enrol on adult education programmes can only receive subsidies through the Financial Assistance Scheme for Designated Evening Adult Education Courses. Learners whose attendance rates meet the requirements will usually be reimbursed only 30% of the tuition fee. Moreover, more often than not, many restrictions are imposed on the programmes and formal literacy education may not be included. Why can the Government not raise the amount of subsidy and resume the full subsidization of evening secondary schools?

According to the estimates of the Government, it only has to allocate \$3.4 million, that is, a mere \$3 million, in order to fully subsidize all learners who meet the requirements on attendance rates. Even if the operation of evening secondary schools is resumed, only \$10 million will be required, so why is the Government still reluctant to fully implement a policy on adult education? As

regards the loan scheme for tertiary students, we have demanded that the Government offer a reduction or waiver of interest many times, but we have yet to receive a specific and positive response.

The education policy should make equality its core value, so that every individual can have the opportunity to become upwardly mobile and get opportunities in training. However, on education for the grassroots, the funding that the Government is prepared to offer is so miserly as to make one despair.

On welfare, I wish to stress in particular that Members from various political parties and groupings in the Legislative Council are all very dissatisfied with the existing services provided by residential care homes for the elderly and hostels for persons with disabilities. The average waiting time for a place in these homes and hostels is as long as three to four years and many elderly people cannot be admitted into these homes. Each year, tens of thousands of elderly people died while waiting for a place.

President, ours is a caring society but such a situation has persisted for many years, so we are very ashamed of this. Although the Government is now increasing the number of bought places, this amounts only to a drop in the ocean. We cannot see any improvement in this situation in the short term. The Democratic Party supports the allocation of \$10 billion to set up a fund for the building of such homes and hostels, to be followed by the expedited allocation of sites for their construction, which will be operated by voluntary organizations. Why is the Government unwilling to take on board this plan?

Concerning a universal retirement protection scheme, the Democratic Party fully supports the Government in conducting a study immediately. We know that actually, the Government has already conducted some studies. The Government should publicize the proposals under study for public consultation, then forge a consensus in society, so as to implement a proposal on universal retirement protection for the benefit of the public.

We all know that the population is ageing gradually and we are facing a major problem. The Government once allocated \$50 billion to kick-start a scheme but in future, it has to complete the relevant study more quickly.

MR CHIM PUI-CHUNG (in Cantonese): President, Hong Kong is a very small entity and it is vulnerable to the complicated influences of the outside world and the pressure associated with it. Hong Kong does not have adequate resources and in compiling the Budget, the Government must keep its expenditure within the limits of revenues.

President, before the Financial Secretary delivered the Budget, we could hear calls for returning wealth to the people and leaving wealth with the people. It is fortunate to see that with respect to the financial conditions last year, public revenue from salaries tax was \$22.2 billion. I shall use \$22 billion for the sake of convenience in making calculations. With respect to stamp duty, revenue stood at \$21 billion. The sale of land brought in \$27.9 billion. We can round that off to \$28 billion. And with respect to spending, there was a saving of \$13.7 billion. When these items are added together, we can see that there is a surplus of nearly \$85 billion.

As the surplus is so huge, the Government has decided to respond to public aspirations of leaving wealth with them and returning wealth to them. It is against this background that when the Budget for this year was being compiled, it was decided that about 65% of the surplus would be returned to the people. It is planned that a sum of \$24 billion would be injected into the MPF accounts of the people, with \$6,000 being injected into each account. President, this is in fact too much and the Government should not have used such a sum of money.

After the Financial Secretary had announced the above plan on 23 February, public opinion was that this injection of \$6,000 into each MPF account would only benefit the fund managers. It was therefore not practical. And some people also said that if the Government would give out money to the people, even if it was a sum of \$2,000 or \$3,000, people would be glad to take it. President, I wish to declare that I do not have any MPF account and therefore there is no question of conflict of interest.

In such circumstances and as a government which is responsible, willing to listen and heed public opinion, it took on board the view put forward by the public. Since it was thought that an injection of \$6,000 would only benefit the fund managers and that people could only use the money when they become 65 years of age, the Government quickly accepted this view and announced that cash would be handed out to the people. This shows that the Government is

responsible. Or it may be said that it is afraid of causing public discontent. The Government then announced that cash would be paid out to the people. Some Members of this Council from the democratic camp had shown their stand of disapproval right after the Budget was delivered. The Government did not manage to get any support in the Council. Both parties did not care about the other. This brings us to the sublime scene in politics — compromise. But is it wrong to fight for the interest of the public?

Actually, there are two approaches the Government may take. One is to hand out \$6,000 to the people, and the other is to stand firm. President, just think, what would be the result of the Government standing firm? It would only provide the ammunitions for other people.

President, coming back to the issue, now some people are saying that the middle class cannot get any gain from this year's Budget. Now we can just make some calculations. With respect to rates, rates are waived subject to a ceiling of \$1,500 per quarter and for each household, the total waiver for each year will be \$6,000. With respect to power tariffs, each residential electricity account will be granted a subsidy of \$1,800. These two measures will save \$7,800 for each family. For a two-person family, when added to the tax rebate of \$6,000 and the cash handout of \$6,000 for each person, the two measures would mean a sum of \$24,000 for the family. They will get a total of \$31,800 from this year's Budget. I just want to ask people from the middle class, how much do you pay in tax each year? Why do you say that you have not got any benefit? If they belong to people who pay hundreds of thousands dollars a year in tax, they are not middle class at all. They are the big bosses. Why do I make such an analysis? I do not mean to be the Financial Secretary and compete with him for the post, but as a responsible Member of this Council, I am obliged and compelled to tell the facts to the community. I cannot mislead anyone, nor can I say anything that runs counter to the truth for the sake of votes. Of course, any politician is entitled to have his own views, but it must be remembered that the people of Hong Kong are not fools after all.

President, I would like to make use of this opportunity to make a criticism of the media. In their attempt to boost sales, they are smearing the Hong Kong Government, saying that everything it does is against the requirements of social responsibility. This is outrageous. The Chief Executive and the Financial Secretary are just custodians of the wealth of the people. Of course, at times the

policies adopted by the Government are too conservative and they are really like what a miser would do, but the Chief Executive and the Financial Secretary have not taken the interests into their own hands, so why do we say that they have stolen our property?

President, if we make an analysis of our conditions, we will find that Hong Kong is really deficient in resources in real terms. What we are proud of is the fact that we can get a sizable income from the stamp duty on stock transactions. As I have pointed out, our income from stamp duty for the previous financial year is \$21 billion. That includes income from stamp duty on property transactions. Let us take a look at Macao. In this past March, their income from betting is \$20.87 billion. And the total revenue of the Macao Government in the first quarter is \$22.5 billion. If the income for each quarter remains at this level, its annual income would be as much as \$90 billion. If this amount of surplus is distributed equally to each citizen of Macao, then each person will get \$200,000.

President, some Members of this Council always say that the Government has got a lot of reserves. Suppose the Government hands out all of its \$1,500 billion reserves to the people of Hong Kong, then how much can each person get? Each person can only get \$210,000. After this sum of money is handed out one off, I do not think any money can be handed out next year. But Macao can afford to hand out \$200,000 to its citizens for one year just because of the public revenue it gets. We should therefore wake up. Why? Suppose we say that the betting business can propel economic growth and lead to development in other sectors, then we might as well think about building casinos here. What do you think would be the result? I am sure we will be cursed. If I can put it in a richer tone of vulgarity, it is like we are damned. We will be cursed and damned until we drop dead. President, I have said that before and so have many Members, but you do not cut us short

PRESIDENT (in Cantonese): Mr CHIM, perhaps you have forgotten about it. In one of the meetings of this Council, we said that

MR CHIM PUI-CHUNG (in Cantonese): You are talking about that Cantonese vulgar expression of "PK", right? Okay, I know that you have never been fair and just. I have changed my expression.

PRESIDENT (in Cantonese): Mr CHIM, the words which you have used are not appropriate in parliamentary language.

MR CHIM PUI-CHUNG (in Cantonese): President, if I ask Members to consider whether or not casinos should be built in Hong Kong, I will certainly be cursed. I am not trying to pass this responsibility on to the people of Hong Kong. But if we envy the welfare benefits of other people while we do not want to let go of our lofty moral standards, this will never work. President, we have to know that even Singapore has built two casinos and it is expected that the money in their budget for the coming years would increase by close to 20%.

I think Hong Kong people should do some soul-searching. President, our society has changed and now it is predominantly characterized by service industries. There are only two countries in Asia that have a true spirit in serving other people. They are Japan and Thailand. As for Hong Kong, I can say boldly and make a criticism that service is only based on furthering one's own interest and it is definitely not underpinned by a spirit of serving others. This is because of government policies and lack of teaching in that area. It also shows that education in Hong Kong must meet social needs. Now our society is characterized mainly by service industries. We should devise education to meet this need. People from the education sector always criticize the Government for its insufficient funding provision for education. But do they know if education in Hong Kong can really meet the needs of the world and our society?

President, we can take a look at the Budget for Hong Kong society in future. Given the money the Government puts in education and social welfare, can we still say that they are not enough? Some people in Hong Kong hold hatreds against the rich. Honestly, those so-called tycoons and the super rich, just what kind of investment they will have to make to consolidate their empires? After they have passed away, these empires will vanish. Can they bring them to the Kingdom of Heaven? We must not allow the media to sow seeds of discord in Hong Kong and cause division in society. This is very important. Since Hong Kong lacks resources in real terms, we need to unite and make good use of our brains. The Government has certainly done not enough in high technology and as a result, Hong Kong cannot be a leader in our region in that aspect.

In some European and North American countries, especially the United States, do Members think that there is permanent retirement protection in the United States? They only have unemployment welfare lasting only a few months. If the people there cannot get any unemployment benefits, they have to apply for subsistence. This is a loss of face to many Americans.

President, as I have said, since it is close to the election year, people may have various intentions or inclinations. This we can understand. Any person in politics or any politician will hold himself accountable to his voters and so he will criticize the Government or solicit the support of the voters. But we must understand that if there are too many conflicts in Hong Kong and if in the end we are marginalized, not only will we be unable to catch up with places like Macao, Singapore and Korea, we will not be able to come closer to those 10 countries to our East. So we hope that in future budgets, the Government can earmark more resources for infrastructure development.

President, some people have criticized the Financial Secretary for failing to deal with the problems of universal retirement protection and the resumption of the production of Home Ownership Scheme flats. But we need to understand that apart from the Budget, there will be a policy address in October. If everything is accounted for in the Budget, then what is the use of our Chief Executive? I trust the Government must have heard the voices of all sectors and I would expect that a clear, fair and reasonable response will be made by the Chief Executive in October. We cannot pass all the responsibilities onto the Financial Secretary. For this reason, President, I support the Second Reading of the Bill.

MR WONG KWOK-HING (in Cantonese): President, before the release of the Budget, the Federation of Trade Unions (FTU) had extensively collected comments from the public, including those from different communities and labour unions of various industries, and presented 18 proposals to the Financial Secretary on 3 January this year in the submission entitled "protecting people's livelihood and countering inflation".

President, after the announcement of the Budget on 23 February, we noticed that the Government had taken on board some proposals of the FTU.

Unfortunately, however, a considerable number of our proposals were not accepted. As such, I submitted to the Government 171 written questions. During this period of time, I also organized 13 residents' meetings and set up on-street booths in New Territories West to extensively collect opinions from members of the community and workers from different trades and industries. With these opinions in mind, I attended all the 20 sessions of the special meetings of the Finance Committee. During these 20 sessions, I asked 58 oral questions and raised 25 supplementary written questions on behalf of members of the community and the public. I notice that the Government has given positive responses to some of the questions, but a considerable number of the opinions were still not accepted. I hope the Government will continue to give active consideration to my proposals and questions.

President, I would like to spend this time today to talk about a number of points in the Budget, and I very much hope the Government will still give consideration to my proposals when it finalizes its plans. First of all, concerning one-off relief measures to counter inflation, I very much hope that in implementing measures to leave wealth with the people, the Financial Secretary will consider my four proposals. First, I propose that all young people who will reach the age of 18 within this year will receive \$6,000 as a birthday gift. In other words, I hope they will receive this birthday gift of \$6,000 disregarding on which day of the year their birthday falls. Second, I hope all young people who are under the age of 18 and are holders of MPF accounts will also receive \$6,000 under this measure of leaving wealth with the people. According to the Government's initial mode of offering cash handouts, they were eligible for this sum of money, but as the mode of offering cash handouts has changed, those MPF account holders who are under the age of 18 will not be able to benefit from this measure. Therefore, I hope the Government will consider this proposal. Third, regarding the eligibility criteria for new arrivals to Hong Kong, I very much hope the Government will adopt criteria which will benefit the largest number of people — the highest common factor and the most lenient criteria — in order to help the largest number of new arrivals to Hong Kong. Fourth, I hope the Government will encourage officials, Members of this Council and better-off members of the community to take the lead to donate the \$6,000 received in order to help more disadvantaged groups. These are the details of my first proposal.

Second, I urge the Government to give consideration to freezing the hawker licence fee and public market stall rentals to help small business operators. When I asked the relevant question, I saw the Secretary respond with a nod, indicating that he would give consideration to it. I hope the relevant relief measure will be introduced as soon as possible. Besides, regarding the problem of non-availability of dental care service for secondary school students, I was very glad that Secretary Dr York CHOW used the word "determination" in his response. As the Secretary has the determination to solve the problem, I hope concrete solutions can be rolled out by the Government soon.

Besides, there are two other proposals which are not addressed by the Government in the Budget. It can be said that these are the proposals that have not been taken on board, and I hope the Government will give active consideration to them. The first one is to carry out a major overhaul of the MPF System and introduce a universal and comprehensive retirement protection system soon. Besides, I very much hope the Government will resume the construction of an appropriate quantity of Home Ownership Scheme (HOS) flats and the Tenants Purchase Scheme as soon as possible. I hope the Government will seriously consider and examine these two proposals again, rather than turning down our requests.

President, I consider the speaking time today very precious, and so in the remaining time, I will only discuss one subject, which is our urge on the Government to take the lead to be a good employer. Regarding this subject, I have raised 98 written questions. In other words, 98 out of the 171 questions raised by me were on this subject. I put a total of 41 questions to 32 government departments which are directly related to the people's livelihood and compiled this work after raising the questions — I am very grateful to my colleagues for their assistance in compiling this work — which is this statistical table here. In this table, we can see that the SAR Government, as the largest employer in Hong Kong, has not taken the lead to be a good employer. Where is the problem? It lies in the fact that 12 years ago, the Government began to change gradually some permanent positions into positions for outsourced workers, workers supplied by employment agencies or workers employed on contract basis, and finally temporary or casual positions.

Such an employment policy of the Government has given rise to such problems as middle-man exploitation and the emergence of "profit-reapers", and

these changes in the employment system have also led to disparity in pay or status among employees undertaking the same duties in the public sector. How many "no's" do these employees have? They have no prospect, no hope for promotion, no pay rise, no paid leave, no paid meal breaks and no benefits. In a nutshell, the Government hopes to have no employment relationship with them. These members of the working masses who used to be remunerated on a monthly basis are now remunerated on a daily basis, hourly basis or even on a piece rate basis. Therefore, President, this is precisely the deep-rooted conflict arising from the employment relationship over the past decade or so, which has caused the impoverishment of low-skill or non-skilled workers. That is why the minimum wage has to be implemented now.

President, with the help of this statistical survey, I will also talk about the actual circumstances of these 30 or so departments later. Why did I conduct this statistical survey? I hope the Government will expeditiously improve and change the employment terms of its service contractors and employment agencies to create a better standard employment contract, in particular, to guard against the seven sins relating to employment relationship. These seven sins can be summarized as "three *de facto's*" (*de facto* reduction of manpower, *de facto* reduction of wages and *de facto* increase of working hours), "two replacement's" (replacement of existing staff by new ones and replacement of older staff by younger ones) and "two no's" (no paid meal breaks and no paid holidays). I very much hope the Government will guard against these seven sins in the tender documents for service contractors and employment agencies and provide a standard employment contract to prevent the recurrence of these situations.

President, I held a press conference the day before yesterday, and in the form of an awards presentation ceremony, I ridiculed the situations reflected by this statistical chart. First, among the 32 government departments, those which have engaged the largest number of outsourced workers are: the champion goes to the Food and Environmental Hygiene Department (FEHD), (11 574); the first runner-up goes to the Leisure and Cultural Services Department (LCSD) (9 600); the second runner-up goes to the Transport Department (TD), (2 553); and the Education Bureau (1 065) and the Government Property Agency (GPA) (1 958) are tied in the fourth place. What is more, the Marine Department (MD) is the most outstanding of all. I do not know what award should be given to it, as it

has employed 191 people on 3 478 contracts. This will actually cause further fragmentation to the employer/employee relationship.

Among the outsourced workers, there are also the champion, the first runner-up and the second runner-up in terms of the number of employees who earn a monthly wage below \$5,824. Frankly, the Minimum Wage Ordinance was passed by the Legislative Council last year and the Government has resolved the problem by setting the minimum hourly wage rate at \$28. In making their estimates, why did these departments still intend to employ their staff at a monthly wage below \$5,824 or an hourly wage rate below \$28? The champion goes to the FEHD, with the number of such staff amounting to 8 807, representing 76.1% of the total of 11 574 outsourced workers employed by the department, which is indeed outrageous. The first runner-up goes to the LCSD, with 6 631 of its outsourced staff earning a monthly wage below the minimum wage rate, representing 69.1% of the outsourced workers engaged by the department. The next one is the MD, with 86 such staff, representing 45% of the outsourced staff of the department. Among the 32 government departments, only five out of the 66 outsourced workers of the Highways Department enjoy paid meal breaks, while information on the remaining 30 000 or so outsourced workers is not available.

President, there are still plenty of data I would like to present, but due to the time constraint, I would have to skip them.

Besides, I wish to talk about workers hired through employment agencies. The so-called employment agencies are actually those agencies awarded contracts by the Government through tendering exercises for the provision of labour services, and as a matter of fact, such services are always required. As they are always required, why does the Government not employ permanent staff to provide them? It is weird enough.

I think workers engaged by the Government through employment agencies are in a more deplorable situation than outsourced workers. As they are not regular staff, they may just be casually required to work for a few hours. In this regard, the champion goes to the Buildings Department (BD), the first runner-up goes to the Department of Health (DH) and the second runner-up goes to the Education Bureau. In terms of proportion, the champion goes to, unexpectedly, the Labour Department (LD), and the Labour and Welfare Bureau has also

managed to take the second place, while the DH is in the third place. I would like to express my regret over this result. Why does even the LD do so?

I have to give some supplementary information here: there are even "nine out of 10" outsourced workers in the GPA, that is, in every 10 employees in the GPA, there is one permanent civil servant and nine outsourced workers. All the cleaning workers of the Legislative Council, who were outsourced workers engaged by the GPA, were dismissed at the expiry of their contracts on 31 March. After negotiations, they are now re-employed. Therefore, I very much hope the Government will take note of this situation and refrain from dismissing the existing staff and replacing them with new ones or dismissing older staff and replacing them with younger ones because of the implementation of the minimum wage. Fortunately, thanks to colleagues' efforts, the government departments were willing to heed our views and have allowed cleaning workers who used to serve us in this Council to continue to work here and enjoy the minimum wage.

President, in the third part of my speech, I wish to point out that the situation of non-civil service contract staff is also most unsatisfactory. Given the time constraint, I can only pick one of the four sets of statistical data and briefly talk about it. Among these non-civil service contract staff, some have served for over five years. Frankly, they have stayed in their jobs for five years, and if they did not perform well, they would not have been allowed to stay for so long. Given their satisfactory performance, why did the Government not employ them on a permanent basis? In a conference of the labour sector a year ago, the Chief Executive did say that if the demand so justified, such staff would be employed on a permanent basis. The Chief Executive said so to the labour sector in the Academic Community Hall of the Baptist University, yet I do not know why no action has been taken so far.

We have also done some statistical analysis in terms of the longest period of service. We found that the number of contract staff who have worked for over five years in the LCSD stood at 644; those in the DH stood at 289; those in the Education Bureau stood at 209 and those in the BD stood at 152. These departments are the champion and the first, second and third runners-up respectively. As time is running out, I will not talk about figures on contract staff who have worked in the relevant departments for three to five years, one to three years or less than one year.

I very much hope the Government will act as a good employer. This way, other employers operating private enterprises will learn from this good employer.

Thank you, President.

MR JEFFREY LAM (in Cantonese): President, this Budget is absolutely unprecedented. Not only are the disputes caused in the community after the unveiling of the Budget unprecedented, but also the authorities have never made such a radical change after the announcement of the Budget by, instead of injecting \$6,000 into each MPF account, giving out \$6,000 to each Hong Kong identify card holders in the territory's first-ever "cash handout" exercise to members of the public.

I still recall during the four-month-long consultation period on the Budget, the Financial Secretary appeared in an Announcement of Public Interest on television, saying members of the public "do not have to wear a moustache in order to express views". I believe the Financial Secretary's consultation exercise was not a show. Neither would he turn a deaf ear to public opinions. It was only that inflation had soared terribly in a matter of several months. In addition, the amount of money in the coffers last month at the close of the financial year was more than expected. Anyhow, such an unprecedented, major adjustment or change made by the Financial Secretary does illustrate his willingness to readily accept good advice and make adjustments in response to public opinion by giving out \$6,000 to each Hong Kong permanent resident aged 18 or above.

President, it has been more than a month since the announcement of the new "cash handout" proposal, but its specific details have yet to be announced. During the past couple of weeks, I have repeatedly enquired about relevant information, such as the "cash handout" timetable. However, the Government's response is still "N noes". In other words, the Government has indicated, for N times, that neither details nor a timetable can be provided. As a result, I have also become a person with "N noes", or a person feeling helpless for N times.

President, I hope the Financial Secretary can understand that the people hope to get the money expeditiously, so that they can have more money to counter inflation. Of course, I also understand that this "cash handout" proposal is unprecedented, and so money cannot be dished out instantly. For instance,

how should the age of 18 be defined? How proper streaming can be effected when cash is to be handed out in order to pre-empt confusions? Given that millions of people might withdraw their money simultaneously, the matter must indeed be handled with prudence. All these issues warrant careful study. Moreover, I believe Members will all agree that the value of the privacy of the people is far higher than \$6,000. Therefore, the Government must deal with this matter properly by protecting the privacy of the people. I know that banks are being very co-operative, and they are pleased to deploy their manpower and resources to complement this scheme at any time.

Another special feature of this scheme is that members of the public may choose not to withdraw the money immediately in order to receive savings rewards. I believe this idea can offer one more option to them by, for instance, launching a one- to three-year-savings scheme. If the interest rate is higher than the inflation rate, I believe the scheme can attract the participation of more people.

The Financial Secretary indicated in his webpage last month that the Budget had to be endorsed by the Legislative Council the following week before the "cash handout" details could be submitted to the Panel on Financial Affairs. Here, I have no intention to argue with the Financial Secretary over the question of "chicken or egg comes first". The Economic Synergy supports this proposal and hopes the Financial Secretary can announce the details and timetable for the "cash handout" expeditiously.

This "cash handout" proposal is one-off in nature. I hope it does not imply that the Government will "give out cash" next year or every year, or whenever there is surplus money in the coffers. Although the Budget has taken on board some of the opinions and proposals of the Economic Synergy, including electricity tariff subsidy, rates relief, payment of two months' rent for public housing tenants, grant of one more month of CSSA payment, and so on, I think the most important purpose of fiscal reserves is to inject money into long-term policies to further enhance social security and improve the livelihood of the people, particularly in such areas as education and training, healthcare and welfare, housing policies, and offering proper care to the disadvantaged, with a view to enabling them to live in abundance and enjoying better opportunities of upward movement. With the gradually stabilizing economy and abundant fiscal

reserves, I believe the Government is capable of further broadening social security.

By the same token, I think the Budget has talked not much about the long-term policies on upgrading Hong Kong's competitive edge. Moreover, it is lack of foresight.

Over the years, the Hong Kong General Chamber of Commerce has been calling on the Government to adjust the profits tax rate downward to 15% and consider introducing "group loss relief" and "loss carry-back arrangements". When running for re-election in 2007, the Chief Executive undertook to adjust the profits tax rate downward to 15% during his term of office. However, his undertaking has yet to be honoured. I hope the Government can understand that the prevailing profits tax rate of Hong Kong, which is standing at 16.5% now, is already very close to that of our neighbours. In Singapore, it is 17%. Even Macao has lowered its profits tax rate from 15% to 12% in the hope of strengthening its development of regional economy. If Hong Kong merely engages in empty talk of introducing change without taking concrete actions in the end, the competitive edge it is now enjoying will narrow and may even disappear gradually.

President, although the profits tax rate of Singapore is slightly higher than that of Hong Kong, a number of competitiveness surveys show that Singapore is better than Hong Kong. I wonder if the Government has noted some of the study reports about competitiveness. According to the World Bank's "Doing Business" report in 2011, Singapore had occupied the top spot for five years in a row, with Hong Kong coming in second only. This year, Singapore also ranked higher than Hong Kong according to the global prosperity index by a think-tank, Legatum Institute. I really hope the Government can understand that it has become an internationally-known fact that Hong Kong's competitive edge has continued to fall.

In its reply to my oral question last month, the Government indicated that should the profits tax rate be revised to 15%, it would cost the Government \$7.5 billion in 2011-2012. However, I wonder if the authorities have calculated the number of investors or additional investors who will be attracted to come to Hong Kong for investments, should the profits tax rate be reduced. This is like the Government's decisive measure years ago to abolish the estate duty. Despite

the loss of tax revenue at that time, the Government's revenue eventually saw an increase owing to the reduction. Should the Government fail to expeditiously draw up long-term policies conducive to economic development and attracting foreign capital, we will be overtaken by other regions very easily. It will be too late for regrets by then.

President, in order to enhance Hong Kong's competitive edge, the Budget proposes to increase the total guarantee commitment under the SME Loan Guarantee Scheme substantially from \$20 billion to \$30 billion, which is in line with the notion of the Economic Synergy. At present, there are more than 290 000 SMEs in Hong Kong, accounting for 98% of the total number of enterprises in the territory and employing more than 1.2 million people. Hence, supporting SMEs is tantamount to stabilizing Hong Kong's economic pillars.

In recent years, it has been the hope of the SMEs in Hong Kong to develop the domestic market. The policy objective of expanding domestic demand, mentioned in the Outline of the 12th FYP promulgated last month by the Central Government, is precisely what Hong Kong businesses have been hoping to see. Given the enormous Mainland market and opportunities there, entering the domestic market is crucial to upgrading Hong Kong's overall competitive edge. The Economic Synergy proposes the setting up of a \$2 billion "strategic fund for domestic sale of Hong Kong brands" to assist Hong Kong enterprises in entering the major and second- or third-line Mainland cities to create the "Made in Hong Kong" branding effect.

In the individual chapter on Hong Kong and Macao in the Outline of the 12th FYP, it is clearly stated that the Central Government supports several directions for development of Hong Kong, including reaffirming Hong Kong's status as an international financial centre and an international centre for trade and shipping, developing six industries where Hong Kong enjoys clear advantages, and further deepening economic co-operation between the Mainland and Hong Kong, and so on.

Nevertheless, since the announcement of the Framework Agreement on Hong Kong/Guangdong Co-operation last year, it appears that the Hong Kong Government has only got the direction but not the objective for development, with some policies having been put aside. I am really afraid that the good policies will be turned into bad ones. The Qianhai development, for instance,

which has an area of 15 sq km, can be developed into a land of opportunities through, for instance, offering a special concessionary tax regime, allowing free flow of passengers and cargoes, and permitting Hong Kong's financial, professional and services industries to seek greater development in new horizons by capitalizing on "early and pilot implementation". Nevertheless, the Qianhai plan is still progressing at a snail's pace. It is indeed imperative for the SAR Government to participate more actively in the development and construction of Qianhai to turn it into a new growth point in Hong Kong economy.

President, in connection with the Budget's proposal of increasing the First Registration Tax (FRT) for vehicles to 15%, I would like to declare that before the announcement of the Budget, I bought a car, which will be shipped to Hong Kong soon. I wish to discuss the tax increase definitely not because I am a victim. It is rather because I think that the tax increase cannot necessarily solve the traffic congestion problem in a simplistic manner.

Members should still remember that the FRT was last increased in 2003, when the number of newly registered vehicles had actually decreased. However, I believe Members should be aware that the desire of people buying new vehicles or replacing their vehicles was affected by the economic conditions at that time, when Hong Kong was hit by the outbreak of SARS. This played a even more crucial role than the increase in the FRT. According to the Government, the number of private cars in 2010 has increased substantially by 5.4% over that in 2009. I believe this should be attributed mainly to the effect caused by the financial tsunami in 2009, just like what happened when Hong Kong was hit by SARS years ago. More importantly, after the increase in the FRT in 2003, the overall number of licensed private cars dropped only 1 900. Moreover, the fact that their number in 2004 was greater than that in 2002 illustrated that the number of vehicles on the road had actually increased rather than decreased. The effect of increasing the tax, which is very limited, can only curb the growth of private cars in the short run.

I wish to emphasize that increasing tax might not be the best and most effective method to reduce congestion on roads, as half the result might be got with twice the effort. In order to solve traffic congestion in Central and Wan Chai, the Central-Wanchai Bypass Project is now being undertaken by the Government — in order that vehicles on the road be reduced, the Government has resorted to expanding the railway network and using a transport strategy of using

the railway as the backbone to attract members of the public to use less road transport. Despite the availability of more methods, the Government has appeared to have the heart to do something but lack the strength. For instance, the Government has completed consultancy reports one after another on the diversion of traffic among the three harbour crossings. But we are all sceptical about the latest proposal on reducing the tunnel toll of the Cross Harbour Tunnel but raising that of the Eastern Harbour Crossing.

Meanwhile, the Government is still going ahead with the FRT exemption scheme for electric vehicles, whereby green car models will continue to enjoy a tax reduction of 70% or a maximum of \$50,000 in tax rebate. If a vehicle owner replaces his vehicle with an electric vehicle, thus being exempted the FRT, the actual number of vehicles in Hong Kong will still remain unchanged. Theoretically, there is simply nothing the Government can do to reduce vehicles on the road and alleviate congestion. It shows that these two schemes appear to be offsetting each other.

From yet another angle, if some vehicle owners do not want to replace their vehicles with electric or green vehicles or pay the additional FRT and continue to drive their old cars on the road, pollution on the road might worsen.

I recall that when the Environment Bureau proposed increasing licence fees last year on the ground of speeding up the elimination of old, diesel vehicles, with older vehicles being charged higher licence fees, I strongly criticized the proposal. This proposal on increasing the FRT appears to be a rehash of the one put forward by the Environment Bureau with vehicle owners being the targets. In order to solve traffic congestion and air pollution, the Government should begin with improving traffic diversion and making effective use of resources on the road. Only in doing so can the Government "think what people think".

Despite the unprecedented revision of the Budget, we believe the Government has heeded a lot of public opinion. Nevertheless, the authorities appear to have failed to achieve perfection in announcing its execution and implementation plan. In introducing new policies in the future, we hope the Government can inform the public of a perfect implementation proposal to prevent them from asking this question every day, "When will the Financial Secretary give us the 'cash handout'?" I hope the Financial Secretary can give

Hong Kong people an answer expeditiously. Thank you, President. I so submit.

DR RAYMOND HO: Mr President, without any doubt, the controversial Mandatory Provident Fund (MPF) top-up proposal was a blot on the 2011-12 Budget. Nevertheless, we must not allow it to blind us to the fact that there are other constructive initiatives proposed in the Budget. Many of them are worth considering on their own merits. I would say, on this basis, that the Budget as a whole is acceptable. I would also like to take this opportunity to comment on the following issues.

Budget revision

The fierce public opposition to the proposal on a one-off injection of \$6,000 into the MPF accounts must have caught the Government off guard. Obviously, it should be the Government itself to be blamed as the proposal has not been well thought through.

Those people without any MPF accounts including civil servants and housewives felt deep resentment against the unfair arrangement. The so-called N-nothings were left out again and were not gaining anything from the Budget. The low-income earners bearing livelihood pressure would like to have the give-aways in cash while the middle class would have a tax rebate instead. There were also people who believed that the fund managers were the ultimate winners who reaped most of the benefits in the form of their high management fees. Some others felt anger at the uncompromising stance of the Financial Secretary.

Although members of the public did not share the same reason for their discontent, they opposed the Government's proposal in one voice which, as the Financial Secretary put it "loud and clear". Many people and groups were preparing to take to the streets to protest against the proposal. A political crisis could not be ruled out if there were high turnouts in these demonstrations.

It was against the escalating tensions that colleagues from various political parties and groups including the Professional Forum met with the Financial Secretary to persuade the Government to accept public opinions and make

changes to the budgetary initiatives. If my memory serves, we have raised a number of issues at the meeting which include scrapping the proposal on MPF injection, taking measures that will benefit the so-called N-nothings, resuming building HOS flats and withdrawing the proposal on increasing car registration tax. Two days after the meeting, the Finance Secretary announced that instead of injecting \$6,000 into every MPF account, the cash of the same value will be given to each and every adult Hong Kong permanent resident on top of a tax rebate of up to \$6,000. The tab for the new arrangements amounts to \$41 billion. It is worth noting that it is the belief of the Professional Forum that the cash should be given to those in need rather than to all adults in Hong Kong indiscriminately. Despite our reservation in this respect, we still appreciate the courage of the Government in making the changes to address the public discontent.

Infrastructure development

I am pleased to note the Government's continuing commitment in investing in infrastructure. With various major infrastructure projects entering the implementation stage, substantial growth in the capital works expenditure was recorded in the past couple of years, from \$20.5 billion in 2007-2008 to the revised estimate of \$49.6 billion in 2010-2011. The estimated capital works expenditure for 2011-2012 will reach a record level of \$58 billion.

For years, I have been urging the Government to promote economic growth by investing in infrastructure development. Its positive effects on the construction industry in the past couple of years are most obvious. The unemployment rate of the construction industry has dropped from the 20% historic high in 2003 to the current level of 4.5% which is, however, still higher than the overall unemployment rate of 3.6% in Hong Kong. It is hopeful that the Government will continue to invest in infrastructure development and dish out medium- and small-scale, particularly labour intensive projects so as to create more job opportunities for the construction industry and increase the competitiveness of our economy as a whole.

With the improvement in employment situation in the construction industry, the demand for skilled staff is also growing. I understand the Government has been taking a number of measures to enhance the construction manpower training. It has also joined hands with the stakeholders of the industry to study ways to attract young people to join the industry. Hopefully,

their joint efforts will help reverse the trend of graying working population in the industry and enlarge the pool of trained personnel to meet the future requirement of the industry.

Land supply

There is no secret that the soaring property prices in Hong Kong have much to do with the inadequate land supply. The measures initiated in the Budget to increase the supply of residential sites are most welcome. But regular land sales must be resumed. Different plots of land of different sizes for different types of development should be put on the market for auction.

In the Budget, the Government is asking for \$300 million to carry out studies on the feasibility of increasing the land supply by reclamation and rock cavern development. I support the proposal. As a matter of fact, the use of rock caverns for storage and sites for facilities are not uncommon in some countries. The ground conditions in Hong Kong are such that our hard rock is extensive and maybe suitable for cavern construction. If I remember correctly, the cavern development has been adopted in the re-provisioning of the fresh and salt water service reservoirs at Pok Fu Lam. Further development of rock caverns with relocation of some existing facilities into them will optimize our land use.

iBond

The issuance of inflation-linked retail bonds, or "iBond" will surely provide Hong Kong citizens with another investment option under the current low-interest rate environment. The proposal is in line with the Government's objective to promote the development of local bond market, which prompted the Government to introduce in 2009 the Government Bond Programme with a borrowing ceiling of \$100 billion.

Apart from promoting the development of bond market, bond issuance can provide us with an option in financing infrastructure projects, particularly at a time of tight public spending. This was exactly why I urged the Government to issue bonds for financing major infrastructure projects in the early 2000s when Hong Kong was hard hit by severe economic downturns. Although the Government did subsequently raise \$26 billion from the sale of bonds and

securitization of five Government-owned tunnels and one bridge in 2004, the proceeds were ultimately used to finance those projects already earmarked under the annual \$29 billion infrastructure expenditure. The impact of the exercise was limited as a result. I am afraid that the rigid adherence to the Government to the so called "prudent financial management principle" might have prevented Hong Kong from taking the full advantage of the financing option through bond issuance. It is advisable for the Government to review its position in this respect. I am not saying that we need to borrow to fund our infrastructure development now as our public coffers are flushed with cash. But you never know. There is no harm in keeping this financing option open.

Let me now move to a related issue which has not been addressed in the 2011-12 Budget. From time to time, there are suggestions that Hong Kong introduce a progressive tax regime including more progressive rates for salaries tax for various reasons. I have reservation on the idea as the changes will reduce Hong Kong's competitiveness in attracting capital and talent.

Further regional co-operation

The National 12th Five-Year Plan was endorsed at the Fourth Session of the 11th National People's Congress, which I attended as a Hong Kong Deputy in Beijing last month. An individual chapter of the Plan dedicated to the Hong Kong and Macao Special Administrative Regions signifies the Central Government's strong support given to Hong Kong and will enhance co-operation between the Mainland and Hong Kong. The Plan states the Central Government's support for the maintenance of Hong Kong's status as an international financial centre and an international centre for trade and shipping. Hong Kong's role as a developed offshore RMB market is being enshrined in the Plan, too. Taking into account the functions and positioning of Hong Kong in the overall national development strategies, the Government should spare no time to chart out its development direction and formulate related policies accordingly. Besides, Hong Kong should take advantage of the new situation to move forward in the development of the six industries, namely, medical services, environmental services, testing and certification, education services, innovation and technology, and cultural and creative industries. We can also continue to capitalize on the opportunities made possible by the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA).

At the regional level, Hong Kong has to strengthen our co-operation with Guangdong in different areas including financial industries by leveraging on CEPA and taking advantage of the model of early and pilot implementation as well as other channels. The Government must also strive for active Hong Kong involvement in the Qianhai Development Plan in Shenzhen so that Hong Kong enterprises and service providers will be able to capitalize on the business opportunities made available there.

On the environmental front, we should work with Guangdong and Macao under the Framework Agreement on Hong Kong/Guangdong Cooperation signed in April last year to take forward the formulation of the Regional Co-operation Plan on Quality Living Area with a view to promoting regional environmental co-operation and low-carbon development.

Conclusion

With the strong national support, Hong Kong is in an enviable position of moving into a new stage of development. However, Hong Kong must make its own efforts to earn the benefits as envisaged by the blueprint of the National Five-Year Plan. For its part, the Government must bring out concrete plans with action programmes. The people of Hong Kong or even the compatriots in the Mainland are going to judge the Government if it is up to the task by its deeds rather than by its words.

Mr President, with these remarks, I support the Second Reading of the Appropriation Bill 2011.

Thank you.

MR CHEUNG KWOK-CHE (in Cantonese): President, this year's Budget is the most controversial not only because of the SAR Government's unprecedented move to hand out \$6,000 to Hong Kong permanent residents aged 18 or above as the most disputed and generous giveaway announced in budgets over the years, but also because it has aroused disputes between permanent and non-permanent residents, making the already divided society even more so. Given the widening wealth gap in Hong Kong society, the Government must appreciate the high anti-rich sentiments in the community. Hence, its primary objective should be

to alleviate people's grievances rather than manufacturing one more political bomb.

Faced with strong opposition from public opinion and under political pressure, the Government hastily withdrew, one week after the announcement of the Budget, its proposal of injecting \$6,000 to the MPF accounts of wage earners. Instead, it will give out \$6,000 to all Hong Kong permanent residents aged 18 or above. Subsequently, the Government has even contemplated solving the controversy surrounding the handout of \$6,000 to non-permanent residents through the Community Care Fund. This ill-conceived decision has, however, led to even more grievances in society.

President, two days ago, I received a letter from someone who called herself "the excluded". I will now read out some excerpts of her letter: "Being a new immigrant who has lived in Hong Kong for six years, I am also highly educated. In the past six years, I have never relaxed in my work and studies. Besides taking care of my children, household chores and work, I also set aside time to continue with my studies. My husband, also a university graduate, can only work as a security guard for 12 hours a day for a monthly income of only \$6,000 or so, because he is physically unfit. Owing to our unwillingness to give up, our family income has exceeded the income ceiling imposed by the Government. But our income is largely spent on raising our children and learning and studying."

She continued, "I have a classmate whose situation is also similar to ours. Besides working as a full-time professional, she has to take care of her two children and spend time on pursuing a bachelor's degree as well as a professional Master's degree. Most of her income is spent on paying her tuition fees. We can all sleep like a log anywhere, anytime because we are leading this sort of life. It is easy to imagine that people like us, who have planted our root in Hong Kong, struggling in our lives, need the \$6,000 offered by the Budget. What is more, we need the Hong Kong Government to address squarely our existence and give us our entitled rights."

She added, "In the past six years, we fulfilled the same obligations under the same system as permanent residents in Hong Kong did. I have paid tax in accordance with the law, though I have never been a public housing tenant or a CSSA recipient. We are similarly subject to the challenge and pressure brought

about by inflation in the reality. However, when it comes to the sharing of rights, the Hong Kong Government has looked after all permanent residents while excluding new immigrants. And then, new immigrants are further divided into those in need and others not in need. What kind of philosophy of administration is it! This is a blatant act of tearing Hong Kong apart! Forced deprivation and deep-rooted discrimination! We will definitely be compelled to take our case to the United Nations Commission on Human Rights to pursue our rights. As the slogans adopted by the Government in "giving out money" are to "leave wealth with the people" and "benefit the people", are we not the people of Hong Kong? Are we oxen of Hong Kong? Even if we are regarded as oxen, we should still be fed with grass. We have struggled so hard because we do not want to become a burden on Hong Kong society. What is more, we want to be part of the engine that drives Hong Kong forward. Nevertheless, the Hong Kong Government neglects our existence and even orchestrates a plan to deprive us of our rights. In Hong Kong, will we have a better tomorrow?" End of quote.

President, after listening to this call by "the excluded", I believe and agree that this call reflects not only the voice of one person. In fact, we can hear many calls like this one around us, only that the Government has turned a deaf ear to all of them. I believe everyone will agree with the Government's decision to "leave wealth with the people" because the coffers are "awash with cash". However, it is the immediate task of the SAR Government is to figure out ways to redistribute the money to benefit the most needy in society and ease the hardships of the people. Now, the Government has decided to make "cash handouts" in a selective manner by openly discriminating against new arrivals. I believe every government official with political wisdom should have realized that doing so will only intensify opposition from some disadvantaged groups who cannot be benefited. At a time when the community is filled with anti-rich sentiments, I really cannot help sigh with regret and ask why the SAR Government can still act so foolishly by tearing apart a community which has already become far from harmonious long since.

In his reply to a Member's question last week, Secretary Prof K C CHAN said, from the angle of the Government, the measures of MPF injection and "cash handout" are identical in terms of the notion of policy implementation. I have thought about this again and again, but I am still puzzled. The two proposals are different in many ways, except that the amounts of money offered are the same, that is, \$6,000. First of all, the money that may otherwise injected into MPF

accounts cannot be withdrawn until retirement, whereas cash handouts can be obtained and used immediately. Second, the number of beneficiaries and targets are very much different. Hence, I think it is more appropriate for me to use "poles apart" to describe the two proposals. But actually, they are identical in the sense that they are both ill-conceived. Neither has the Government heeded public opinion before conceiving these two proposals. Perhaps this may explain why Secretary Prof K C CHAN described the two proposals as "identical".

Insofar as the entire Budget is concerned, the Financial Secretary has apparently followed the long-standing practice of "giving away candies" by tinkering with each and every policy. Obviously, the Government has fully adhered to the stop-gap philosophy in its administration by making cosmetic changes through such measures as "giving away candies". It simply fills the gaps where dissenting views are found while failing completely to resolve social problems by way of social planning.

Hence, there is a need for the Government to adopt a new mindset to plan the future for Hong Kong. I believe the Chief Executive, Secretaries of Departments and all accountable government officials should have heard the remarks made by Premier WEN Jiabao in a press conference marking the end of the sessions of the National People's Congress and the National Committee of the Chinese People's Political Consultative Conference. In the conference, Premier WEN commented on Hong Kong's affairs in many ways, including his reference to the 12th FYP, for the first time, supporting the development of Hong Kong, though it would be up to Hong Kong to decide its own planning.

The planning mentioned by Premier WEN is precisely what our SAR Government needs to do most. We must understand that, in order for various aspects, such as the economy and the people's livelihood, to enjoy healthy development, whether at the national or regional level, there must be long-term goals and plans. As Hong Kong is no longer under foreign rule after the reunification, Hong Kong people are now more capable of taking charge of everything. So, why can we not join hands in building Hong Kong? However, has the SAR Government been able to achieve this? Has it made any preparations for the future of Hong Kong?

Let us pay attention to this year's Budget. The initiatives introduced there are obviously short-term measures without foresight. Even in addressing

problems that lies before it, the Budget has behaved half-heartedly and perfunctorily. Despite the proposals put forward by various organizations in the social welfare sector this year on elderly services, the Budget has only responded by the provision of 1 300 residential care places. However, these additional places can absolutely not catch up with the pace of Hong Kong's population ageing. Furthermore, the Government has not made any commitments as to whether such places will continue to be increased. This implies that the number of residential care places may remain unchanged next year. Besides, in the face of the worsening problem of the ageing population, the Government has evaded formulating a comprehensive elderly policy. Given that all the initiatives introduced by the Government are either short-term or without foresight, critics should not be blamed for ridiculing the present-term Government as a "caretaker government".

President, Hong Kong's social welfare development has not only remained stagnant for years, we have even found a backpedalling phenomenon. In the former British Hong Kong era, there were still White Papers and Five-year Plans. But now, we have nothing at all.

Despite a response from the Government last year and a consultation on long-term social welfare planning, what happened in the end? I think I can use the word "appalling" to describe what actually happened. It is because the consultation paper failed entirely to consult the stakeholders of the sector properly, as if it was making a cart behind closed doors. Among others, the paper has even recommended the trend of adopting the "user pays" principle in providing social services in the future. What is more, it has even explicitly stated that there is no need for long-term planning. This has led people to question if this document is rallying support for the Government to relinquish its role as a social welfare service provider.

In my opinion, even if the Government is trying to pacify us, it must act in a presentable manner rather than fooling the sector and even the general public blatantly. Every government must have proper planning, or else the entire society cannot enjoy healthy development. Let us look at our State, which already realized the importance of long-term planning as early as 1953. In comparison, the governance mindset of the senior officials of the SAR Government is still quite backward. Should this situation persist, how can Hong

Kong continue to develop in the future, not to mention to keep pace with the development of the Mainland?

When it comes to the most disappointing part of this Budget, it must be the support for people with disabilities. Undeniably, the Government has raised the CSSA and living supplement rates for people with disabilities to enable them to improve their financial conditions. However, nothing has been done to increase the number of residential care homes and community support services for them.

Please allow me to quote once again the relevant figures in this area. At present, more than 7 000 persons are waiting for residential care homes for people with disabilities, and the average waiting period ranges from 10 to 12 years. It is worrying that this situation has continued to worsen, as the number of people on the waiting list this year has increased by 10% over that of last year.

Of course, I am in favour of the policy of providing more cash allowances to people with disabilities. However, money is not everything. Some core services cannot be tackled with money. Is the Government aware of the importance of residential care homes to people with disabilities? The provision of residential care home services affects not only the recipients, but also their family members and carers. Hence, I hope the Government can explain why it refuses to increase the number of residential care home places for people with disabilities.

I must admit that increasing the number of residential care home places involves land issues. However, the delaying tactic persistently adopted by the Government to evade the problems will only continue to aggravate the problems. This explains why I proposed earlier a motion on social welfare land use long-term planning. I hope the Government can address this issue squarely by undertaking planning expeditiously to prevent these welfare services from suffering a continued lag, such that the supply will not lag far behind the demand.

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

The retirement protection for wage earners is also a concern to everyone. Even though the poor performance of the MPF is already an indisputable fact, it

has been more than a decade since the proposal of a universal retirement protection scheme was mooted in the community. As far as we know, the Central Policy Unit has already conducted a third research study on this issue. Nevertheless, the Government is still using the "three pillars" as an excuse to evade this matter. I must point out that, with the constantly ageing population, there will be increasing pressure from CSSA for the elderly. The later the universal retirement protection scheme is considered, the greater the chance of explosion.

Deputy President, I find it necessary to quote some of the remarks made recently by Premier WEN Jiabao to the Chief Executive. Premier WEN said, to this effect, "Given its relatively abundant fiscal revenues and strong foreign currency reserves, Hong Kong should further enhance its construction of a social security system to, in particular, care for the disadvantaged and strive to improve the people's livelihood." Given the fact that even our national leader has stated openly that Hong Kong has excessive fiscal reserves and that it should pay more attention to care for the disadvantaged, the Government should not find any more excuses to hoard reserves.

Whether from the general point of view or purely the angle of social welfare expenditure forecasts, this Budget is nothing but a continuation of the philosophy of "giving away candies" practised over the past years. Not only is it lack of vision and foresight, it has also failed entirely to help resolve the deep-rooted conflicts in Hong Kong. However, it is even more unexpected that the Government, given its lack of prudence, has resorted to "handing out money" arbitrarily, thereby aggravating class conflicts, causing irreparable damage to society, and making the failed Budget an even bigger failure. So long as the Government (*The buzzer sounded*) refuses to address the conflicts squarely

DEPUTY PRESIDENT (in Cantonese): Time is up.

MR CHEUNG KWOK-CHE (in Cantonese): Thank you, Deputy President.

MRS REGINA IP (in Cantonese): Deputy President, as pointed out by many colleagues just now, although the Financial Secretary has formulated a substantial estimate of expenditure related to the people's livelihood in the Budget this year, the Budget, criticized as the worst in history, sparked an extreme outrage in the community immediately after its announcement on 23 February. As a result, the Government could not but make a U-turn within a couple of days by taking on board the proposal raised by the New People's Party of giving out \$6,000 to every permanent resident in Hong Kong. Excuse me, Deputy President, please allow me to do some publicity here.

Although the "cash handout" proposal has also aroused much controversy, we find that the Financial Secretary has made serious mistakes in not only estimating government revenue, but also gauging public opinion in formulating this Budget. Despite his spending of \$700,000 to \$800,000 on a four-month consultation to appeal to the people with the slogan that "one does not have to wear a moustache in order to express views", the Financial Secretary has made serious mistakes in evaluating public opinion. I only wish to point out that the Government has three major blind spots, so to speak, in gauging public opinion.

Despite its claim of extensive consultation, the Government was, surprisingly, not anticipating that the MPF accounts could be so unpopular. Borrowing a Western political jargon, the proposal of injecting funds into MPF accounts, which has been debated in this Council and attracted great resentment, was dead on arrival, as also commented by foreign political commentators. In other words, it has already been banned before it is tabled to this Council.

Furthermore, the Government has still refused to address the housing problems, especially the resumption of construction of HOS flats, despite the fact that this issue has been debated and discussed repeatedly in this Council, and a consensus has already been reached. Furthermore, the Budget has not indicated what the Government will do in response to such problems as alleviating poverty and helping the "N noes". Although the Budget has proposed to hand out quite a lot of money, all the initiatives proposed therein are merely one-off piecemeal remedies, such as the award of scholarships. Finally, immediately after its announcement on 23 February, the Budget attracted a lot of criticisms.

In my opinion, the Government should be able to learn numerous lessons from its handling of the Budget this time around. First of all, besides gauging

public opinion more accurately, the Government should consider whether it can continue to follow the model used in the colonial era in dealing with budgets. According to the colonial model, which has been used for decades or even more than a century, budgets are implemented through a couple of appropriation bills and bills on raising tax revenue, such as the Dutiable Commodities (Amendment) Bill 2011, which will be tabled before the Legislative Council next week. Therefore, should the Government continue to treat budgets merely as laws and accounts, it would only give people the impression that the Government's focus is only zeroed in on breaking even, whereas the Financial Secretary continues to play the role of a cashier. This will even make people doubt whether this Budget is formulated by the Financial Secretary and his boss, the Chief Executive, in order to fully implement the latter's political ideals or concepts or policy objectives, or by a group of civil servants responsible for managing accounts for the Financial Secretary, that is, those "invisible" civil servants hidden inside the Treasury who hold enormous powers?

In the face of the rapid changes in society, rising public demands and the need to seek long-term planning and solutions for many deep-rooted problems in society, the present-term SAR Government, albeit with one more year to go in its tenure, should consider whether it can continue to formulate budgets for purposes of balancing the books in public finance, just as a cashier performing his duties.

This reminds me of the remarks made by the Financial Secretary from the bottom of his heart when Members of the pro-establishment camp paid him a visit on 28 February to relay their views to him. In reply to the questions raised by many colleagues on why he had failed to respond to such problems as housing and land prices, the Financial Secretary said, "All these problems cannot be dealt with by the Estimates." It means "How can he deal with problems which are not mentioned even in the Policy Address?" In other words, this reflects that the Government is still using an annual accounting method in formulating its budgets. Therefore, there is no way the budget can tackle the deep-rooted problems to which even the Chief Executive's has not responded in the policy address.

In this respect, I would recommend the SAR Government to consider the model adopted by the United States Government in tackling economic issues. In addition to the relatively short State of the Union Address delivered annually by the United States President, certain economic issues will be published in an annual Economic Report of the President. The Economic Report is an

extremely detailed economic report drafted by the most popular and influential economic advisors, who of course share the ideals and beliefs of the President and are appointed by the United States Government and President. It is similar to our budget in the sense that they both have a review and a forecast. This our budgets have also managed to do. However, the Economic Report would discuss at the same time many deep-rooted economic and financial issues, such as ways to enhance productivity and introduction of tax policies to stimulate growth. As mentioned repeatedly by other colleagues, including Mr Jeffrey LAM, the issues discussed should include the financial difficulties in providing social services, the challenge in implementing social service programmes, which is actually the difficulty encountered by the Government in paying the cost of services, and certain financial problems, such as problems relating to the foreign exchange market and exchange rates. All these issues should be considered by the SAR Government. Instead of making piecemeal remedies in its annual budget, the Government should explain in greater detail to the public its economic concepts and give an account of the concepts of the SAR Government in economic and financial policies.

Next, I will raise a few points for discussion. The first one I would like to raise concerns SMEs. The Budget has mentioned little, or even nothing, about how to assist SMEs. Many colleagues have expressed support for SMEs to launch their businesses. The SAR Government, albeit making the same proposal, has still failed to come up with any definition of "entrepreneurship (創業)". I think the SAR Government can refer to the definition of "entrepreneurship" adopted by the United States Government. According to the definition proposed by significant economists in the United States, "entrepreneurship" means "developing new ways of doing business and making risky investments to implement them". In other words, "entrepreneurship" is closely associated with risk-taking.

Why does the entrepreneurship spirit in Hong Kong appear to be shrinking and, as a result, Hong Kong is being dominated by several major industries, particularly the real estate industry? This is precisely attributed to the great risks and high opportunity costs involved in launching businesses. Therefore, I call on the Government to enhance support for SMEs by, for instance, setting up a venture capital fund for SMEs. As mentioned by colleagues earlier, the Government should consider offering direct assistance to SMEs in entering the Mainland market and developing brands. In the past, the SAR had been

following the *laissez-faire* and non-intervention policy and, as a result, it might be inclined to doing nothing much. However, it should pay attention to the fact that the Dongguan Municipal Government has already started to assist Hong Kong businessmen in the Mainland in upgrading and transformation through direct financial support.

With respect to offering support to SMEs, the SAR Government may define several areas, including technology and scientific research. I also understand the concern of financial management experts in the Financial Services and the Treasury Bureau, namely the Government may be cheated of its money and SMEs may not conduct genuine scientific research after receiving support or tax rebate. But actually, there are many ways to overcome these problems. For instance, the Government may specify the scientific research projects or require that the projects must be conducted in collaboration with universities. Furthermore, the Government may provide support for SMEs in making use of information technology to enhance productivity or undertake staff training, and so on.

Besides, we have found in the views collected from SMEs that they all share the hope that the Government can truly promote the entrepreneurship spirit and revitalize SMEs, so as to prevent the local economy from being dominated by one or two major industries. To this end, the Government should draft and publish white or green papers on consultation with SMEs, such as green papers to consult on ways to assist them to launch a business, with a view to collecting their views and drafting longer-term support proposals.

Meanwhile, some SMEs have pointed out that, as industrial transformation is being promoted in the Pearl River Delta (PRD) area, many traditional SMEs engaging in "contract processing" can no longer maintain their footing in the PRD and, as a result, need to identify places for relocation. For many SMEs which can transform to engaging in higher value-added manufacturing operations, the Government can actually take measures to help them to return to Hong Kong rather than relocating to Jiangxi or more remote places. Despite the fact that the SAR has all along been looking down upon the manufacturing sector, coupled with the Chief Executive's famous line that "the financial industry can support 7 million people on its own", Hong Kong still has some manufacturing industries which can survive and thrive. For instance, the testing and assembly of

water-proof camera cases require intellectual property protection to ensure that the production process can be carried out in Hong Kong.

In the area of technology, Hong Kong actually has some manufacturers, such as the ASM Pacific Technology Ltd., which hold leading positions in the world. In the semi-conductor industry, the SAE Magnetics (Hong Kong) Ltd., situated in Tai Po, also occupies a leading position. In other words, the message we have received from the SMEs is they hope the Government can stop looking down upon the manufacturing sector, which has prevented it from considering ways to give them support. With appropriate government support, some high-end industries capitalizing on intellectual property can still conduct their processes in Hong Kong, thereby assisting Hong Kong in expanding its economic structure.

As time is running out, I wish to raise another point, that is, the Government also lacks long-term commitment to education. The scholarships offered, as mentioned in the Budget, are just piecemeal remedies. The New People's Party calls on the Government to make long-term commitment by, for instance, increasing the number of subsidized university places to 25%, instead of the current ratio of 18%, of university students of the appropriate age group within three or five years. We consider this target more practical than setting up private universities because many of them are just professional training institutes, not genuine universities. The proposal of building private universities in the Loop area may follow in the footsteps of the sub-degree programmes. Not only will existing resources be wasted, the graduates may also not acquire a genuine competitive edge. We consider it more practical to increase the number of subsidized university and higher diploma places to provide society with trained talents who suit vocational needs and possess the required skills.

Lastly, I would also like to express my views on the "cash handout" proposal. During our meeting with the Financial Secretary, the New People's Party advocated that permanent residents should be offered \$6,000, whereas non-permanent residents, especially one-way permit holders, be offered \$3,000. Regardless of the method used, there is bound to be division, because if permanent residents aged 18 or above are offered \$6,000, those aged below 18 will complain. Our proposal is, however controversial, the Government must adopt the quickest and administratively convenient approach. Subsequently, a senior official explained to me that there are only two categories of residents

under the Basic Law, namely permanent and non-permanent residents, and these two categories cannot be divided any further. However, I find that the Government has applied further distinction among non-permanent residents in implementing many policies. For instance, in issuing identity cards, imported workers, imported domestic helpers and other contract workers can only be issued with identity cards with the prefix "W", which means that they can never acquire permanent resident status. The Government has continued to implement many policies, even though it knows very well that it will thus be subject to legal challenge. Therefore, the question merely lies in whether or not the Government is determined to implement a certain policy.

I agree with Mr CHEUNG Kwok-che who said that the Government's making use of the Community Care Fund, which is an oddity, to give out money would arouse even more controversies. Therefore, we must repeatedly call on the Government to adopt a quicker and more convenient method to "give out money" and explain to the community that there is no discrimination against new immigrants.*(The buzzer sounded)*

DEPUTY PRESIDENT (in Cantonese): Time is up.

MR CHAN HAK-KAN (in Cantonese): Deputy President, just now Mr TAM Yiu-chung has talked about the views of the DAB on the Budget as a whole. Now I would like to talk about my views on the two tax increase measures and on issues in the two areas of public health and environmental protection. Deputy President, the Budget this year has made two proposals for tax increase. One is the increase in tobacco duty which was widely publicized before the delivery of the Budget. The other is the increase in First Registration Tax (FRT) for private cars. The former can be regarded as an issue of public health and the latter can be examined from the perspective of traffic control and environmental protection.

In the past the Government proposed many financial incentives for vehicles, most of them being concessionary measures which encouraged vehicle owners to replace their old vehicles. As early as 10 years ago, a subsidy was offered to help owners replace diesel-driven taxis and minibuses and installing collection devices for suspended particulates. In recent years, there were also measures which waived or offered concessions in FRT to owners of electric

vehicles or eco-vehicles. Recently, there are also plans to subsidize bus companies in trial running hybrid buses and installing emission reduction devices in older buses. The FRT for vehicles was only adjusted once after the reunification and that was in 2004-2005. But it was not a tax hike for all private cars across the board. Deputy President, in other words, the focus of government policy is to use financial measures to encourage vehicle owners to switch to low emission vehicles for purposes of improving roadside air quality.

However, the Government has said that the purpose of a tax increase on this occasion is to control the growth in the number of private cars and reduce traffic congestion. But does this 15% increase in tax make any sense? Information shows that in 2003 private cars with a price tag of \$150,000 to \$300,000 had an increase in tax by more than 65%. Private cars of more than \$300,000 in value had the tax payable doubled. What was the result? Although there was a drop in the number of private cars during the first two years, the number of private cars had increased every year afterwards. Since the substantial increase in tax in 2003 could not curb the growth in private cars, how can we expect an increase of 15% this year be able to do so? This is not logical at all.

Deputy President, I think this increase of FRT by 15% is as futile as boiling frogs in lukewarm water and it would only make the middle class suffer. People who can afford expensive cars do not care about the 15% increase in FRT or the amount of some tens of thousand dollars in tax. But for those people who want to buy a car for the family or for transport, a tax increase of a few thousand dollars would scare them off. These people may turn to the second-hand market or continue to drive their old cars. The result would be an increase in the number of old cars running on the roads and increasing exhaust emission. It is obvious that this runs counter to the policy intent of reducing roadside air pollution. Therefore, the DAB thinks that the Government should do three things. First, waiving the increase in FRT for new cars for which a deposit was paid purchased before the announcement of the Budget. Second, when car owners write off old cars and buy new ones one for one, the increase in FRT can be waived. Third, the Government should increase tax concessions for green vehicles and encourage their use. This would meet the target of improving air quality.

Deputy President, increasing the FRT may only affect those car owners. But the proposal to increase tobacco duty will have an extensive impact. Some people say that the Financial Secretary and Secretary Dr York CHOW just hate cigarettes to their guts. This is because after assuming office, three of the four budgets delivered by the Financial Secretary were about raising tobacco duty or reducing the amount of duty free cigarettes allowed to be brought in from outside Hong Kong. Although it is the view of the World Health Organization that an increase in tobacco duty is an effective measure to reduce the number of smokers, the conditions in Hong Kong are peculiar. There is rampant smuggling in cigarettes and there are illicit cigarettes on sale in the black market. Always increasing the tobacco duty will only drive smokers, especially the grass-roots smokers, to the black market. The result is helping the growth of the illicit cigarettes market rather than helping the smokers at all.

Papers submitted by the Customs and Excise Department to this Council recently show that after the increase in tobacco duty in 2009, the number of illicit cigarettes seized decreased by 10% compared with the number in 2008. But the number of illicit cigarettes seized in 2010 has returned to the level before the increase in tobacco duty. And in the first quarter of this year, the number of illicit cigarettes seized has increased drastically by 2.5 times over the same period last year. If, as the Government says, an increase in tobacco duty will not aggravate the problem of smuggling, then I would think that it is only self-deception. Apart from the smokers, many owners of newspaper stands are also affected by this rampant problem of illicit cigarettes. Their income has fallen greatly. So I think that there is a need for the Government to undertake a review of the whole tobacco control strategy. It should think about whether tobacco control can be achieved simply by resorting to increasing the tobacco duty. Apart from a hotline for smokers who want to quit smoking, or some TV advertisements, are there any concrete measures in place to help these smokers? Are there any measures in place to prevent the young people from taking up the habit of smoking?

Deputy President, after talking about these two proposals to increase taxes, I wish to talk about issues of public health and environmental protection.

To be fair, the Government has indeed put in a lot of resources in public health in recent years. Apart from the annual increases in funding to the Hospital Authority (HA), there is also additional funding in primary healthcare

services, increasing the value of the elderly healthcare vouchers as well as implementing a pilot scheme for elderly dental care, and so on. All of these are made in response to our demand for improving healthcare services. However, there are still a lot of challenges in public healthcare services that we will have to face.

Recently, the wastage of doctors in public hospitals has intensified and this has increased the workload of serving doctors. They all come out and make complaints. The cause that triggered this state of affairs is not just the ancient problem of excessive workload in public hospitals but also the massive headhunting by private hospitals due to their rapid expansion in recent years. The worse case is in the gynaecology and obstetrics services. The great surge in demand for such services is caused by the large number of Mainland pregnant women who come here for childbirth. They come here because they are attracted by the quality of healthcare services in Hong Kong but more importantly, by the fact that children born here will have the right of abode in Hong Kong. Information shows that more than 60% to 70% of the Mainland women giving births in private hospitals here are not married to Hong Kong residents. Although there is a quota system in public hospitals which gives priority to local expectant women, there is none in private hospitals. So the private hospitals can admit Mainland expectant women on an ongoing basis. When they find that doctors or midwives are not enough, they will lure those from public hospitals to work there with a high salary. The result is that the quota which has originally been set in public hospitals will face a problem of the shortage in medical and nursing staff. This affects service delivery. We hope that the Government can work harder to encourage private hospitals to accord priority to local expectant women. After the quota problem is settled, the Immigration Department should take complementary actions to solve the problem at hand.

In the long run, private sector healthcare services are becoming more and more important and especially after the introduction of the voluntary medical insurance scheme, the demand for medical and nursing personnel may grow sharply. There is a need for the Government to undertake planning with the medical and nursing bodies and education institutions in offering training for their members in the short, medium to long terms. This would hopefully prevent the constant expansion of private sector services and the service quality of the public sector from being affected by the headhunting activities. The HA must reach a

consensus with its medical and nursing staff in respect of working hours and advancement. This will enable them to work with peace of mind.

Finally, Deputy President, I wish to put forward some views on environmental protection.

The massive earthquake and devastating tsunamis in Japan triggered the incident at the Fukushima nuclear plant. The pressure is felt also in Hong Kong which is 3 000 km away. The public has become highly concerned about the safety of nuclear power. Last week, this Council had a debate on nuclear safety. The stand of the DAB is very clear. Safety should be the first and foremost consideration for all kinds of energy. There can be no compromise in nuclear safety. On the need to enhance transparency in managing the nuclear plants and strengthening the notification system, we have made our views known to the Central Government and the SAR Government through various channels. There are advantages, disadvantages and restraints with respect to coal-fired power generation, developing renewable energy or using nuclear power. No matter how much electricity can be saved, there is always a demand for more electricity if the economy of Hong Kong is to move ahead. The fuel mix in respect of power generation in Hong Kong and the direction it should go should require the joint efforts of both the Government and various sectors across the community in holding discussions, presenting arguments and striking a balance in the end.

Deputy President, the funding for green measures in this Budget has increased by \$1.2 billion. The injection into the Environment and Conservation Fund (ECF) and implementing the Pilot Green Transport Fund accounts for \$800 million already. The ECF has made great contributions to promoting environmental protection in Hong Kong. Most of the waste recovery schemes in the communities are supported by the ECF. In future, the DAB hopes that with the funding, the ECF can implement more projects in the communities on treating food waste. This is because food waste now forms a very large part of domestic solid waste. Even if a food waste centre is set up in a few years' time, its capacity will not be able to handle the 3 000 tonnes of food, waste produced in Hong Kong every day. We hope that the ECF can finance the purchase of composting machines and the acquisition of related technology. The Government may also consider collecting the excessive food waste from various private estates and use it in composting, then sending it to the local farmers or use

it in greening the community. This would be a way to make good use of food waste.

Deputy President, I so submit.

MR LAU WONG-FAT (in Cantonese): Deputy President, in recent years there have been many cases of people in rich families fighting for inheritance. A common saying goes like this: there are sorrows for the poor and troubles for the rich. This saying applies also to the SAR Government. At this time when the Government has such a huge fiscal surplus, such a storm was caused when the Financial Secretary decided to hand out money to the public. This is incredible and hard to comprehend.

Financial Secretary John TSANG is conversant with sports and after making the move, he sensed trouble and after juggling with the money at his disposal, he made another move. But having lost the initiative, he is now in a defensive position. It is hard for him to reverse the situation and withdraw from the situation safely.

Troubles always plague a rich person. Doubtless the storm surrounding the cash handout this time will become a significant subject in any future study on the political ecology and governance in Hong Kong. But to give the matter its fair deal, on the premise of tackling the spiralling inflation, the various relief measures purposed in this year's Budget to alleviate the hardship of the people and take care of their livelihood are quite practical and effective. Examples are the subsidy on electricity tariff, waiving government rates, extra payments for those on CSSA, Old Age Allowance and Disability Allowance, payment of two months' rent for public rental housing tenants, support for poor students, and raising the allowance for maintaining dependent parents and children.

At first the Financial Secretary suggested injecting \$6,000 into each MPF account. This is a move which undoubtedly has caused some disagreement. But as he has accepted public opinion and made a drastic change, if we still argue on this point and even reject the whole Budget, I would think that it is most unfair. Moreover, it would be harmful to the interest of those members of the public who need assistance from the Government urgently.

Having said that, Deputy President, it does not mean that the Government needs not learn a lesson from this incident and undertake a review of it. In fact, I think that the authorities can be more comprehensive in gauging public opinion and feeling the pulse of the times. It could have been more careful.

I said in a Chinese New Year gathering on the first day of the Lunar New Year that it would be much harder to foster harmony in a modern society than in the ancient imperial China. At that time, provided that there was a good emperor who was determined to manage the affairs of the country well, people would be able to lead a comfortable life and harmony would be fostered. But it is much more complicated now. With the growing strength of public opinion, people have higher expectations for the Government. When coupled with the free flow in information and frequent interactions among people, it is obvious that it will not work if we adopt a top-to-bottom paternalistic mode of governance. Even if those in power really care about public opinion and even if they are well-intentioned, if only there is the slightest slip, the result could be disastrous.

Coming back to this controversy revolving around the cash handout, the Financial Secretary is certainly well-intentioned. Given his hope that more people can be helped in preparing for their future retirement and his concern for the problem of inflation, he came up with the idea of placing money in MPF accounts. But what he has failed to consider is that the people are strongly opposed to the charge of exorbitant management fees for MPF schemes. And in the heat of the raging inflation, the people have a strong desire for the Government which hoards huge reserves handing out cash. And they want to have the money quickly and that they can decide the use. I believe after this incident, the authorities would change and place more confidence in the wisdom of the people in using money.

Seen from the political reality, in future and no matter if the Hong Kong economy is in a boom or a trough, and be it in good times or bad, it would be hard for the authorities not to hand out candies or cash to the people. In good times, the move taken this year would repeat and people will share the fruits of economic prosperity. In bad times, that is, when there is an economic downturn, money would have to be handed out so that the people can get money saved for a rainy day and that their hardship can be relieved. It is true that one will get wiser after an event. Those officials in charge must spend more thoughts on

giving out money in the hope that money will be put to the best use and everyone can be happy.

Deputy President, in last year's Budget debate, I called upon the Government to get well-prepared and tackle the growing problem of mainlanders coming to Hong Kong to buy properties and speculate on them. The fact is that with the rapid development of the Chinese economy, the number of people who get rich has grown. So whatever commodities that are demanded by the mainlanders, there will certainly be a shortage, leading to rocketing prices and a shortage of supply to meet the demand.

This applies to the problem of infant formulas in Hong Kong and also the problem of Mainland pregnant women packing the hospitals of Hong Kong to the rafters. If effective measures are not devised soon to address the problem of mainlanders coming to Hong Kong to buy properties and speculate on them, it is believed that soon the problem will reach a critical point. Earlier on the Government removed real estate as an item on the list of investments for prospective migrants to Hong Kong. It was a correct step. But I think this move alone will not be able to arrest the momentum of mainlanders flocking to Hong Kong to buy properties.

The housing problem is similar in places around the world, that it is crucial to social stability. In this regard, I would think that further restraints should be imposed on mainlanders coming to Hong Kong to buy properties. For example, they are allowed to buy only properties above a certain price or that a certain number of flats are specifically set aside for purchase by non-locals. Such measures should be implemented as soon as possible, for if not, increasing more land supply will never meet this insatiable demand from mainlanders with boundless purchasing power.

I have never doubted that this immense purchasing power of the mainlanders may cause a disaster in the property market of Hong Kong. In 1997, the bubble in the property market burst and all the people of Hong Kong suffered greatly. I do not think anyone will ever want to see history repeat. With respect to this great potential risk, the authorities must be more sensitive and heighten their sense of crisis. Flats are an essential commodity for Hong Kong people and in many countries and places measures are put in place to restrict the purchase of properties by non-locals. So there is nothing wrong if Hong Kong

follows suit. Conversely, this course of action will lead to greater stability and harmony in our society and hence is beneficial to the overall interest of Hong Kong.

On the question of increasing land supply, Financial Secretary John TSANG mentioned in the Budget the need to undertake reclamation. He said that a review would be undertaken to examine locations beyond the Victoria Harbour where reclamation projects have been considered. A full-scale survey will also be undertaken to identify sites. The Heung Yee Kuk has suggested long ago that the Tolo Harbour in Tai Po is the best location for massive reclamation. Water in the Tolo Harbour is not deep and there is an advantage of close proximity to the Tolo Highway. Reclamation projects undertaken there can be large in scale, fast, efficient and economical. The authorities should consider this carefully. As land is so scarce and in such great demand in Hong Kong, the Planning Department should adopt new thinking and cease sticking to the old rut. Apart from the Victoria Harbour, sites for reclamation should be flexibly identified.

Deputy President, in the section on "Building the Community" in the Budget, funding is increased for areas like building safety, heritage conservation, sports development, social enterprises, and so on. These will certainly meet demands in these areas. But not a single word is mentioned on how the rural environment and facilities can be improved. The rural inhabitants are very disappointed.

Planning for development has long concentrated on the urban areas and the new towns, to the neglect of the vast span of land in the rural areas. This has led to an expanding gap between the urban and rural areas. From 1989 to 1999, the authorities launched measures under the Rural Planning and Improvement Strategy which were quite effective. But the Strategy has been defunct for 12 years. Many facilities in the rural areas in the New Territories have become severely inadequate and dilapidated. Full-scale improvements are required for roads, recreation facilities and the environment. There are still many small villages inaccessible by motorways and this causes great inconvenience to the residents.

I think the most effective solution is for the Government to roll out another phase of the Strategy to solve the problems. This will raise the quality of living

of the rural inhabitants, thus narrowing the gap between the urban and rural areas so that rural inhabitants will be able to share the fruits of economic prosperity like other residents of Hong Kong. Now it is time we changed this imbalance in the development of the urban and rural areas. I hope the authorities can seize the opportunity and shoulder their due responsibility.

With these remarks, Deputy President, I support the Appropriation Bill. Thank you.

MR CHEUNG MAN-KWONG (in Cantonese): Deputy President, as the economy of Hong Kong recovers, the fiscal reserves become as high as \$600 billion and the surplus this year is close to \$100 billion. But the Government still refuses to increase the recurrent expenditure. It only resorts to handing out cash in order to muddle through. When a government thinks that by handing out \$6,000 to each citizen it is keeping wealth with the people, actually it is being indolent and incompetent. It just wants to buy peace by giving out money. It can never hope to resolve the deep-rooted conflicts in society. After spending the \$6,000, the people are still living a hard life. This applies to the grassroots, the middle class and the small business operators alike. Everyone is leading a hard life. Vanity is still vanity.

The Donald TSANG Administration is reluctant to relax the restrictions on recurrent expenditure, hence the conflicts in areas like housing, healthcare, education and employment only intensify. Even WEN Jiabao is unhappy about it. Workers struggle under the minimum wage. Middle-class families find themselves unable to purchase a home. The small business operators face the pressure of high rents. Primary healthcare services for the elderly are inadequate. There is no retirement protection for the elderly. The income of the citizens trails behind the rising inflation. The Government hoards such huge reserves and surplus, but it fails to fulfil its political responsibility of redistributing wealth. As a result, the Government is rich and the people are poor. The yawning gap between the rich and the poor arises. With a Budget like this, how can the people live a comfortable life? How can they share the fruits of economic prosperity? When their discontent reaches a critical point, the bomb will explode sooner or later.

Deputy President, the expenditure on education in Hong Kong has been dropping in percentage points for four years in a row. It fell from 24.4% in 2007 to 22.5% this year. Hopes related to the three major demands in education, that is, 15-year free education, small class teaching (SCT) in primary and secondary schools, and reducing the work pressure on teachers, still fall flat and they are dashed even when public coffers are overflowing with money. Premier WEN Jiabao once said to this effect, "There must be first-class education before a first-class nation can be built." He sang praises of Macao for launching 15-year free education and said it was a remarkable measure. But government commitment to education in Hong Kong falls short even of that of Macao. I think Secretary for Education Michael SUEN should feel ashamed.

Our neighbours, Macao and Taiwan, have implemented 15-year free education starting this year. If Hong Kong extends its provision of free education to the kindergartens, an additional sum of only \$1 billion is needed each year. But as many as 140 000 school children will stand to benefit. Recently, the Secretary changed his stand by saying that he would cease rejecting the idea of 15-year free education, prepared to engage in dialogues with the education sector on the technical issues involved in the hope of finding a solution. I hope the Government would stop making excuses to procrastinate and provide free kindergarten education as soon as possible. This will ease the burden of the parents and solve technical problems like the salary and academic qualifications of kindergarten teachers and school buildings in subsidized kindergartens. And as a result, 15-year year free education can be put in place for kindergartens, primary and secondary schools. Hence our development in education can be strengthened.

Now, the qualifications of 95% of the kindergarten teachers have been raised to the diploma level. But after pursuing further studies, these kindergarten teachers will not get a salary raise accordingly. Nor is a pay scale available. The result is a severe wastage of kindergarten teachers. This applies to whole-day kindergartens where the wastage rate is as high as 50%, dealing a severe blow dealt to morale. As for the differences in quality, tuition fees and school buildings among the kindergartens, they are being gradually narrowed in tandem with the introduction of a quality assessment scheme under the pre-primary education voucher scheme and the imposition of a ceiling on tuition fees. All this together has laid the conditions for 15-year free education. The authorities may consider adopting the approach of direct subsidy or bought places

so that the children can get basic subsidies at unit cost. In this way, the kindergartens can charge subscription fees at a reasonable rate, thereby narrowing the disparity during the transition period, and hence kindergarten education can move in the direction of equal opportunities.

Everything is ready for secondary schools to practice SCT to enhance teaching quality. The only thing lacking is commitment from the Government. Last year, the Government suspended its school closure exercise for one year. Come next year, 200 secondary schools will see a cut from five classes in one Form to four classes. But the crisis of school closure is still not addressed to facilitate the stable development of schools. Now the student population in secondary schools has dropped substantially, so it does not need additional funding to implement SCT in primary and secondary schools. But the Government still refuses to do so. It only goes to show that this insistence on restricting recurrent expenditure on the part of the Government has reached a conservative, stubborn and fossilized extent. Sad to say, the golden opportunity of implementing SCT will slip away.

Secretary Michael SUEN still refuses the idea of 15-year free education and SCT in primary and secondary schools. I suggest if there is a rotten apple award in basic education, Michael SUEN should get it.

I once said to the Education Bureau that blunders in the planning for the New Senior Secondary Academic Structure result in teachers finding it hard to complete the curriculum in class. In order to finish the teaching, schools now have to cut recesses, end a school day later, reduce school holidays and hold supplementary lessons. This is a new source of pressure for both teachers and students. I demand that the Education Bureau should do the following to reduce the pressure of teachers and students. First, it must undertake a review of the New Senior Secondary Curriculum, lower the requirements on teaching hours to enable schools to enjoy greater flexibility. Second, cease self-assessment and external assessment so that teachers can concentrate their efforts on teaching. Third, call a halt to school-based assessment which has yet to start. Fourth, improve the ratio between classes and teachers in secondary schools, increase the number of permanent teachers and impose standard working hours for teachers which are coupled with the number of teaching hours. These measures will give teachers to have more time for rest.

Deputy President, the University Grants Committee (UGC) report points out that since 1994, the university admission rate has been kept at 18%. Among advanced countries, only the publicly-funded undergraduate programmes in Germany have a lower age participation rate than Hong Kong. Our archrival, Singapore, has rolled out a 10-year plan to develop the country into a higher education hub in Asia. It will raise its university admission rate from 26% in 2010 to 30% in 2015. On the contrary, the number of subsidized degree places in Hong Kong has only increased slightly each year over the past 10 years to a total of 15 000 now. The rate of increase is less than 20%. This lags far behind the needs of Hong Kong and trails behind Singapore.

In the associate degree programmes which take up 60% of the post-secondary student population, the emphasis is placed on quantity instead of quality. The prospects for further studies of associate degree graduates are bleak and their salaries on graduation are low. The associate degree is the most disastrous failure in education policy in 10 years and this is because the graduates seem to be caught between two stools. Even though a funding of \$2.5 billion is set aside in this Budget to establish a Self-financing Post-secondary Education Fund and a sum of \$250 million is injected into the HKSAR Government Scholarship Fund, they are unable to remedy the blunders caused by the Government or salvage the quality of associate degree programmes, or prevent students from becoming heavily indebted.

Now there is a shortage of university hostel places and these so-called attempts at internationalization, becoming an education hub or industrialization of education services are all relegated into empty talks and slogans. The UGC proposes that about half of the funding will be open to bidding in order to enhance competition among institutions. If there is already an innate deficiency in research funding, even if the institutions can compete fairly, the funding is still not enough. This UGC proposal is really like knifing one's flesh to fill an ulcer. It is nothing but a zero sum game. Moreover, how can there be any fair competition among young academics who have just embarked on research and those reputable scholars from well-established universities?

Deputy President, the desire of the young people to further their studies in a university has reached a critical point, but the Government only passes its responsibility onto private universities. This is a repeat of the associate degree fiasco. Hence, the Democratic Party demands that the Government should use

its abundant fiscal surplus and reserves to increase the number of subsidized undergraduate places and increase the number of subsidized university places for bridging of associate degree graduates. The Government should also provide assistance to self-financing university programmes in the form of vouchers, abolish the risk interest for non-means-tested loans, and plug the loopholes in student loans in order to prevent abuse.

In recent years, there has been a surge in the number of contract teaching staff with a low salary employed by the universities. After the delinking of the salary of university staff with civil servants, many staff are employed on contract terms with a low salary. This is not conducive to fostering and retaining young scholars and specialists. The UGC should urge the institutions to convert those contract teaching staff who have been employed for at least three years but not more than six years into permanent staff. This would serve to attract local young scholars and talents.

Now the Vocational Training Council (VTC) employs its teaching staff according to three systems. This is an exploitation of new recruits and discrimination against specialists. I suggest that the rotten apple award in higher education should be given to the VTC.

Education in Hong Kong has entered a new era and emphasis is placed by society as a whole on the investment in and quality of basic education. This is because education is meant for all. But there is an expectation in the community that more young people should be able to receive a more diversified university education. As investment in universities increases, there must not be a lag in basic education. The cultivation of local talents and scholars is the key to Hong Kong's future survival. So when funding for education has seen a drop for four years in a row, this is the greatest blunder of the Donald TSANG Administration. It is even more deplorable than the era of TUNG Chee-hwa.

If education in Hong Kong continues to dwindle and wither, this would become a blemish in the reputation of those in power. It can even be said that they have committed an unforgivable sin. I suggest that the rotten apple award in Hong Kong education should be given to Donald TSANG.

Deputy President, this year's wastage rate of doctors and nurses in the public hospitals is simply shocking. For doctors, the wastage rate at the

Radiology Department of Queen Elizabeth Hospital is 20%, that at the Radiology Department in Alice Ho Miu Ling Nethersole Hospital is 40%, and 30% in its Orthopaedics and Traumatology Department. In Kwong Wah Hospital, the wastage rate at the Orthopaedics and Traumatology Department is more than 20%. The wastage rate at the Obstetrics and Gynaecology Department in Pamela Youde Nethersole Eastern Hospital is more than 20%. That at the Neurosurgery Department in Northern Hospital is more than 70%. With respect to nurses, the wastage rate of nurses at the Obstetrics and Gynaecology Department in Tseung Kwan O Hospital is more than 60%. That at the Obstetrics and Gynaecology Department in Princess Margaret Hospital is more than 20%, and more than 50% at its Neurosurgery Department. The wastage rate of nurses at the Orthopaedics and Traumatology Department in Ruttonjee Hospital is more than 40%. From these figures we can see that there is an enormous drain of doctors and nurses. The reason is not only that the Government has not trained up enough people, but it lies in this blind effort to promote the private-sector healthcare market to the neglect of the tremendous workload of the medical and nursing staff in public-sector hospitals and also the Government being deaf to the alarm already sounded over the decline in service quality.

The Government claims that Hong Kong should develop its healthcare services into an industry. The cost of training each medical student is \$640,000 and public hospitals have to set aside extra resources for the training of specialists. Medical students and specialist doctors are the cream of our society, but if the development of the healthcare industry in Hong Kong is meant for delivering healthcare services to non-locals, a rightful criticism would be it is all for the sake of money and this is not beneficial to our society. Before anything good is done to the healthcare industry, harm is already done to the obstetrics and gynaecology departments all across Hong Kong. Private hospitals headhunt doctors and nurses from the obstetrics and gynaecology departments and the result is a deplorable shortage of manpower in such services. It would mean a disaster for expectant mothers from Hong Kong. This is certainly a telling sign that points to even greater disasters ahead. Locals are harmed before anything is done to develop the healthcare industry. If the people of Hong Kong are not even protected in childbirth, what is the point for them to pay taxes?

Now the Hospital Authority is facing this problem of wastage. The 257 medical students about to graduate cannot be hoped to fill up these glaring 500

vacancies. The specialists who have left the public sector are hard to replace. But the Government still has plans to grant four lots of land to build private hospitals in support of the healthcare industry. When we know that a medical student has to be trained for six years and specialist training will mean another six, how can the Government provide enough medical students and specialists to fill up the vacancies and address the huge additional manpower needed by private hospitals in future?

If there are not enough medical and nursing staff, there can be no priority accorded to locals. The development of the healthcare industry is a wrong direction to take and efforts in promoting it must be slowed down. Healthcare services should not be provided just for the sake of money and locals should be made prime service targets. This is a grave expectation from our society and it must not be overlooked because it is a question of life and death. In view of that, the rotten apple award in healthcare services should go to York CHOW.

Deputy President, on the Budget this year, the richness in fiscal reserves and the abundance in the surplus should give cause for celebration. But the Financial Secretary is too conservative and indolent. He cares nothing about the hardships of the people. He refuses to increase recurrent expenditure, adopt the policy direction of universal retirement protection, or resume the production of HOS flats and public rental housing flats to solve the housing problem. He remains fossilized in thinking. The result is a farce of handing out \$6,000 cash. From this it can be seen that there are human blunders as well as institutional shortcomings. In an attempt to use nearly \$40 billion to buy the votes from the pro-establishment camp, he has betrayed his own philosophy of financial management. It is therefore a tragedy. This Budget goes from being a comedy to a farce, and finally to a tragedy. This Budget is success and failure all in one. It causes regret and sadness in people. I therefore suggest that he should be given the Hong Kong rotten apple award for the financial chief. *(The buzzer sounded)*

DEPUTY PRESIDENT (in Cantonese): Your speaking time is up.

MR LEUNG YIU-CHUNG (in Cantonese): Deputy President, looking at the whole Budget, I think that apart from the original proposal to inject \$6,000 into

MPF accounts, the degree of public discontent with the other measures to improve people's living is not too great. The public only think that the Government can do even more and they also hope that it will.

However, the responses after this Budget was released are not that simple. Society has expressed its strongest dissatisfaction in history. Why is this so? People really find this strange and I think even the Financial Secretary finds this strange. Since most of the contents of this Budget are just a rehash of past measures, why was such strong discontent not expressed in the past but the discontent this time around is so great?

I wish to tell the Financial Secretary that the major reason for the public discontent is that all along, they have been observing rationally how the Government would use the huge surplus in formulating this Budget. What do the public actually expect? I believe this includes three areas. First, they hope that the Government can set some long-term goals. Second, they hope that the Government can make some commitments. Third, all along, the public have hoped that the Government can resolve some livelihood issues and expected this Budget to offer some solutions. However, unfortunately, the Government has failed to deliver in all these three areas.

Therefore, the public feel that even though sitting on such a huge surplus, the Government has failed to deliver, so may I ask how they can find this acceptable? Therefore, the discontent is really very, very great. For this reason, I think the Government must reflect on this again to see if it has really understood public opinion thoroughly and how it can implement truly people-oriented policies, so as to achieve the results expected by the public.

Deputy President, in this connection, I think there are several areas that merit careful consideration by the Government. First, the Government must consider the issue of retirement protection for the elderly.

We all know that in respect of retirement protection for the elderly, the Government has kept saying that by 2033, one in every four Hong Kong people will be elderly. Given such a serious problem of an ageing population, how is the Government going to solve it? Unfortunately, the Government has not formulated any measure. The Government often stresses the three pillars, one of

them being the MPF System. However, we all want to know what achievements the MPF System has made after a decade's implementation.

As far as I know, so far, most MPF accounts have only accumulated about \$80,000 to \$100,000. May I ask how a person who is about to retire can depend on \$80,000 or \$100,000 for his retirement life from the age of 65 onwards? Even if he can, for how many years can this sum of money last? Has the Government ever considered this issue? If people do not rely on the MPF, what can they rely on? They have to rely on Comprehensive Social Security Assistance (CSSA) or their savings.

As we all know, no one wants to be on CSSA because they are afraid of being called "lazybones", labelled as being dependent on the Government and subjected to all kinds of criticisms. For this reason, a lot of people are reluctant to apply for CSSA. However, to the low-income families, saving up is practically impossible. They already cannot make ends meet and it would already be great if they can cope with their present living, so how can they further save up for their future retirement life?

On this issue of saving up, it reminds me of Mr TUNG Chee-hwa, who encouraged the public to buy their own homes. Frankly speaking, if I can afford it, why is it necessary for you to encourage me to buy my own home? Similarly, if I can make savings, why do I need your encouragement to make me save up? In fact, it is indeed difficult for the poor to save up.

I wonder if the Government has also noticed that apart from people on low income, at least 700 000 women who take care of their family members at home are also totally unable to support their future retirement life through saving up or the MPF mentioned just now. What should this group of people do? How can the Government solve this problem? Can the three pillars help this group of people numbering at close to or over 700 000? It turned out that the Government also failed to deliver on this in the Budget. In view of this, how can the Government make the general public accept what it has done given the huge surplus in its possession?

The second issue is public rental housing (PRH). As we all know, at present, low-income families still have to wait a long time before being allocated PRH. The Government keeps stressing that on average, members of the public

only have to wait three years before they can move into PRH. However, as far as I know, in reality, there are many people who have been waiting for five or six years. The three-year wait claimed by the Government only applies to some people. Many families were not factored in and singletons were not included either. We demand that the Government increase the volume of PRH construction but it refused and continued to keep the volume at 15 000 units a year. In fact, the volume was 25 000 units in the past, so there are now almost 10 000 units less. In that case, how possibly can this number meet the demand? Yet, the Government is still standing by and disregarding the situation, sitting on the problem.

Apart from low-income families, the middle class also want to have a home to call their own by buying a flat. I remember that in October 2009, the Chief Executive said that although property prices were soaring, the public did not have to worry because it was only luxury properties that were affected and that there was no impact on the general public. However, had the Government looked more clearly, it would have realized that from late 2008 to October 2010 — and for now, I will not take into account the past few months — overall property price rose 47%. May I ask how ordinary members of the public can afford such an increase?

We keep urging the Government to resume the Home Ownership Scheme (HOS) but the Government went so far as to say that this depended on market demand and that if a demand exists in the market, it would do so. However, when it was proven that there was such a demand in the market, the Government still refused to resume the HOS. Instead, it devised a My Home Purchase (MHP) Plan.

Now that the MHP Plan was conceived, what then? How many problems can it solve? Even if this policy is really effective, only several thousand people can benefit from it and it cannot solve the problem of many people in the middle class aspiring to home ownership. Concerning this long-term problem, the Government is also sitting on the sideline and paying no heed.

Apart from the housing problem, the next problem is the healthcare problem. When it comes to the healthcare problem, it is definitely necessary to mention the situation of insufficient doctors and nurses of late. Of course, this is an important issue that calls for action. However, apart from insufficient doctors

and nurses, there are actually also many other problems, such as insufficient hospital beds and the construction of hospitals, but the Government is also just standing by and paying no attention.

In fact, many patients are subjected to a great deal of mental pressure because hospital staff members will often say to them, "You have to leave the hospital quickly. I cannot care about you so much. No matter what, you have to leave." Many patients are forced to leave the hospital. Why? Because of insufficient beds.

Apart from this, no hospital is built in some remote areas despite all sorts of delays. Such places as Tung Chung and Tin Shui Wai still have no hospitals. If members of the public there fall ill, they have to travel long distances to seek medical treatment. Has the Government ever noticed these problems? Has it solved them?

Apart from insufficient hospitals, another issue relates to medicines, that is, the public have to pay for medicines from their own pockets. This poses a great difficulty to many elderly people and chronically ill patients and it is a long-term burden. What policy measures has the Government put in place to help them? Therefore, problems have also emerged in healthcare.

In addition, I also wish to raise the problem of transport expenses. As we all know, this is a very big problem as transport fares are most exorbitant. Although the Government has introduced some subsidies, are they enough? This is also a big problem.

Deputy President, I think you must also know that recently, the fares of ferry services for the outlying islands have been increased and the rates of increase were hefty. Although the Government has all along provided fuel subsidies, these subsidies are not enough to offset the present increases in fares. The misery of residents on outlying islands is beyond words. Some parents have to take the ferry four times a day to take their children to Central to go to school and their situation is even more miserable. Apart from having to pay the fares of their children, they also have to pay their own fares. They have to travel four times a day, so they really do not know how to cope. This is also a very miserable situation. They demand that the Government resume the operation of a school in south Lantau but the Government is unwilling to do so, so their

children have to travel long distances to school. Not to mention the hardship of travelling, the transport fares, be it those of the parents or students, are all very expensive. To them, this is a great burden. How can the Government help them in this regard? The Government has also failed to deliver anything in this regard.

In addition, there are also the problems faced by low-income families. I wonder if Members know that many students have confided in us that when they see other students taking part in extra-curricular activities after school, they can only sigh in envy because they cannot afford the fees for extra-curricular activities, so they cannot take part in them.

Recently, a parent took his daughter along to a meeting with me, saying that his daughter wanted very much to learn to play guzheng but since he had no money, she could not do so. I believe this is not an isolated example or a special case, but a common occurrence. Many parents in low-income families feel sorry because they cannot let their children join extra-curricular activities.

We all know that with the launch of the "3-3-4" academic structure, many programmes require students to do projects and visit a lot of places. As such, transport fares pose a major problem. I once went with my students to Tai O — because I am familiar with Tai O — to do a project. However, the transport fares were really high. We all know that Tai O was far away and one has to take both the ferry and the bus. If one does not take the ferry but go there direct by vehicle, the fares will be even higher.

Some students say that unless the school provides subsidies, they really cannot join any extra-curricular activities. However, the school cannot provide so much subsidy, so some students cannot take part in this kind of extra-curricular activities. Therefore, we have been asking the Government to offer subsidies to low-income families but unfortunately, the Government does not examine this issue and only lets such a situation persist.

Lastly, the problem of social facilities. I am not talking about facilities in individual local communities but the need for the Government to commit resources to the facilities for society as a whole. These problems include the uneven traffic flow among the three tunnels. We all know this situation. This issue is not just a headache for private car users but also for people taking buses

because the traffic congestion is very serious. We all know that during the rush hours, the public have to waste a lot of time because of traffic congestion. This also results in a great deal of losses to society.

Many members of the public have pointed out that the Government should consider buying back these tunnels to make the traffic flow even. However, the Government has also done nothing. Even though another cross-harbour railway will be built in the future, this will not materialize now but a few years later. As regards the suggestion to build one or two more tunnels, its implementation is not in sight either.

Therefore, is it not necessary for the Government to make long-term commitments and set goals to deal with these problems? However, unfortunately, the Budget has also failed to deliver anything in this regard, small wonder that all people consider this Budget to be truly unacceptable.

Recently, some members of the mass media pointed out that next year, the Election of the Chief Executive would be held and it was highly likely that the Chief Secretary for Administration, Mr Henry TANG, may resign to contest this office. If Chief Secretary Henry TANG really resigns, the Financial Secretary, Mr John TSANG, will take up his post. Therefore, Financial Secretary John TSANG will not be responsible for preparing the next Budget. When I was listening to Financial Secretary John TSANG read out the Budget speech, I felt that such a claim was not groundless.

The whole Budget speech read out by Financial Secretary John TSANG this year was the most boring one that I have ever heard throughout the years I have been in the Legislative Council. It is devoid of commitments and long-term planning. I was so bored that I had to leave the Chamber to take a short rest. The contents were really boring and there was nothing noteworthy in it, very much like a work report only. People could not help but wonder if this Budget is the last one prepared by Financial Secretary John TSANG. Was it for this reason that he just cobbled together some past policies shoddily and considered the job done?

I remember that last year, when \$6,000 was paid into MPF accounts, in fact, only booing but no applause could be heard. However, why did the Government still do so again? I really cannot understand why. This totally

beats me. Is it that the Government could not hear the criticisms of the public in the past? Why did it rehash such a policy?

We have to know that putting \$6,000 into MPF accounts will only benefit fund managers and this will not help needy people in any way. But the Government still wanted to implement it. In view of this, is this Budget really the last one prepared by Financial Secretary John TSANG, so he was being perfunctory, reluctant to carry out any long-term planning or make any long-term commitment and deal with the deep-rooted conflicts and structural problems in society? This has given me a lot of doubts.

Therefore, I hope the Government will do some self-examination and draw up anew a Budget that shows commitment and long-term goals. The Government must not do things in a rush and just deals with the problems before its eyes perfunctorily, thinking that it would do just to win some kudos. In fact, ever since the announcement of the Budget, I do not think that there has been any applause.

Deputy President, I so submit.

MR ANDREW LEUNG (in Cantonese): Deputy President, the Budget prepared by the Financial Secretary this year has aroused strong reactions and concerns. Originally, the Budget specially earmarked \$24 billion for injection into the Mandatory Provident Fund (MPF) accounts of wage earners. Subsequently, the Economic Synergy, together with other Members of the pro-establishment camp, met with the Financial Secretary to reflect the views of the public and proposed a number of immediate measures to relieve people's hardships. I am glad that the Financial Secretary responded very quickly and took on board our proposals, announcing on 2 March that he would give up the measure of injecting funds into MPF accounts. Instead, a sum of \$6,000 will be given out to each permanent Hong Kong resident aged 18 or above and a salaries tax reduction of 75% , to be capped at \$6,000, will also be offered.

The whole Budget has earmarked tens of billions of dollars for easing people's hardships, but in respect of economic development, it is overly conservative and lacks forward-looking measures to promote Hong Kong's long-term development, so young people cannot see the future direction of Hong

Kong's development. On enhancing competitiveness, since we are gradually recovering from the financial tsunami, originally, this should be the best recovery period for the business sector and Hong Kong can take this opportunity to develop high-value-added industries. Unfortunately, only some piecemeal conceptual measures can be found in the Budget. Although the Government is sitting on a huge reserve and surplus, no specific forward-looking measures to improve the business environment in Hong Kong are proposed in the Budget, for example, by investing in technological research and infrastructure. The industrial sector is indeed somewhat disappointed with the support measures for the industrial and business sector found in the Budget.

According to the information of the World Economic Forum, Hong Kong ranked 11th in global competitiveness in 2009-2010, the same as in 2008-2009. However, when we seem to be quite satisfied with our 11th place, Singapore has moved up from the fifth place in 2008-2009 to third in 2009-2010, whereas Taiwan has also played catch-up by moving up from the 17th place to the 12th. At present, Hong Kong needs a blueprint that can further economic development and prescribe a long-term plan. But the Budget this year has little to show in terms of details how Hong Kong's competitiveness can be enhanced.

In the Outline of the Twelfth Five-Year Plan (12th FYP) delivered by the Premier of the State Council, Mr WEN Jiabao, last month, the vigorous development of the service industry was mentioned. In this regard, the talents in Hong Kong are very experienced and they can precisely make use of this opportunity to upgrade Hong Kong's competitiveness. For the first time, a detailed account on the positioning of the roles of Hong Kong and Macao is given in a separate chapter of the 12th FYP, and the co-operation between Guangdong, Hong Kong and Macao is raised to a national strategic level. Since the State has proposed the main direction, Hong Kong is duty-bound to take complementary actions.

Deputy President, in December last year, the Economic Synergy submitted to the Financial Secretary our proposals on the Budget, and it is mentioned therein that under the 12th FYP, the economic development of the nation will shift from exports to domestic demands, so Hong Kong companies should be oriented to the domestic market and, by building brand names and business and marketing networks in advance, develop new retail networks to ensure stable sources of income. At the same time, we must also keep pace with the

development of the service industry on the Mainland and assist local professionals in entering the Mainland market. The Government should perform its function of leading Hong Kong companies, brand names, industrial services as well as professional services in making forays into the Mainland market systematically.

We propose that the Government should establish a \$2-billion "Hong Kong brand domestic sales strategy fund", to be operated for five years, to fashion a "Hong Kong Create" brand name to assist small and medium enterprises (SMEs) and professional services in their development of the Mainland market. In response, the SME Development Fund of the Trade and Industry Department is cited in the Budget, but we think this is not enough. The Hong Kong Create brand name will include products, services and lifestyle. Not only do consumers on the Mainland know the Hong Kong brand name, they also have positive perceptions of the lifestyle in Hong Kong and the high quality of services provided by Hong Kong. Unfortunately, due to a lack of resources and networks, SMEs often have little success despite redoubled efforts in opening up the domestic market on the Mainland. The establishment of a fund will enable SMEs to take part in such flagship events as the "Style Hong Kong Show" and the "Brand Hong Kong Round the World", so that they can benefit directly from them and access opportunities of promoting Hong Kong's image, brand names and products vigorously to consumers as well as such retail and wholesale industries as supermarkets and department stores on the Mainland.

In the 12th FYP, Hong Kong and the Pearl River Delta (PRD) Region will jointly implement seven major infrastructure projects and among them, the Qianhai New District in Shenzhen is vitally important. The Qianhai New District will be developed into a "Hong Kong/Guangdong modern service industry innovation and co-operation exemplary zone". To Hong Kong, the development of modern service industries in the Qianhai New District in Shenzhen is a mutually beneficial arrangement that can serve to enlarge the scale of the Hong Kong economy and also provide an important platform for the relevant industries in Hong Kong to develop the huge service industry market on the Mainland, as well as a major gateway for the service industry in Hong Kong to gain entry into the Mainland market.

If Hong Kong wants to export its talents, corresponding measures must be introduced to ensure that specialist talents can move freely. I have proposed to

the Financial Secretary that both Guangdong and Hong Kong must have the foresight to make arrangements for residents in both places who work across the boundary and introduce taxation provisions for cross-boundary workers. At present, the personal income tax regimes and procedures in the three places are all different and so are the methods of calculation. To a certain extent, this has restricted the cross-boundary employment of top-notch talents among these three places. Under the overriding principle of "one country", both Guangdong and Hong Kong must propose the study and introduction of taxation provisions for cross-boundary workers to permit residents working across the boundary to pay tax only to the Government of their original place of residence, streamline the complicated procedures and ease the additional taxation pressure faced by taxpayers who have to pay personal income tax in both places, so as to encourage more exchanges among people and create conditions favourable to Hong Kong's future economic development.

In the future, these will certainly be infinite business opportunities in the green industries on the Mainland and even worldwide. Hong Kong should ride on the global trend by boosting its investments in the green industry. It is mentioned in the 12th FYP that the Mainland will continue to support Hong Kong in developing high value-added industries. Meanwhile, Premier WEN also pointed out in particular that it was suitable for Hong Kong to develop small and medium technological and innovative companies, whereas the manufacturing sector had to strengthen product research and development, raise the technology level and added value of its products in the future, and attract more companies to engage in the R&D of high technology products and the Government also needed to make more resource commitments. Obviously, the effectiveness of relying merely on investments in R&D and the 10% cash rebate offered under the Research and Development Cash Rebate Scheme is limited. For this reason, the Economic Synergy proposes that the Government make reference to the 300% tax concession offered by other advanced countries on the expenses incurred by companies for R&D, design and creation of brand names, so as to encourage more companies to commit more funds to upgrading and transformation, thereby seizing the opportunities arising from the Framework Agreement for Hong Kong-Guangdong Co-operation and helping companies develop domestic sales. Hong Kong should also seize the opportunity to encourage high value-added industries to relocate back to Hong Kong from the Mainland, so that talents and technology will also return and by virtue of the pooling effect, more local and overseas enterprises will be attracted to invest in and carry out R&D in Hong

Kong, thereby providing training opportunities to young people, helping Hong Kong develop into a technological research centre in the region and consolidating its position in technological R&D.

In the future, the production lines of Hong Kong companies on the Mainland will also have to tie in with the industrial policies of the Mainland by speeding up the application of new technologies, materials, workmanship and equipment, so as to upgrade their conventional industries and raise their competitiveness in the market. The industrial sector hopes that the SAR Government can strengthen its communication with the relevant departments on the Mainland to reflect our views, so that they can introduce transitional periods when introducing policies affecting business operation, so as to give companies sufficient time to make changes in response to the proposals. The sector hopes that the authorities can provide us with information and consultant advice on Mainland rules and regulations.

In addition, when companies involved mainly in the manufacturing sector undergo upgrading and transformation, they have to bring in more advanced hardware, which has to be used in conjunction with the software for carrying out design and R&D, so as to raise the quality and technology level of their products. However, the existing tax rates for the import of machinery and raw materials on the Mainland are high and the taxation regime is complicated, so this is not conducive to the introduction of new technology by SMEs. The Government can reflect this to the relevant departments on the Mainland on behalf of Hong Kong companies, for example, by putting forward proposals on ways of offering tax concessions on the import of machinery to industries outside the technological industry. It is only in this way can the enhancement of the competitiveness of the core industries mentioned in the 12th FYP be achieved.

Deputy President, in a meeting of the Panel on Economic Development last week, we expressed great concern about the time of commencement of the construction of a third runway at the airport. In recent years, the development of ports and civil aviation on the Mainland has been quite fast. It can be said that the edge enjoyed by Hong Kong in this regard is dependent on civil aviation. The International Air Transport Association predicted that the cargo throughput of the Hong Kong International Airport would reach 5.3 million tonnes in 2014. By then, Hong Kong will become the second largest international air cargo transport hub in the world and its annual rate of increase will become the highest

in the world. The number of international travellers will also increase further to 62.2 million passenger trips in the same period, making it the 10th largest international air passenger market in the world.

At present, 60 flights use the two runways of the Hong Kong International Airport hourly and this reflects the fact that the handling capacity of the airport is indeed limited. Even if we gradually raise the number of flights to the limit of 68 flights per hour, this can cope with the passenger throughput of only 55 million passenger trips each year. The almost 51 million passenger trips using the Hong Kong International Airport already account for 90% of the maximum handling capacity of the runways.

Although the Airport Authority announced earlier on the first phase of the midfield expansion project to raise the passenger handling capacity of the terminals, the two runways currently have almost reached their maximum handling capacity, so a third runway will have a direct bearing on the competitiveness of the airport. The capacity of the two runways will reach capacity within five years. Even if the construction of a third runway begins immediately, it will still take about 10 years. If we dither further, air transport in Hong Kong will be overtaken by other cities on the Mainland very soon.

Deputy President, Hong Kong is never short of talents with creativity and the readiness to try new things. Moreover, they have launched a lot of products of excellent design in the market. But they lack the opportunities to give play to their talent. The Economic Synergy proposes that the Government inject \$1 billion to establish a "youth entrepreneurship park" to enable young people to give play to their creativity and together with professional talents experienced in business operation, make Hong Kong move gradually towards an innovative economy.

Recently, the press reported that an undergraduate had struck his first bucket of gold by writing an iPhone Apps. Many young people also have an innovative and enterprising spirit, but they lack experience in business operation and sufficient capital to set up companies. A "youth entrepreneurship park" can provide young entrepreneurs with basic and simple offices by letting such offices to them at below-market rates or offering longer rent-free periods as well as important support in resources, so as to help young entrepreneurs set up their own companies.

The Budget proposes that a "Microfinance" scheme be established and this concept is similar to our proposal. However, we hope that apart from loans, business professionals and senior executives can also be mobilized, so that richly experienced talents in the sector can provide guidance and a comprehensive professional support network to young people, thereby building a business network for them and increasing their likelihood of success in business start-up.

Deputy President, the Budget also proposes many measures to help the public counter inflation, but in the face of an inflation rate that may reach 5.6%, generally speaking, the community considers the vigour of the measures inadequate. The Financial Secretary subsequently proposed the handing out of \$6,000 but we still have no idea when this sum will be paid out, so the grassroots still have to count on themselves to find ways to counter inflation. Under the 12th FYP, Hong Kong will have many new opportunities in the next five years and at the same time, it will also face many challenges. In addition, since the Hong Kong public, apart from their demands relating to people's livelihood, also have greater expectations in other areas nowadays, it is necessary for the Government to have a new mindset and be well-prepared, so that Hong Kong can scale new heights in its future development.

Deputy President, I so submit.

MR RONNY TONG (in Cantonese): Deputy President, today, my assistants have prepared three speeches for me. One of them is about the handing out of \$6,000, another one is about the housing policy and the third one is about the welfare policy. However, today, what I wish to talk about instead are some even more fundamental issues because I think the Budget this year has brought to the fore a very important message. What I mean is the beliefs in administration of the SAR Government and the political culture of the SAR.

A budget is an important aspect of any Government's administration. It is certainly not prepared according to the personal likes and dislikes of the Financial Secretary. Rather, it must be approved and supported by the whole Government. Therefore, if a major problem with the Budget has arisen, it reflects not just the problems with our Financial Secretary, but also the serious problems with all the beliefs in administration of the Government as a whole.

First, I wish to cite some statistical facts. After excluding the Budget this year, I added up the fiscal surplus or deficit of the Government in each of the past 13 years and divided them by 13 and the result I got was that the SAR Government underestimated its revenue by an average of \$25 billion each year. If the surplus this year is factored in, this figure is no longer correct because this year, the Government has recorded a surplus of over \$80 billion. And if the surplus this year is included and the total is divided by 14, each year, the surplus of the Government exceeds its expenditure by an average of \$30 billion.

In each of these 14 years, on average, the surplus was \$30 billion, so what does this mean? It means there are two possibilities. The first is that the taxes levied are too high, so there is room for tax cuts; and the other is that our expenditures are far too low, so there is room for increasing the recurrent expenditures.

Are our taxes too high? I have two observations: If the indirect land tax is factored in, the taxes levied are surely too high because although the Government does not charge any land tax, under the high land price policy passed down by the colonial Government, each of us is actually paying an indirect land tax. From the perspective of administration by the Government, if it is necessary to strike a balance between tax revenues and appropriate expenditure, I think there are still a lot of things that the Government can achieve.

In the Basic Law, the State has only laid down a political framework for the SAR Government and there is seldom any reference to the direction of administration, but such a provision stipulating the direction of administration of the Government can be found in fiscal management. What I mean is Article 107 of the Basic Law. This provision states clearly that "The Hong Kong Special Administrative Region shall follow the principle of keeping expenditure within the limits of revenues in drawing up its budget, and strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its gross domestic product.". One of the key points of this Article is that our expenditure should not exceed the revenue. However, for the past 14 years, including this year, our revenues have exceeded our expenditures, and by a very large margin for that matter. In fact, this has violated the basic principle of administration of striving to achieve a fiscal balance as stipulated in the Basic Law.

In these circumstances, what kind of attitude in fiscal management and what kind of beliefs in administration should we adopt? The most serious deep-rooted conflict in Hong Kong is social inequality in that the wealth gap is far too great. Not only is it too great, it is still widening. In fact, even without our State leaders reminding the SAR Government in meetings each year, the SAR Government should already be aware of this.

In other words, apart from the imbalance in the political system, we also have to face the biggest social problem, that is, wealth disparity and the quality of social services in Hong Kong. If a surplus of \$30 billion is recorded each year, what can the Government do? At present, we have a fiscal reserve equivalent to more than 20 months of public expenditure and this sum has not factored in the abundant foreign exchange reserve. Simply put, the Government has nothing to worry about at its back. If, in the past 14 years, the annual total government revenue exceeded the expenditure by \$30 billion, it is by no means excessive to increase the recurrent expenditure by \$25 billion each year because the Government still has a balance of \$5 billion and the backing of a fiscal reserve equivalent to 20 months of public expenditure, not to mention the support given us by our country.

If I were the Chief Executive and had this sum of \$25 billion each year, I believe I could have made significant improvements to people's livelihood in such terms of education, housing, healthcare and environment protection. However, year after year, what did we get? When we were short of funds or there was little surplus, the Government would say that the recurrent expenditure should not be increased, but when there was a surplus, it talked about handing out money. I think this really pains me very much. Regarding this unacceptable mentality, it is not the case that various senior officials and the Chief Executive do not understand where the crux of the problem lies. They know perfectly well because each year, when we met with the Chief Executive and the Financial Secretary, we would say the same things and the voices in society also expressed the same views. Even the consensus in the legislature also expresses the same views. However, why has the SAR Government not heard them for more than a decade?

I believe this is because of a deficiency in its mentality in administration. The SAR Government lacks vigilance and all the officials now present have no vigilance whatsoever because they do not have to step down or be accountable to

the public, nor do they have to answer to voters. What happens with such a lack of vigilance? The result is the civil servant mentality — sticking to the old rut and established practices. It has been like this for over a decade, it can be like this nowadays and it will still be like this in the future because this is the safest approach. But this is precisely the greatest deficiency in the SAR Government's mentality in administration.

Is there any other government that would still be lambasted despite handing out so much money each year? I cannot find any. What kind of vigilance should the Government have? Of course, it arises most often from elections. Each democratic election will make each person in public office have positive vigilance and this is important. If they have such vigilance, their thinking and horizon will be broader. The second source of vigilance is a genuine sense or system of accountability. If one makes a mistake, one has to step down and assume responsibility for the mistake. The third source of vigilance is the possibility of suffering political setbacks.

Having said all this, I must talk about how our political culture is now in hot and deep water. Where actually is our responsibility as Members? Do we have to make this group of officials who have not been baptized by elections and who do not have any sense of accountability develop an appropriate sense of vigilance? Deputy President, I think we absolutely should. Under the Basic Law, frankly speaking, the functions performed by us as Members are very limited, less than those of the parliamentary members of any other country. We cannot propose any bill, nor can we formulate any policy, still less form a government. Our only actual political power is to scrutinize the Budget and examine public expenditures. This is our only function, so how can we use this function to make the Government maintain an appropriate amount of vigilance?

We perform the function of approving budgets, but it does not mean that we have to approve them indiscriminately. We have the power to examine the use and allocation of public funds, but it does not mean that we have to give our support indiscriminately. I believe that under such an imbalanced system, the responsibility of Members is to make these senior officials have the necessary degree of vigilance while in office, or have the vigilance of meeting political failures. It is only in this way that we can truly realize the most fundamental beliefs recognized by all the people under this system, namely, the mutual checks and balances between the executive and the legislature. If we cannot negative

the Budget through voting, how can we exercise the checks and balances on the Government?

Deputy President, I am very disappointed with the pro-establishment camp and the Financial Secretary. Several weeks ago, I said in this Chamber that we had an opportunity of a life-time for Members of this Council to give a positive sense of vigilance to the Government in administration, so that it can face up to the problem of a lack of long-term planning, that is, the serious deficiency in its mindset of administration pointed out by me just now. What I mean is how we can make use of the over \$20 billion in recurrent revenue underestimated each year. However, what is the result?

On the day we negatived the Resolution on provisional appropriation, there was no need to claim a division before a motion on improving the healthcare system could be passed and the main thrust stated therein and its amendments, including the amendment moved by the DAB, were precisely what we demanded of the Government. The public funds needed amounts to only \$3 billion. Although the exercise to hand out money will cost the Government some \$30 billion to \$40 billion, it is unwilling to allocate \$3 billion. It is unwilling to allocate even \$3 billion. Nevertheless, Mr WONG Kwok-hing said, "I am proud of being a Hong Kong resident because the Government is willing to hand out \$6,000 to each Hong Kong resident." Deputy President, sorry, I think this makes me feel ashamed. I feel ashamed not because it is not right to give out money but because if the Government has the ability to make this cash handout, why does it not do the things in its line of duty for the sake of the well-being of Hong Kong in the long term? Where is the conscience of the Government? Where is its sense of responsibility? Why can Members not compel the Government to do something about the cross-party consensus by negating the Budget?

The issues of people's livelihood raised by us, for example, resuming the HOS, improving healthcare and the policy on environmental protection, carry the consensus reached by various political parties and society. Why can we not force the Government to take actions to truly rectify its wrongdoings over these issues by negating the Budget? Why can we not do so? Is negating the Budget really such a heinous and unpardonable crime? Deputy President, if Members still support such a Budget indiscriminately, this is to fail oneself, voters, the future of Hong Kong as well as the next generation.

In all the democratic countries in the world, are there examples of vetoing budgets? There were such examples and the result was that the government was forced to accept the proposals founded on the cross-party consensus of the legislature. It is only in this way that the function of mutual checks and balances between the executive and the legislature as stipulated in the Basic Law can truly evolve. Therefore, Deputy President, let us not be told that we must vote for the Budget.

MR IP WAI-MING (in Cantonese): Deputy President, I think the Budget this year is perhaps the most controversial one throughout the years. I believe the Financial Secretary little expected this while formulating the Budget.

To be fair, the Financial Secretary has actually touched on many issues in the Budget, only that, as we have said, the whole Budget just skims over a point here and a point there, sprinkling some salt here and some there, trying to make all parties happy. However, precisely because he sprinkles his salt all over the place without focusing on resolving certain issues, it often makes all parties feel that he is just scratching the surface and that although the Financial Secretary has done something and given us something, the saltiness is just not right. Even though he has given all of us a candy, it seems the candy is not sweet enough. For this reason, the Financial Secretary may feel somewhat aggrieved because he thinks that he has already done a lot and responded to many of our demands. He may think this way. However, since the measures often cannot address the needs adequately, the present situation has arisen.

Initially, it was proposed that \$6,000 be injected into MPF accounts but now, all permanent residents aged 18 or above are eligible to receive \$6,000, so this is already quite a significant change. Is this change also unpopular? Several Honourable colleagues, together with me, have organized residents' forums and conducted street interviews on this matter a number of times. Frankly speaking, we all welcome this measure of handing out \$6,000 actually. Before the Financial Secretary announced the \$6,000 cash handout, some "kaifongs" had already suggested that this should be done. In fact, at the very beginning, the Financial Secretary only had to hand out about \$2,000 to \$3,000 and everyone would have already found it acceptable. Of course, we still welcome the \$6,000. However, many residents conveyed the view that apart from handing out \$6,000, they hoped all the more that the Government could

respond to the demands of the public regarding long-term issues, in particular, they hoped that the Government could do more in such areas as employment, healthcare and retirement protection.

When this Budget was released, it also happened to be the time when the minimum wage was about to be implemented. Recently, there are a lot of arguments revolving around paid lunch breaks and whether or not workers should be remunerated for rest days. Deputy President, we remember very clearly that when scrutinizing the relevant bill, we all said during discussions that no matter if wages would be offered for lunch breaks and rest days or not, we all hoped that employers would deal with this matter in accordance with the original contracts. Similarly, at present, the labour sector also opposes the changes made by employers to contracts, which are intended to change the benefits to which employees are entitled under their original contracts. On this point, we think the Government can do more as the biggest employer in Hong Kong. My colleagues have also pointed out that in fact, the Government has many outsourced contract workers and agency workers. We think the Government can do even better in this regard by taking the lead and setting an example in offering pay for rest days and lunch breaks. We hope the Government can respond as soon as possible. We know that the Panel on Manpower will discuss the relevant issues next Monday, so we hope the Government can give us a positive response on that occasion.

Deputy President, personally, I think that this year's Budget has made relatively little reference to labour issues. The part on training and employment consists of only a few paragraphs (paragraphs 136 to 140) and except the "Pilot Employment Navigator Programme", many measures are only rehashes. In fact, the Hong Kong economy has already seen some improvement and it seems the unemployment rate is also falling. However, in reality, how many quality jobs and industry types are available for workers to choose presently? In particular, in respect of young people, the unemployment rate among them still ranks the highest among all groups of unemployment people.

At present, young people face the problem of "high education expenses, difficulty in finding employment and limited career prospects". Concerning high education expenses, although the Financial Secretary mentioned in the Budget this year that full assistance would be granted to poor students, in fact, many students still need to take out loans for their education. On taking out

loans, they still have to pay high interests. We have all along reflected this situation to the Government, asking it if the interest rates on the relevant loans can be reduced and greater flexibility be exercised in the calculation of the repayment period, so as to reduce the burden borne by these students.

Meanwhile, from November 2010 to the present, the unemployment rate among young people aged 15 to 19 has been as high as 21.6% and the unemployment rate among young people aged 20 to 29 also stands at 5.4%. A trend that has persisted in the past few years is a trend of higher educational attainment being observed among the unemployed. Those with tertiary education standard who could not escape the fate of unemployment numbers more than 10 000 people and the cases of unemployment among associate degree graduates are on the increase. Why?

Deputy President, we think the reason is the lack of industries and niches that can absorb people with a middle level of educational attainment. The jobs either require a very high level of educational attainment, for example, those in the financial industry, or they are elementary ones. We find that currently there are less and less middle-level skilled jobs for young people or members of the public to choose. Therefore, the prevailing situation faced by many associate degree graduates — to put it more bluntly — is that they can neither fit into a high position nor a low position. Therefore, we hope that the Government can consider how best more middle-level skilled jobs can be created for Hong Kong people to choose by targeting the industrial structure. In particular, I hope that the Government can implement apprentice training schemes with greater vigour.

At present, succession problems have occurred in the construction and shipping industries. If this situation is allowed to deteriorate, I am afraid a succession gap will occur in these industries. Although the Development Bureau has already implemented a lot of measures to attract more people to join the construction industry, we think that the Government should step up such efforts further. The Government keeps saying that many infrastructure projects will be launched in the future, so the construction industry may face the prospect of manpower shortage. All along, the Government has said that no workers will be imported but at the same time, we can see that it has already relaxed the restrictions on the entry of Mainland "overage children" born to Hong Kong residents. We think this will only replenish I think the Government is virtually importing workers and resorting to this approach to resolve the

manpower shortage in the construction industry. Apart from this, when the entire construction industry faces a manpower shortage, the Government is only trying to deal with the problem by increasing wages, but it does not solve the problems relating to their prospects, that is, the problems relating to their prospects of promotion, industrial safety and image. No matter how much money the Development Bureau spends on attracting talents to join the industry in the short run, it may be possible to get some results but in the long run, the succession gap will still exist.

In respect of the six priority industries, Deputy President, we said earlier on that at present, the industries in Hong Kong do not offer many quality posts and currently, the industries in Hong Kong are overly homogenous. At the same time, under the 12th FYP, the State wants Hong Kong to upgrade its position as a financial centre and an offshore centre for the Renminbi. This is one of the directions of development for Hong Kong. Deputy President, nevertheless, we still have a lot of people with low or middle levels of educational attainment. What kind of jobs can they work? When they look for jobs, they often focus on white-collar ones or jobs in such industries as the catering or retail industries and it seems there are no other choices. Precisely due to this situation, that is, a lack of choices, the wages of Hong Kong people have not seen any significant increase for some time. For this reason, we welcome the development of the six priority industries by the Government, but in particular, we hope that the Government can strengthen the training and development for the middle-tier skilled workers in these six industries. We hope the Government can step up its efforts and pay greater attention to this area.

The Budget this year also mentions the environmental industry among the six priority industries. In 2009, the share of this industry in GDP was 0.3%, the same as in 2008. The Government points out that the waste recovery rate in Hong Kong is increasing. However, why has the environmental industry not seen any significant growth? Does this mean that the prospect of this industry is not so bright? We hope that while rolling out more funds schemes to improve energy efficiency and air quality in the Budget this year, the Government can also roll out a development fund for the environmental industry to assist its development. For example, the quantity of various types of wastes handled by the EcoPark in Tuen Mun only stands at 14 500 tonnes, far below the 3.18 million tonnes of urban solid waste recovered in Hong Kong as a whole. We hope the Government can propose the development of such a fund to assist in the

development of the environmental industry, so as to absorb more unskilled or middle-tier skilled workers.

Some members of the industry have pointed out that there is still room for the development of waste treatment in Hong Kong. For example, at present, Hong Kong only handles 1% of its electronic waste and the number of workers involved stands at 200. They project that if all the electronic waste in Hong Kong is treated, 20 000 job vacancies will be available to people with low or middle levels of educational attainment. Therefore, we think the Government should follow the practice of other overseas countries by putting in place an environmental industry development fund to offer subsidies and introduce support measures for the industry, so as to establish an environmentally-friendly and safe recovery and treatment system. In this way, while the environmental protection policy in Hong Kong can be taken to a higher level, more jobs can also be created.

Deputy President, the whole Budget covers many areas but I have only focused on these two points. However, concerning universal retirement protection, I still call on the Government to first overhaul the MPF system, in particular, make use of the critical period of the next few years to initiate public discussion on how to establish a universal retirement protection system, so that Hong Kong people can get appropriate protection upon retirement. I think the Government has the ultimate responsibility for this.

Deputy President, I so submit.

MR FREDERICK FUNG (in Cantonese): Deputy President, the huge public outcry caused by the release of the Budget has rocked the entire society. This is far beyond the expectation of all sectors of the community.

Given the economic and fiscal position of Hong Kong in the past year, outsiders who are not in the know would find this very strange. For example, in 2010, the GDP registered an increase of 6.8%; the latest unemployment rate has dropped from a high level of 8% to 9% in the past to the present 3.6%; the deficit of \$25.2 billion estimated by the Treasury has turned out to be a surplus of \$71.3 billion, which is equivalent to 4.1% of the GDP; the Government's fiscal reserves total as much as \$591.6 billion, which enable the Government to sustain

its operation even if no revenue is generated for 23 months non-stop. These stunning figures represent a good rich harvest, and to some Western governments which have become heavily in debt after being ravaged by the financial tsunami, this is simply unbelievable and a reason to cause their envy and admiration.

Why is it that there has been no applause and praises for the Budget after it is released and worse still, it has been criticized and chided by all, with everyone pointing an accusing finger at the Financial Secretary? People who do not know the story will think that our Government, like the United Kingdom, must be planning to cut expenditure substantially, thus causing such a strong reaction. Deputy President, what exactly is the problem? Has the Government thought about the reasons? Deputy President, I think there are immediate causes for this, and there are also deep-rooted and long-standing fundamental conflicts.

There are two immediate causes. First, the Budget has announced two measures which are basically unacceptable to the public and this has thrown the Government into a deep abyss of despair. The first is the proposed \$6,000 injection into MPF accounts and then, there is the cancellation of the previous arrangement of a 75% tax rebate, subject to a ceiling of \$6,000. Besides, the public are faced with very fierce inflation, and not only do they feel it, the fact is that the currency keeps on depreciating. I believe the Government is also aware of this. At present, the headline and underlying inflation rate for the whole year is estimated at 4.5%, but from an analysis of the recent currency performances and prices, there is obviously a great discrepancy between the estimate and the facts.

Particularly, the appreciation of Renminbi and intensifying inflation in the Mainland, coupled with the weakening of the US dollar and the Hong Kong and US dollar peg, have created a most significant impact on Hong Kong which relies on imports. Besides, local public utilities have started a wave of hikes as increases in electricity tariffs and fares for ferry, the MTR, and buses have all been proposed one after another. In the medium-to-long term, the quantitative easing policy and monetary policy of the United States have brought sequels. The weakening of the US dollar has caused asset prices to rise. The Hong Kong market which mainly relies on imports has hence suffered from imported inflation and even vicious inflation, with the lower-middle class being hit the hardest. However, the Government seems to be oblivious to all this, knowing nothing

about the plights of the masses and entirely not understanding the hardships now faced by the public.

It was when the public felt discontented and angry that the Government hastily approached the pro-establishment camp for discussions. It was only when even the pro-establishment camp dared not openly support the Government and the Government did not have enough votes that the Financial Secretary held a couple of meetings with the pro-establishment camp, agreeing to substantially revise the Budget and make cash handouts out of the Government's coffers. First, a sum of \$6,000 will be given to Hong Kong permanent residents aged 18 or above. In addition, a tax rebate of 75%, subject to a ceiling of \$6,000, is also proposed. These are some of the developments after the release of the Budget.

However, I must state that the Association for Democracy and People's Livelihood (ADPL) and I have put forward a number of proposals on the Budget. Here are the written proposals we submitted to the Financial Secretary the other day. The proposals, which comprise 11 pages with about 20 000 to 30 000 words, include short-term measures to ease the impact of inflation, with a view to enabling the public to share the fruits of economic prosperity. We proposed that the Government should waive the rates and government rent, for the coming year, subject to a ceiling of \$1,500 per quarter, pay the rent for public housing tenants for two months, grant a two-month rent allowance for non-Comprehensive Social Security Assistance (CSSA) recipients living in Home Ownership Scheme flats and private residential flats who are on the Waiting List for public rental housing (PRH), grant an additional month of standard payment to CSSA and Disability Allowance recipients, provide an additional \$100 million to food banks, and provide a \$1,800 subsidy to all electricity accounts. Moreover, we also explicitly proposed to the Government a tax rebate of 75% on salaries tax for this year, subject to a ceiling of \$6,000. The Government has actually accepted all the proposals that I have just cited with the exception of one measure. We should be happy about this, for these short-term measures have been taken on board by the Government.

As regards making a handout of \$6,000, after the release of the Budget by the Financial Secretary on Wednesday, the ADPL staged a petition at the Office of the Chief Executive on Friday, pointing out that the Government should not inject \$6,000 into MPF accounts and that if the Government really wanted to give away money, it should directly make cash handouts to the public. Why do we

take exception to the proposed injection into MPF accounts? First, the public can withdraw money from their MPF accounts only at the age of 65 when they have retired; and second, those who will directly benefit from these MPF injections are not Hong Kong citizens, but banks, insurance companies or fund companies responsible for MPF management.

It is actually not just today that the ADPL agrees to the making of cash handouts directly. Members may recall that in 1994 when inflation was serious and given a huge fiscal surplus of the Government then, our Vice Chairman, Dr LAW Cheung-kwok, proposed that since the Government had a surplus, the Government should not only accumulate the money but should give it to the public. We made this proposal for four reasons. First, this is the most straightforward policy tool to directly return wealth to the people, enabling the people to decide on their own how they will allocate their own money and in particular, people in the lower-middle class can spend it on what they consider to be most essential according to the conditions of their family. Second, giving away money directly is better than accumulating money in the Treasury infinitely. Third, the injections into MPF accounts will be perpetually nibbled away by the trustees until the public reach the age of 65, but directly making cash handouts can prevent some of the money or resources from being spent on the administrative cost by way of service provision under the bureaucratic system. Fourth, with regard to the problem of the "have-nots", the "two noes", the "three noes" and "N noes" whom we have been talking about over the years, cash handouts can actually address the problem of the "N noes". Certainly, regarding the manner proposed by Financial Secretary John TSANG for making these \$6,000 handouts the approach that he proposed every time has invariably caused division among the public, thus leading to conflicts among the people. The way that he proposed to give away money is precisely a reflection of the Government not having made thorough consideration technically and in respect of the approach taken. As a result, a good initiative has turned into a disservice, much to our regret.

Deputy President, to the lower-middle class, while this "all-inclusive" approach can increase their actual income and enable them to share the fruits, we have to point out that apart from putting forward such short-term proposals to enable the public to share the fruits of economic prosperity, the ADPL also considers it necessary for the Government to draw up long-term proposals to address the long-term policy issues in Hong Kong.

Before I talk about the examples, I would like to make one more point. With regard to this proposal of the Government to give away money direct, many people have criticized and opposed it, saying that it is a breakaway from the past practices of the Government. But, insofar as we are concerned, we do not agree to the excessively prudent fiscal management approach adopted by the Government. We do not consider it desirable. So, what is wrong with the changes made this time around? What is the problem? The problem is that the Government has still failed to address the long-term problems. Having said that, considering that the Government has transcended the limits that we could never be able to breach in the past, the ADPL considers this a breakthrough.

That the Government has now made concessions shows that the Government is willing to change its past conservative fiscal management philosophy, that is, the fiscal management philosophy of not willing to directly share with the people the fruits of economic prosperity. It has broken the convention this time around, and we even hope that this is not the only time for such a break. Certainly, I do not believe, nor do I expect, that this "sunset government" will courageously make drastic, radical changes in the remaining year. But anyhow, insofar as the Government's future fiscal revenue is concerned, if, after deducting the basic expenditure and even addressing the long-term social problems that I will mention later on, a surplus is still recorded in the Treasury and if the surplus reaches a certain amount, should the Government give away the money to the people? We think that the Government should do so, and this should even be made a policy and that is, when the Government has met the basic expenditure and when the Hong Kong Government is willing to face and tackle the long-term problems and if the Treasury still has a certain amount of surplus which exceeds a certain level, the Government should give away money to the people, rather than keeping the money in the Treasury.

Now I would like to talk about the long-term problems the Government should face, as suggested by the ADPL. The first is the resumption of the HOS, a proposal which has been debated for a long time in the Legislative Council and was first opposed by some Members but is now supported by all Members. When we discussed the resumption of the HOS with the Financial Secretary, he said that this is unrelated to him and that this should be the responsibility of the Secretary, telling us to discuss it with the Secretary. The Secretary is in the Chamber now. How can this be unrelated to the Financial Secretary? He is a member of the ruling team under the leadership of the Chief Executive, and the

Financial Secretary is not the only member of the entire Government. When the ruling team is unwilling to resume the HOS, the Secretary certainly will not make this proposal to the Financial Secretary, and the Financial Secretary certainly will not set out in the Budget long-term proposals to deal with this issue. Particularly, the sandwich class does not have the means to buy a PRH flat or a flat in the private sector and therefore, they have to rent a flat in the private sector at exorbitant rent but they are not eligible for application for PRH. In view of these problems faced by the sandwich class, there is simply no solution to their problems if the Government does not resume the HOS.

For example, there are now 130 000 families on the Waiting List for PRH. Why did the Government still reduce the production of PRH flats from 35 000 units in the 1990s to 25 000 units in 1997 and this year, the number of units is further reduced to 15 000 and the provision of PRH will remain at 15 000 units only in the next five years? How can this address the problem of the ever increasing rent for flats in the private sector now? Secretary, in Sham Shui Po, a suite of 100 sq ft is now rented at \$3,000, and the price per sq ft is already comparable to the price of a luxurious residential flat. Why should the Government not provide more PRH flats?

Third, the elderly problem. The Government actually knows that we face this problem. The Government has told us that in the next two decades, the proportion of the elderly population will increase from the present 16% to 25% in 2030 and yet, the Government still has not made retirement plans for the elderly whose number is increasing in Hong Kong. If we do not start discussing it now, it is going to be too late. If we start planning now, the projected cost will be less expensive but if we start discussing it only in future, the cost will be expensive. So, I do not see why the Government can neglect the population policy and the demographic problems.

(THE PRESIDENT resumed the Chair)

The demographic problems have given rise to another problem and that is, a drop in the birth rate. Two years ago the birth rate in Hong Kong was 9.5% Sorry, it should be 0.95%, which means that every mother has less than one baby. The figure slightly improved last year as it increased to 0.1%, which

means that every mother has one baby No, I am sorry. It should be 1%, meaning that every mother has one baby. From the birth rate we can see that the population of Hong Kong is shrinking, with the young population getting smaller and smaller. We should face up to this problem. If we do not tackle these long-term problems, what should we do? President, had there not been Mainlanders coming to Hong Kong every day, and if we do the calculation base on the present situation, the population in Hong Kong will drop from 7 million to only 4 million within three decades.

On the labour front, although it seems that unemployment is not a problem now, employment has always been a problem. In contesting the election in 2007, the Chief Executive undertook to vigorously develop social enterprises. Five years have passed but their development has remained stagnant. All that has been introduced is the Enhancing Self-Reliance Through District Partnership Programme and no other measure has been proposed. The charity organization which sees my involvement has helped to promote social enterprises. Two of the social enterprises operated by us have hired nearly 100 employees. These employees are all men or women aged above 40 whom the market does not quite like to employ, and even if they are employed in the market, usually the employers are willing to pay them only meagre wages, but social enterprises can precisely take on these people. The Chief Executive said in his election platform that he would vigorously promote social enterprises, but no progress has been made over the past five years.

What I have cited are just some of the examples meant to show that the Government has ignored the long-term problems in Hong Kong and failed to make any commitment. This is why we are dissatisfied. It is because such dissatisfaction that we did not wish to vote on the provisional funding sought by the Government on that occasion.

President, this Budget of the Government lacks vision and investment and neglects the deep-rooted conflicts in Hong Kong society. This is the reason why the public, including myself and the ADPL, feel dissatisfied. The Budget has caused a huge uproar, causing the conflicts among different classes to become more and more serious, and these are also political problems. Faced with political and economic problems, if the Government still lacks vision, foresight, policies and investment, I believe these conflicts will never ever be resolved.

Therefore, with regard to this Budget, even though this is only a vote on it, we hope to take the opportunity of this vote to remind the Government that in society, an alarm is already sounded and the red alert is on, and it is impossible for the Government to go on turning its back on and paying no attention to these problems. Thank you, President.

MS STARRY LEE (in Cantonese): President, in politics, one day is too long, and a week is even much longer.

A week after delivering the Budget, the Financial Secretary admitted that the injection of \$6,000 into MPF accounts initially proposed by him was not well-received and so, he decided to drop it and make additional provisions by allocating \$40 billion to directly provide cash handouts and a tax rebate to the people. This is the first time since the reunification that the Budget has to make a sharp U-turn, and this can be said as unprecedented. However, the Financial Secretary can eventually reverse an unwelcome decision and show political courage in admitting that he had mistakenly gauged public sentiments and making substantial changes to the Budget to stop social unrest. What he has done merits support and commendation.

I have thought over and over again about whether this year's Budget is really worthless, as many people have said. Is it really so bad that it has to be totally overturned? No doubt the Budget has wrongly assessed the situation by deciding to inject \$6,000 into MPF accounts and not to provide a tax rebate. But there are the electricity tariff subsidy, increased allowances for dependent parents and children and also responses to various aspirations of some political parties. Some people criticized the Government for failing to address the deep-rooted conflicts in Hong Kong and for not implementing universal retirement protection. But the past Budgets also had these problems and faced the same criticisms. There are these problems every year and the people have grievances every year, but why are there so many of them and why are they so serious this year?

There has been unprecedentedly strong opposition against the Budget. That the Financial Secretary had proposed to give away money in a wrong way is only a triggering point for that, the last straw that breaks the camel's back. The long pent-up grievances of the people are actually the primary cause of the severe

criticisms levelled at the Budget. From my analysis, there are mainly two reasons for this.

First, the Government still has not put forward any concrete proposal to show the people how the Government will address the problem of property prices rising to the extent of becoming out of tune with the affordability of the people and yet, the Government has made no undertaking to resume the HOS. This aspiration is actually a consensus long reached in society but, after consultations, the Government outrageously gave up the HOS and introduced the My Home Purchase Plan instead, thus making many people feel dissatisfied and baffled.

Second, the long-standing problems of poverty and the "N noes". Every time after a Budget is released, the media will interview some people who cannot benefit from the Budget, and these reports reflected over and over again that the Government did not have any measure to deal with the "N noes" before the Budget was revised. In the eyes of the people, the Government is indifferent to the underprivileged who are in a disadvantageous position.

Therefore, if we simply put all the blame on the Budget and hold the Financial Secretary fully responsible for the explosion of public grievances and even for causing society to reach a critical point, this, I think, is unfair.

Recently, people have kept on saying that public sentiments are underscored by hatred towards the businessmen or hatred towards the rich in Hong Kong. According to the more accurate judgment that I made from my personal observations when I visited the districts, it should be hatred towards major consortiums, or hatred towards some major consortiums, that can be found among Hong Kong people. They hate these consortiums for doing everything to maximize their profits and they hate them for monopolizing the market. In fact, there are many people who are good at making money in Hong Kong. They are creative, and they are enterprising and courageous, and they have successfully started businesses to make money. I think the public do not harbour any hatred for these people. Their hatred is directed at a small number of major consortiums, mainly because they have monopolized the land in Hong Kong, and from the sale of residential properties and management of housing estates to supermarkets, household electrical appliances and telecommunications, all are taken under their control and they are pervasive in all trades and industries. The public's hatred is also directed at some major consortiums frantically increasing

their fees and charges even though they have amassed a huge surplus. The public have blamed the Government for not playing its gate-keeping role effectively and they consider this to be the outcome of collusion between the Government and business.

Frankly speaking, when I am in this Chamber, I always keep a watch on the officials. I have seen that the officials are overly passive for fear of allegations of them for colluding with the business. But on many issues, it actually requires interaction among the Government, the business sector and the public before anything can be achieved. As government officials are mindful of avoiding accusations from all sectors of the community, much delay has been caused for holding discussions with the business sector on many issues. But has the Government reflected on why the public still hold such a view even though the officials have been so careful?

I have carefully thought about why there are anti-business or anti-rich sentiments. The conclusion that I have drawn is that although the Government has been so careful, some of its policies will nevertheless produce an effect and that is, even though you do not mean to treat the rich leniently, the rich has become richer because of you. Why do I say so? Because many policies are implemented for promoting economic development.

One example is the development of Hong Kong into a business-friendly city that we always talk about. To encourage more enterprises to come to Hong Kong to do business, a low and simple tax regime has been promoted. We have all along considered that this is indeed a major advantage of Hong Kong and even now, I still believe it is. However, more and more people have criticized it, saying that a low and simple tax regime has caused the wealth gap to worsen perpetually. They have also criticized the Government for not effecting redistribution of wealth through the tax system, resulting in the poor getting poorer and the rich growing richer in society.

Another example is the high land price policy which has been bitterly denounced by many people. Public opinions generally have a great aversion to this policy, thinking that this policy has given rise to hegemony of the property sector and considering it the greatest of all evils as it has caused prices to surge and even shops to close down and made it impossible for the public to buy their first homes. But if we think about the past, we will recall that there were times

when the government rent constituted a major source of revenue for the Government. Back then, members of the general public did not have to pay tax at too high a level in order to enjoy public services of a good standard in areas such as healthcare, education, public rental housing, and so on. This policy may actually earn the admiration of many other governments.

From this we can see that the desirability of a policy depends most importantly on whether or not it can dovetail with the social conditions and whether or not it can respond to public sentiments. Much to our regret, the SAR Government has fallen far short of public expectations. No wonder some people sighed that while the Government initially may not intend to show favour to the business sector when formulating policies, as it wants to cope with the changing situation by remaining unchanged, it fails to draw up appropriate policies to meet the needs of the times and as a result, some good policies which are meant to facilitate the conduct of business are gradually considered by the public as policies in favour of the business sector and are even said to be instances of collusion between the Government and business. This is precisely the scenario that I have just said: "Even though you do not mean to treat the rich leniently, the rich has become richer because of you". I very much hope that the Government can give some thoughts to this logic and think about whether there are some policies in which you, being too passive, have failed to meet public expectations. I hope that the Government can review the relevant policies in due course to meet the people's expectations.

President, next I will present the views of the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) on the parts of the Budget concerning the economy and education.

On the economic front, Premier WEN Jiabao has since 2003 told the Hong Kong Government time and again to resolve the deep-rooted problems in Hong Kong. In the press conference after the National People's Congress sessions this year, Premier WEN mentioned deep-rooted conflicts again. He stressed that the SAR Government should have a long-term and scientific development plan, and it should also pay close attention to the development of education and technologies, so as to sustain the momentum of Hong Kong's future development. He added that in the light of its actual conditions, Hong Kong should further develop the service sector, including financial services and tourism, and further develop small innovative high-tech enterprises, so as to create more jobs. Premier WEN has

stressed these demands over and over again, but it seems that the Hong Kong Government has not duly attached importance to these remarks of the Premier.

I believe the biggest problem of Hong Kong is that the mentality of the Hong Kong Government all along upholds "positive non-intervention" and affirms that "big market, small government" is the best role of the Government. The Government's excessive reliance on the market for regulation has resulted in its neglect of the need to formulate long-term and scientific research-based development strategies, resulting in the unhealthy development of industries now.

The community and many Members of this Council have always mentioned that Hong Kong has two major industries, namely, the financial services industry and real estate industry. But apart from the financial services and real estate industries, the development of other industries has faced great challenges.

Our competitors and the neighbouring countries have, in fact, made plans for the longer term compared with ours. Korea has a five-year plan for the country's balanced development; Singapore has a 10-year plan for development; and Taiwan also has the "golden decade" plan. Recently, in response to the 12th FYP in the Mainland, the department responsible for economic affairs in Taiwan has set up a cross-strait industrial strategy task force, pressing ahead in full steam to seize the business opportunities brought about by the 12th FYP of the Mainland. Turning back to Hong Kong, some people are worried that our development will be planned. However, I think instead of worrying about our development being planned, we should actually be worried about Hong Kong lacking planning or a direction.

In fact, resolving the deep-rooted conflicts in Hong Kong and facilitating the economic restructuring of Hong Kong are old issues that the Government cannot evade. How best can long-term scientific planning be made and how far should the Government intervene? If we look at the competitors surrounding us, we will find that many cities in the world, as well as many countries which claim to be free economies, have adopted a mixed approach for economic development and the achievements made are there for all to see.

At present, although the Hong Kong Government has the Central Policy Unit (CPU), its function is limited to giving advice to the Chief Executive and the

three Secretaries of Department. As far as I understand it, it seems that the CPU has not conducted any specific scientific researches or made recommendations on the medium-to-long-term development of Hong Kong. The Economic Analysis and Business Facilitation Unit under the Financial Secretary's Office is tasked only to analyse the current economic performance. It does not carry out any macro policy studies, and Policy Bureaux also do not have permanent policy research units. While the Hong Kong Monetary Authority, which is independent of the Government, has a Research Department, it can hardly make plans for the overall development of Hong Kong. If this situation goes on, it certainly will not serve the interest of Hong Kong.

The Financial Secretary announced in this year's Budget that he would take up the chairmanship of the Steering Committee on Innovation and Technology from the Secretary for Commerce and Economic Development. It means that the policy on technology in Hong Kong will be brought under the responsibility of officials at a higher level in the remaining term of this Government, in the hope that the efforts of all sides, including the business sector and the education sector, can be pooled together more effectively to take forward the development of innovation and technology.

However, I would like to say that other than innovation and technology which require strong and forceful co-ordination and leadership, in the course of the economic restructuring of Hong Kong, co-ordination at the level of Secretary of Department is also necessary in respect of how the four pillar industries can be consolidated and how the six industries where Hong Kong enjoys clear advantages can be developed.

The Hong Kong economy has, over a period of time, registered continuous growth, but in order for everyone to be truly benefitted, business must thrive in all trades and industries. If only the real estate and financial services sectors can have the advantage to thrive, whereas other industries cannot benefit from the growth, the public will not be happy about it and they will attribute their grievances to the Government. Therefore, I think the first and foremost task of the SAR Government is to identify ways to support the development of other industries. Apart from the land policy, other policies are also essential.

On the education front, although the recurrent expenditure on education has increased by about 6% in this year's Budget, the estimated expenditure for

education this year, which is some \$54 billion, accounts for only 22.5% of the recurrent expenditure of the Government.

Government officials have stated on various occasions that the expenditure on education amounts to a significant share of government spending. If additional resources have to be ploughed into education, the new expenditure will only be spent on supporting grassroots or underprivileged families. The new initiatives in respect of education proposed in this Budget have precisely reflected this perception of the SAR Government.

One of these new initiatives is to relax the income ceiling for the full level of student financial assistance under the means test mechanism of the Student Financial Assistance Agency. This has been a demand that the DAB has consistently raised with the Government. After the ceiling is relaxed, as many as 75 000 students can receive full assistance, including 64 000 pre-primary, primary and secondary students and some 11 000 post-secondary students. The number of students receiving full assistance will significantly increase from 30% to 50% of the total number of recipients. Students who are not on full assistance will also receive more, and it is estimated that this measure will benefit 22 000 post-secondary students. Additional grants will also be provided for academic expenses for post-secondary students, subject to the outcome of their means test, and students can receive an additional grant of close to \$1,000 at the maximum.

Moreover, the DAB has all along been concerned about the aspirations of grass-roots families, including the new arrivals. From our contacts with female new arrivals in Hong Kong, we understand that they most wish that their children can catch up with the local curriculum in school and that their children can achieve good results in learning English, so that they can find an ideal job after completing their studies and help their families get rid of poverty. Given that many new arrivals are low-income earners, they may not have the means to afford extra tutorial expenses for their children. The Financial Secretary has undertaken to earmark \$110 million for launching a three-year pilot programme in primary schools under which after-school homework guidance will be provided to help primary students from grass-roots families overcome difficulties in learning. I think this arrangement is conducive to easing the burden of tutorial expenses on these families.

Besides, we have been calling on the authorities to enhance the school-based after-school learning and support programmes and reduce the interest payable by students in servicing their loans. We hold that these measures have come to a state where they can brook no delay.

Lastly, I would like to talk about subsidized university places. The first motion that I proposed for debate after I had joined this Council was to urge the Government to increase the provision of subsidized university places. Despite that the number of such places was increased to 15 000 last year, in view of the development of a knowledge-based economy in Hong Kong, 15 000 places are indeed inadequate. The strategy now adopted by the Government is to pass the responsibility of nurturing young people to the private sector. If we solely rely on the private sector to develop self-financing post-secondary institutions and with the current mode of government subvention, I think these institutions can only be developed into some second-class universities. And I am also concerned about the recognition of the qualifications conferred by them. I hope that the SAR Government can seriously think about how the scale of investment can be expanded for the development of self-financing post-secondary education.

President, I so submit.

DR PAN PEY-CHYOU (in Cantonese): President, I would like to express some views on the development of the six industries where Hong Kong enjoys clear advantages. After reading the Budget, I believe the Government has the determination and sincerity to develop these six priority industries, or else this would not have been discussed at such great length in the Budget in which 18 paragraphs in total — from paragraph 102 to paragraph 120 — are dedicated to explaining the plans and injection of capital for the development of these six priority industries.

The Government has also placed the development of these six priority industries in the 12th FYP of the State, which has reflected the Government's determination to develop these industries. The Federation of Trade Unions very much supports the Government's plan to develop these six priority industries because we believe their development can bring more good jobs for the young people. These good jobs can then increase the income of young people and bring a better future for them. It is a good way to get rid of poverty.

The development of the six priority industries can also broaden the economic base and reduce the weight and importance of the four traditional pillar industries in the economy as a whole. As a common saying goes, we should not put all eggs in one basket. The development of the six priority industries is precisely to put the resources and hopes of Hong Kong in different baskets. Therefore, this direction merits support.

Having said that, since the Chief Executive announced in the Policy Address the development of these six industries where Hong Kong enjoys clear advantages, what achievements have been made according to our observation? From what is stated in the Budget, the progress that has been made so far is really not at all encouraging. In 2008-2009, the percentage taken up by these six priority industries in the total working population increased by only 1.7% and in terms of the actual figures, their workforce increased by only 6 650 people. In respect of the cultural and creative industries, the number of employees even dropped 1.6%. With regard to their overall performance, the share of these six industries in the GDP rose from 7.6% to 8%, representing an increase of a mere 0.4%. Such performance is really far from satisfactory.

That said, we think that as the Government has just begun its work to facilitate the development of these six priority industries, we certainly should not expect them to be capable of generating enormous economic benefits at this stage. Nevertheless, I wish to point out that over the past two years, the development of these six priority industries has actually brought about some confusions, and there has even been a worsening trend recently. We think that it is imperative for the Government to conduct a review at this stage and consider making changes and adopting a new approach. Otherwise, we are worried about the situation becoming increasingly confused and eventually ending up in a mess.

First, I would like to look at the medical services industry with which I am more familiar. Hong Kong actually has very good conditions for the development of the medical services industry. Firstly, we have a sound and advanced medical and healthcare system; secondly, we have very experienced and well-trained medical and healthcare talents; and thirdly, the entire medical services chain in Hong Kong is, in fact, sophisticated and complete.

The Budget has proposed to reserve sites for the development of more private hospitals and to set up a Health and Medical Research Fund. It has also

mentioned that Queen Mary Hospital and Prince of Wales Hospital will respectively set up their first clinical trial centre shortly. We consider these three measures worthy of support. However, we have seen that the medical services industry has run into a huge bottleneck not long after it made a start, which is caused by a shortage of talents. An example is the problem of pregnant women having difficulty in finding a hospital for delivery which has recently aroused great public concern. I am referring to obstetrics and gynaecology services. About 88 000 babies are born in Hong Kong annually, and based on the current level of our medical and healthcare manpower, this number has already reached the full capacity of hospitals. All sides have admitted this point. About half of these babies are born in Hong Kong to women from the Mainland. They come to Hong Kong for delivery perhaps because of our high standard of medical services, or maybe it is because their babies can become Hong Kong citizens upon birth here. This is why it is increasingly common for pregnant women from the Mainland to come to Hong Kong for delivery, thus plunging local pregnant women into a state where they almost do not have a bed in hospital for delivery. This is a very serious problem of grave public concern. On the other hand, in order to increase their provision of services, private hospitals have competed with public hospitals for obstetrics and gynaecology talents, resulting in a double-digit turnover rate of obstetricians and gynaecologists in public hospitals, which stands at 10%.

Under such circumstances, the remaining obstetricians and gynaecologists in public hospitals are indeed overwhelmingly busy. Frankly speaking, the overall obstetrics and gynaecology service in the public sector has indeed reached a tipping point. If the authorities do not implement some measures as a matter of urgency, the service may really collapse. The other specialist services have also been affected to various degrees.

I think the main reason for the medical services industry to run into such a huge bottleneck at the initial stage and hence face a most worrying and precarious situation is the lack of planning in respect of the demand for talents. The relevant parties have not formulated policies on the training of talents and the supply of and demand for talents well in advance; nor have they concrete plans for implementation.

Moreover, let us also take a look at the education services industry. Similarly, Hong Kong also has very good conditions for the development of the

education services industry. It has been a culture of Hong Kong to attach importance to learning, and our tertiary institutions have all along maintained a very high standard. Third, our education system is linked and articulated with the education system in the West. These are the reasons why the past decade has seen robust development of post-secondary education. Between 2001 and 2009, the number of students on self-financing full-time post-secondary programmes increased by six times from some 9 000 to over 57 000 students. The rate of increase is astonishing. In the light of this development, the Budget has proposed to increase the number of places in international schools by 5 000 and further the development of self-financing post-secondary education.

However, the development of the education services industry also faces problems. Due to the lack of supervision, the standard of programmes provided by self-financing post-secondary institutions varies greatly. The associate degree qualification, which suffered many setbacks, has faced the problem of not commanding sufficient recognition since inception. Many employers have actually considered an associate degree the equivalent of graduation from Secondary Seven. The pitiable associate degree students have paid a huge amount of money and worked very hard to attain a qualification, only to find out after graduation that their qualification is not of any actual help to their employment.

The Government has in recent years made great efforts to develop self-financing post-secondary programmes which have also attracted a large number of Mainland students to study in Hong Kong. They are attracted by the reputation of Hong Kong and they think highly of the post-secondary education here. They come to Hong Kong to compete for a place in a degree programme. As a result, local students, especially students with associate degree qualification who wish to pursue further studies in a self-financing degree programme under the articulation arrangement, have to face a higher threshold for admission, thus making it more difficult for them to enroll on these programmes. To put it plainly, the institutions providing these self-financing programmes are good at calculation too, and as their students have to pay tuition fees, the tuition fees for these programmes have increased very quickly.

Furthermore, the continued increase in the number of degree places has given rise to the problem of an excess supply of university graduates over their demand. As also mentioned by colleagues earlier, unemployment is common

among university graduates now and besides, their salary is low. After obtaining a degree upon completion of their studies in university and even if they manage to land a job, the entry pay is usually just \$8,000 to \$10,000. Many of them have taken out loans of more than \$100,000 for paying tuition fees. With such meagre wages, when will they be able to repay their loan in full?

I have cited two industries as examples, but the other four industries actually face their own problems, too. Given the shortage of land and the lack of support in terms of government policy and relevant legislation, coupled with the fact that the Government has not set aside funds for purchasing the products of the relevant industries, many of these industries are underdeveloped and the creative industry that I have just talked about has even shown signs of shrinkage.

Why are there problems with these six industries where Hong Kong enjoys clear advantages? We think that there are several reasons. First, these six priority industries are complex in nature. They require an enormous capital input but a return can be yielded only at a later time and yet, there has not been strong and powerful leadership from the Government. In developing these six priority industries, the Government should, in fact, clearly demonstrate to the public and to the industries its determination, vision and direction. The governments of other countries or regions have performed far better than our Government does in this respect. Take the creative industry as an example. The Korean Government has forcefully taken a leading role in setting up the Korea Culture and Contents Agency to provide co-ordination and leadership. This we have not seen in Hong Kong.

The lack of leadership has explained why the development of these six priority industries in Hong Kong lacks a clear direction. The Government also has not set any measurable objective and so, there is no way for the public to know whether or not success has been achieved and what progress has been made. No concrete plan has been drawn up after detailed discussions to set out how various measures will be implemented. We just do not see any of these initiatives taken. Nor do we see the Government taking any action to prevent foreseeable problems. All it has done is to hastily put out the fire whenever a problem emerges.

So, how can we develop these six priority industries? The development of these industries is like a drifting boat with no steer, no oar and no propeller. Where is this drifting boat going to reach?

I think the Government has all along been trapped in the myth of "big market, small government", believing in a *laissez-faire* approach. This is why it does not take a leading role; nor does it make planning, provide co-ordination and support, make projections and tackle problems. All it does is to wait for luck to come by. How can this bring about any result? Will luck really come by? When luck really comes by, can the Government get hold of it?

So, we can no longer address the development of these six industries with such an attitude nowadays. What is the objective of developing these six industries? The objective is not to enable the major consortiums to reap even greater profits, so that they will become so fat that they cannot even pull up their socks. Our objective is to enable the young people in Hong Kong to have quality jobs and better prospects. It is also our objective to provide more job opportunities to the working masses in Hong Kong.

The development of the six priority industries involves work with complexity which requires precision in planning, similar to the making of a watch. We cannot expect that by putting dozens or a hundred or so spare parts into a dice box and continuously shaking the dice box, a watch will then come out of it. We must work step by step with precision. So, in this respect, I think it is vitally important for the Government to play a leading, co-ordinating role.

The Central Policy Unit has recently faced a lot of attacks, but I very much agree with Prof LAU's view that the development of Hong Kong has reached a tipping point. Prof Anthony CHEUNG has also talked about the question of a tipping point. I think the mode of development featuring non-intervention and a "*laissez-faire*" approach adopted before has reached a tipping point. If no changes are made, I am afraid that the pressing problems that we now face cannot be resolved.

I so submit.

MR WONG YUNG-KAN (in Cantonese): President, at the beginning of this meeting, the Chairman of the DAB, Mr TAM Yiu-chung, already spoke on the Budget in general. I agree with what he said in his speech. I will speak, on behalf of the DAB, on the parts relating to food safety as well as agricultural and fishery issues in the Budget.

The severe earthquake and the super tsunami triggered by the earthquake that happened in Japan some time ago have brought a huge disaster to the Japanese people. But following the nuclear incident at the Fukushima Daiichi Nuclear Power Plant, not only the Fukushima Prefecture has become a nuclear disaster zone, the harmful effects caused by the leakage and spread of radiation have also surfaced gradually. The Fukushima Prefecture and its nearby areas aside, the vegetables and other types of food in almost the entire Northeastern part of Japan are tested to be contaminated by radiation, while the water in Tokyo and nearby areas even contains a radiation level exceeding the limit. The seawater off the Fukushima Nuclear Power Plant has been found to contain an exceedingly high level of radioactivity, arousing concern about the contamination of marine products.

I am worried about the impact brought about by the nuclear incident in Japan. Although Hong Kong is more than 3 000 km away from Fukushima Prefecture in Japan and the impact of radioactivity produced on us through the air or seawater is, as some people have said, very modest, the impact caused through food must not be neglected. In this connection, I will put forward some proposals at two levels.

First, food safety. Of all the food imported into Hong Kong, only about 5% is imported from Japan, among which beef, dairy products, fruits and snacks are very popular among the public because such food is of a good quality and safe. After the Fukushima nuclear plant incident, as Japanese food may hence be contaminated by radiation, the Hong Kong Government started to conduct tests on Japanese food and published in the Gazette a ban on the import of vegetables, meat and dairy products from five prefectures and cities in Japan, including Fukushima Prefecture. The Fukushima nuclear incident is still developing. The area of food and water contamination is expanding continuously. The concentration of radioactivity in seawater off the nuclear plant is increasing from day to day, and we cannot rule out the risk of

contamination of marine products. Even if the Fukushima nuclear plant incident can be resolved in a few months or in a short time, the water and soil contaminated by the residual radioactivity may still affect Japanese food for a rather long period of time. It is necessary for the SAR Government to persistently and closely monitor food imports from Japan. Besides, the Government should provide adequate funding, so that the Centre for Food Safety or other food surveillance work will not be affected by a lack of resources. Apart from fresh provisions, the Government should gradually extend the food tests to cover prepackaged food. Meanwhile, the Government must also closely monitor the development of the incident. Once the harmful effects of the Fukushima nuclear plant incident worsened, studies must be conducted on banning the import of food from more places in Japan to ensure that the food imported to Hong Kong meet safety standards.

Two days ago, the discharge of a considerable amount of radioactive water by the Fukushima nuclear power plant has contaminated the seawater, and the fishery products in Japan have also been confirmed to contain a high level of radioactivity and hence become inedible. I am worried that the same will happen along the Chinese coast later. So, I hope that the Government can expedite the tests on fishery products. In the meantime, in the interest of local importers of Japanese food, the Government should issue a certificate to imported Japanese food which has been tested to be satisfactory, so that the importers can explain to their customers that such food is safe for consumption.

Another issue of concern to me is the supply of food in future. The Fukushima Prefecture and its neighbouring regions are mainly agricultural zones. In the event of an extensive spread of nuclear radiation, the water, soil and ocean will be contaminated and farming cannot be carried out for a very long time. Both the capture fisheries and aquaculture fisheries have also suffered from the impact of the tsunami. As many fishing ports have been seriously damaged, their redevelopment cannot possibly be completed within a short time. This will affect the export of general food items, even Japan's policy of relying on domestic production may change as they are now forced to purchase food from the international market to meet the needs of locals in their living. Recently, many vegetable and fish traders have noticed that as Japanese importers have started to make purchases of food, the prices of individual types of vegetables and fish have risen.

I am worried that this situation does not exist only temporarily. A full restoration of Japan's agriculture and fishery industries is going to take a rather long time. Against the backdrop of rising food prices globally, coupled with the fact that even Japan has started to make purchases of food, we are indeed worried that this would fuel the problem of food inflation.

President, the food trade in Hong Kong has all along been led by the market, and over the years, the Government has seldom affected any interference. However, the Government has all along neglected one important factor and that is, 90% of the food in Hong Kong is imported from other places. Fluctuations in international food prices will definitely affect Hong Kong and such effects on Hong Kong will be even more significant than those on other places. Although the Mainland has repeatedly guaranteed the quantity of food supplies to Hong Kong, the control of price fluctuations is subject to great limitations, especially during extraordinary times. Yet, the Government does not have any tool to address this problem now.

Let me talk about the shortage of formula milk which has been bothering parents recently. Since the occurrence of the nuclear plant incident in Japan, the supply of Japanese formula milk has decreased. Mainland residents have joined in the panic buying, while parallel importers have engaged in stockpiling and hoarding for speculation. Recently, when I passed by a supermarket in a shopping arcade at around 7 am, I could see that a dozen to 20 people were already queuing up to buy formula milk and even feeding bottles were the target of panic buying. We hope that the Consumer Council (CC) can conduct more surveys in this respect. The findings of a recent survey by the CC show that during the past year, the prices of 24 items of formula milk in the market have increased at a rate exceeding the inflation rate, and the prices of five items have even risen by 10%. Many parents cannot purchase it even though they are willing to pay more. Formula milk is, after all, the major food for infants but parents still cannot buy it even though they can afford it, so this is infuriating to them. Is it because of a shortage of supply or hoarding by retailers in an attempt to jack up the prices? The public simply do not know the truth. While the Government has all along stressed that the supply is adequate, what the people have seen is a different picture. In fact, it is most imperative for the Government to ensure a high degree of transparency in such information as the supply and prices of formula milk. The Government has made special grants to the CC before for it to conduct surveys on food prices and goods sold in markets.

The Government can make similar arrangements to commission the CC to conduct surveys on the prices of formula milk in Hong Kong, so that the public can grasp the information on prices. Moreover, the Government can co-operate with the CC and formula milk suppliers to publish on the Internet the quantity of different brands of formula milk in stock. The Government can also require retailers to draw up trade rules to prevent unscrupulous merchants from jacking up prices, so as to ensure that the goods can truly go to the users.

President, the Financial Secretary published the Budget on 23 February, announcing the plan to inject \$6,000 into MPF accounts. I wish to point out that fishermen and farmers can never enjoy similar benefits because they are self-employed. They make a living only from fishing and growing vegetables, and seldom do they apply for CSSA from the Social Welfare Department. However, the Government later announced its plan to give \$6,000 directly to Hong Kong Permanent Identity Card holders aged 18 or above, which can directly benefit the public. They feel very happy about it because the Government has never given away money directly to them, and this can help alleviate their difficulties in living. After the Financial Secretary delivered the Budget on 23 February and when I returned to my Tai Po constituency, many kaifongs told me that they did not agree to the Government's injection into MPF accounts. A week later, the Government heeded public opinions and revised the proposal. The public consider that the Government is willing to listen to the views of the people and so, they very much support the Government directly make a \$6,000 handout to the public.

President, the annual session of the State's National People's Congress and the Chinese People's Political Consultative Conference was held some time ago. I can feel that the State has done a lot of work and consistently provided support for the agriculture and fishery industries by, among other things, implementing the "San Nong" Policy, or the policy on the three rural issues. However, the local agriculture and fishery industries have scarcely been taken care of or given support by the Hong Kong Government. So, I hope that the Government can do more for the agriculture and fishery industries. Recently, I have raised concern about the mud pits at The Brothers. I hope that the Government can really present reasons that are strong enough for the industries to support this project. The Government is duty-bound to discuss this with the industries, in order to examine how the effects on the industries can be mitigated.

I would also like to talk about the recent issue of the Government considering providing compensation for the introduction of a trawl ban. I am very glad to have discussed this issue with the Chief Secretary for Administration and the Chairman of our party, Mr TAM Yiu-chung, some time ago. I hope that the Government can expeditiously set up a working group to review the mechanism for providing the *ex gratia* allowance, rather than just making empty talk. I hope that the Government can deal with this issue as soon as possible.

Meanwhile, given the introduction of a trawl ban, the Government has proposed the development of aquaculture. A few days ago, I had a meeting with representatives of the aquaculture industry. They told me that given the short supply of fish fry, the aquaculture industry will face difficulties in operation. So, I hope that the Government can conduct studies on fish feed expeditiously. I also hope that the Government can make reference to the practice adopted by Japan and provide subsidies to the aquaculture industry. Moreover, I hope that the Government will conduct studies on fish fry, so as to facilitate the use of quality fish fry in the industry.

President, I visited a farmer some time ago. I have never seen any farmer growing Tianqi (*Panax notoginseng*) before and after the visit, I have come to understand that we can really grow Chinese medicinal herbs in Hong Kong. I have raised this issue with the Agriculture, Fisheries and Conservation Department and the Food and Health Bureau. I hope that they can help make this possible, so that some deserted land in Hong Kong can be used for growing Chinese medicinal herbs, thereby enabling the agricultural industry in Hong Kong to have new development.

Furthermore, there is still one point that I would like to talk about. The Government has proposed to obtain land by reclamation and many people have even suggested reclamation at Tolo Harbour. I wish to state here that the industries, residents in Tai Po and people with whom I have contacted all do not wish to see the Government do this. Nor do they support the Government carrying out reclamation arbitrarily at Tolo Harbour. Rarely can we find a bay in the inner sea along the coastal region of Guangdong Province, and Tolo Harbour is a very special place. If the Government should continuously carry out reclamation works there, we are worried that this would affect residents in Tai Po and arouse different aspirations and demands in society. For this reason, I hope that the Government will think twice before taking forward any reclamation

works and it absolutely cannot carry out reclamation lightly. I remember that a decade or so ago a political party also made this proposal, which met opposition from many residents who disagreed with this proposal. So, I think the Government should be aware that there are different views on this issue in society.

President, I so submit.

MR FRED LI (in Cantonese): President, my research assistant has written a rather long speech for me. But since this year's Budget is so special, I must say something to the Financial Secretary. I had a very deep impression, John, when I saw you, together with many pro-establishment Members, showing up on television and announcing the cash handout of \$6,000, and my feelings were mixed. Why? Because during a discussion with me on the governance and finance of the Government, an official at the top echelon said this: "It does not work for us to follow Macao's practice of giving away money. Why? Because Macao does not have other welfare systems like public housing, HOS, and so on. Their systems have been implemented very unsatisfactorily and sluggishly, and the Macao Government is still unable to achieve it after promising to do it for many years. So, 'cash handout' is the most direct and quickest way for them and after all, Macao is raking in money. It is because they do not have too many choices that they hand out money. But this does not work, and it is not going to happen in Hong Kong. Our case is far more complicated. The Government has detailed plans, so it will not adopt such a simple measure of 'giving away money'. 'Cash handout' is actually undesirable." These remarks have left a deep impression on me. A top-ranking official did say these to me.

When the Financial Secretary came forth to announce the plan to give away money, I was curious as to why this would be the case. Why did the Government's attitude change? Is this the John I know? Could it be that he would become another John whenever there is an election? This year, maybe it is because of the District Council election. So, the pan-democratic camp promptly stated our opposition after the Budget was released, and if the pro-establishment Members would remain disobedient, the Budget would run the risk of being negated. As even the resolution to seek provisional funding was voted down, the Government was certainly nervous — of course, the Government did not expect the resolution on provisional funding to be negated — The

Government was nervous and yet, it did not think that the Budget would be negated for this might lead to a constitutional crisis. However, the pro-establishment camp has to take part in direct elections and it has to field many of their DC members to contest the elections and so, the Government was very nervous, thinking that if it insisted on implementing a Budget which is not very much supported by the public, it may give pan-democratic Members a handle to attack the pro-establishment camp in the election and by then, the candidates from the pro-establishment camp (including Community 18, DAB, Liberal Party, New People's Party, and so on) will face difficulties. Therefore, the Government thought that it might as well bundle up the pro-establishment Members together and play a big game of "show hand" (*Laughter*), which is a poker game. This is really a game of "show hand", and the hand of cards shown is formidable.

At first, just as I always do after the release of a Budget, I held a residents' meeting in the district where I made public the number of meetings held and the public opinions received. Before the Government announced the cash handout of \$6,000, I conducted the first round of consultation in my district and the residents said to me: "As for that \$6,000 injection into the MPF (followed by expletives), I am only in my 20s or about 30, which means that there are still three decades before I will retire at 65. Will this \$6,000 injection by the Government vanish into thin air 30 years down the road? Will those fund managers or MPF trustees eat up that \$6,000? The administration fee and management fee are expensive. Why should the \$6,000 be spent this way?" At that time, I think all political parties and groupings held the same view that this was like "seawater to chickens reared by boat dwellers" as they could not drink the seawater even though they see it, and that it did not produce the effect of a timely relief. But on the other hand, when the Government revised the proposal and announced the handout of \$6,000, it opened a new can of worms. At first, when the Government proposed the \$6,000 MPF injection, all persons with a MPF account (including those who do not have a job and do not make any contribution) will benefit from this injection of \$6,000. Even the new arrivals who have a job will benefit from it, and so will those aged 16 or 17 who work in fast-food shops. But under the present proposal, these \$6,000 will be given only to people aged 18 or above, which means that the new arrivals are excluded. So, while the \$6,000 MPF injection is criticized by many people, the handout of \$6,000 has the implication of causing division in society as it makes the new arrivals unhappy.

Last week, I dined at a restaurant which serves very good western dishes (the food served in this restaurant is tasty and inexpensive and I can take you there if you like). The boss is a very creative Hong Kong resident. He told me that he felt very unhappy about the Government giving away \$6,000 and he asked: Why does the Government not develop one more hospital? Why does the Government not provide more hospital beds? Since there are so many problems with the residential care homes for the elderly, why does it not properly address these problems? He made these comments during a casual chat with me. We also discussed these issues during the meal, spoiling my appetite a bit. *(Laughter)* There were many delicious dishes, but the boss was pouring out a lot of bitter grievances. This is true. The boss belongs to the middle class, and as he owns a restaurant, he is rich and yet, he told me that he is not happy. So, I made these introductory remarks because I wish to tell John that the \$6,000 handout will surely be well received by most people, and many people are asking me when this sum of money will be given to them. This is true. I can tell John in all fairness that they do not intend to spend the money on buying an iPad 2, but it is really because they are poor that they need money to buy things that they cannot afford to buy before or to take their family to enjoy some delicacies. This is fine. This is to return wealth to the people by giving them money.

Having said that, if every directly-elected Member is now asked — I do not know the views of functional constituency Members, and I do not know what the Government can do in respect of section 39E of the Inland Revenue Ordinance — But at least, every directly-elected Member can raise several issues for which they have championed for a long time but have remained unresolved because of delays in resource deployment or applications not granted. Financial Secretary, take the United Christian Hospital in Kwun Tong as an example. The highest authority of the Kowloon East Cluster has called for an expansion of the hospital for many years. Why is an expansion necessary? In the same room for specialist consultation there are two patients at the same time, which means that the patients entirely have no privacy. Why? Because it is crammed full of people outside, and the doctor spends just two minutes on examining a patient. There are just too many patients. When the public first see the time of appointment arranged for them and find that it is October, they think that this is perhaps not too long a wait but it actually turns out to be October next year, in 2012. Why should they have to wait for so long (as cataract patients are not provided with medical treatment even after waiting for two years)? It is because there are too many patients.

It takes only a few billion dollars, or only \$6 billion or \$7 billion for the United Christian Hospital to pull down the vacant nurses' quarters and redevelop them into a new main building to enhance the provision of specialist out-patient services, so that patients at least do not have to put up with such an inhuman environment where they are all crammed into one consultation room. This is a common phenomenon, just that the Government has not visited the hospital and so, it does not know about this. It takes only several billion dollars to solve this problem. Why are there so many problems People will ask me any time on the street why his autistic son cannot receive the relevant medical service in the hospital in Tseung Kwan O and therefore has to seek medical treatment elsewhere. People suffering from autism have to queue up for many services and there is no government funding to provide support to them. The elderly have to wait for more than 30 months before they can be allocated a place in a residential care home for the elderly. They have to wait even longer for a nursing place, not to mention an infirmary place. Why is no action taken to address the problems now faced by us? Now that money is given away, and it is like taking one capsule of stimulant and feeling elated for a while, but what will happen then?

I think this is quite paradoxical. The Government is giving away money, arousing in people a feeling of instant excitement and elation. This is very good, and the public will even praise the Government. I understand that the poor elders are waiting for this handout of \$6,000. But we, being legislators, should not just set our eyes on temporary excitement, still less should the Government. I remember quite clearly that the Government often said that it hated to "hand out candies" but I think this sum of \$6,000 is nothing more than a piece of candy. The Government also said that it very much hated short-lived applauses — I do remember that the Government said that it did not aim at winning short-lived applauses. But if it is not for winning short-lived applauses in making this handout of \$6,000, what is it for? The \$6,000 MPF injection is greeted by so many catcalls, whereas a cash handout of \$6,000 can win instant excitement and kudos. But how are we going to walk on this road in future? The public may expect the Government to give them \$7,000 next year.

I do not know how the Government will formulate the next Budget. There will be a new Financial Secretary next year. I do not know if John will remain in office for a second term come 1 July next year. Will your Budget be

designed to cover one whole year or just half a year? Perhaps you can explain it to us, because the term of this Government will cover only the first half of next year.

The Government has mentioned a host of services which are long awaited by the public. I know that the Financial Secretary will tell us that the resumption of HOS has nothing to do with him, for this is the business of Secretary Eva CHENG, whereas three-year free kindergarten education is the business of the Education Bureau, and the universal retirement protection scheme is the business of Secretary Matthew CHEUNG. All these have nothing to do with the Financial Secretary. Objectively and rationally, these are policies relating to the people's livelihood in the community and yet, they all involve government expenditure. If every bureau only cares about its own business, when we, in monitoring the Government, find that the Government has failed to do what we asked it to do, we will certainly feel unhappy and we will have to put up opposition because we have no other alternative.

The \$6,000 handout will produce instant excitement but many consequences will follow, and when we see that the services long awaited by us stand little chance of coming into existence, we have no other choice, or at least the eight Members of the Democratic Party have no other choice, because the Government does not allow us a chance to make a choice and communication is also out of the question. For the Government had secured the support of the 30-odd pro-establishment Members and decided to give away \$6,000 which is then so widely supported that it basically does not have to further discuss it or communicate with us. Although the Government may have expected an opposition vote from us, it has already secured enough votes to pass the Budget. I do not wish to see that, after the passage of this Budget, the Government continues to curry favour with these 30-odd Members and do nothing else. Otherwise, the Council will be split unevenly into two sides, with the "majority side" invariably suppressing the "minority side". This is absolutely not favourable to the political development in Hong Kong.

Lastly, as Under Secretary Gregory SO is in the Chamber, I would like to express our wish to see the enactment of legislation on consumer protection. The Trade Descriptions Ordinance and the Pyramid Selling Prohibition Ordinance are of great concern to us. I hope that this Government can complete

the amendment exercise of these ordinances by July next year. It cannot leave this task to the next Government because of any setback, for the next Government will have to redo the whole thing again and we have no idea whether or not the relevant persons will remain in the same posts then. Consumers are still being deceived every day. They are still being deceived in many cases. We can still find in magazines many reports on such cases. We hope that the Government can plough in more resources for the protection of consumer interests.

Let me declare that I am a Member of the Consumer Council (CC). The Government should provide more resources to the CC to conduct more price surveys. Inflation is serious now, but markets and even supermarkets in different districts are found to be selling goods at different prices. While it is difficult for the public to travel to faraway districts to do shopping, if they can buy cheaper goods in nearby districts, they can go there by paying just a few dollars of transport fares. So, it is very important for the public, especially the elderly, to know such information. I hope that the Government can provide additional resources to the CC.

Lastly, although Secretary Dr York CHOW is not in the Chamber, I would like to talk about nutrition labelling. The nutrition labelling scheme has been implemented for three years. I hope that the Government can channel more resources to education on nutrition labelling. The campaign on promoting nutrition labelling has entered Phase III, but it seems that the Government has ceased all efforts. In fact, I think it is already quite good if the public can remember the "one plus seven" requirement for nutrition labelling as they can always see "one plus seven" on television. But when the public see a label on a prepackaged food item, will they begin to understand how a high level of sodium and sugar can affect their health and will they carefully read the nutrient contents? I think the Government has not yet achieved this. I hope the Government can step up its efforts in this respect and inject more resources into educating the public on nutrition labelling, so that they can protect themselves by maintaining a healthy diet.

The dietary habits of Hong Kong people have become more and more unhealthy, and our children have started to become overweight, to the extent that they will soon be close to or even surpassing children in European countries and the United States, and this does warrant our concern. So, as our future is to be

passed onto the hands of children, it is all the more necessary for us to be careful about their diet and to ensure that they eat healthily.

I so submit.

MS EMILY LAU (in Cantonese): President, the Financial Secretary, Mr John TSANG, has prepared a number of budgets, and I believe the experience this time, with such dramatic twists, is definitely most perilous, so much so that it has left the public at a loss as to what exactly the Government is doing.

President, in his question last week, Mr Vincent FANG referred to complaints received from the public and asked how many months the public consultation exercise on the Budget had lasted and how much money this exercise had cost the Government. The answer was \$8.54 million. President, the Government conducted 26 consultation forums, but the public queried whether it had formulated a predetermined proposal in the Budget which was not in line with public opinions. Mr FANG went on to propose that the Government simply cancel the consultation exercise in the future to avoid wasting manpower and money. In its reply, however, the Government said "the consultation on the Budget and its preparation is an interactive process involving various sectors of the community and the Government. It calls for active participation and rational discussion by the whole community. The Government will listen attentively, balance different factors pragmatically and respectfully, and carefully consider various views to foster a consensus in the community as far as possible and suitably respond to public demands". President, this question was asked last week, and one would not believe in what was said in the reply. If it was really achieved, the Budget published in February would not have caused such havoc.

I think the authorities have really enraged the public greatly. Mr Fred LI, my party comrade, said just now that the Government should not think everything would go smoothly as long as it can secure the support of some 30 Members. President, as you have been sitting here for so long, listening to Members' speeches, you should have noticed that even Members who support the Government are actually gravely dissatisfied, and everyone is infuriated. President, Secretary Stephen LAM referred to us as a political party directly participating in political activities. Is it not disastrous? In other countries, there are the ruling party and the opposition. As he knows that they do not exist

in Hong Kong, he referred to us as a political party directly participating in political activities. This, together with other incidents, show that — Secretary Edward YAU is now present in the Chamber, and all initiatives undertaken by him did not go smoothly — we need a ruling party or a ruling coalition.

Even when Members made certain announcements in collaboration with government officials, the Government's attitude towards us is one that it would only have us on mind when it needs our help but not otherwise. How many people have made that proposal? Just a few. However, now that the situation has come to such a pass, remedies have to be made, and so cash handouts have to be offered to please the public. After that, however, the public will still ask: What about education? What about medical services? What about the retirement scheme? President, this has revealed the authorities' current attitude — you have heard about this plenty of times — that is, dealing with problems in an isolated manner. What kind of government would deal with problems in an isolated manner like this? Therefore, I think it is indeed deplorable.

President, the Budget has failed to make any long-term commitments. Although some members of the public will be very happy for a couple of days after receiving the \$6,000, and they may go on a trip or do shopping, what they need most are still the Government's long-term commitments in different aspects, such as welfare, education and retirement protection. No government official will dare to come forward to deny it, but the authorities have refused to make such commitments, and they have kept advocating their golden rule — Mr Albert HO also mentioned it earlier — that is, public expenditure cannot exceed 20% of the GDP. President, according to this Budget, the relevant proportion last year was actually 18.5%, and the proportion this year is 21%, while that of next year will be 19%, and that of the year after next will also be 19%, and in 2014-2015, the proportion will be 18%. Taking an overview of the situation of various cities or countries, President, one can find that they will not set their expenditure estimate at such a low level. For welfare states, the level of expenditure is 40% to 50% of the GDP, while that of other countries is 20% to 30% of the GDP.

President, a member of the public recently asked me why elderly people aged 65 or above are not provided with free medical services. He said that as even the business sector has agreed to raising the tax rate when necessary, we can raise the profits tax rate by a few percentage points. We hoped this could be achieved, and so I wrote to the Financial Secretary about it. However, I have no

idea what has happened to the letter, and it seems that it has simply vanished into oblivion. Certainly, there is no need for us to raise the tax rate. The Government's current fiscal reserves stand at \$600 billion. Despite the accumulated surplus of \$600 billion and the disposable amount (the sum that is debt-free) of \$1,200 billion, the Government still refuses to make any long-term commitments.

President, the Hong Kong Council of Social Service (HKCSS), which used to be in good terms with the Government, placed a newspaper advertisement on 23 March, requiring the Government to make good use of its reserves, which amounts to a few hundred million dollars, to make long-term commitments. It also pointed out that there are now 7 300 persons with disabilities in Hong Kong on the waiting lists for various residential care homes, and some of them would have to wait for 10 years before they can be allocated a place. The situation of elderly people waiting for residential care homes for the elderly is even more heartrending because over the past four years, while only 2 203 of them were allocated residential care places, as many as 7 123 of them had died before they could be allocated such places. The HKCSS also pointed out that given the continuous ageing of the population, the situation will only worsen if this problem is not addressed, and many elderly people will have died before they can be allocated a residential care place. President, the HKCSS's plea is just very simple, and it only requested the Government to undertake to provide residential and community care services to 10 000 elderly people and people with disabilities who have urgent needs for long-term care services in five years' time. President, do you know how much money this will cost? It will only cost \$1 billion per annum. Yet, cash handouts amounting to a few tens of billion dollars will be offered out of the blue. They also proposed to implement universal retirement protection. Some people consider this a controversial issue, but President, do you remember that the Legislative Council passed a motion on 1 December last year requiring the Government to promote universal retirement protection? In this motion moved by Mr WONG Kwok-kin and amended by Mr CHAN Kin-por, Mr Ronny TONG and Mr Paul CHAN, the Government was urged to implement universal retirement protection, with tripartite contributions from the Government, employers and employees, so as to extend the coverage of protection to all Hong Kong people. This was the motion passed by us. Some people asked about the specific details and the usage of the funds, and the Government said consultation would be required. I also agree to this.

Recently, Prof Nelson CHOW pointed out that the Central Policy Unit had conducted a study, but the Government did not make it public. What were the results? Some people said the Government would need to put in a large amount of money. This is bound to be the case as it is a commitment.

However, the Government only makes commitment to certain people. You may refer to the newspaper article written by Secretary Prof K C CHAN on 14 February. He said some people had some misunderstanding about the fiscal reserves. In the form of a table, he explained the case and one of the items is Provision for Pensions, which amounted to \$469.6 billion. President, this is certainly not pension for you and me, but for civil servants. If the Government can make a provision of over \$400 billion for civil servants, why does it refuse to commit some money to a seed fund to enable the setting up of a universal retirement protection scheme as requested? Only \$50 billion to \$60 billion is required for this. Even a provision of \$100 billion will only represent less than 25% of the relevant amount. How can we live up to the expectation of the 7 million people?

Besides, President, I have to talk about human rights. You may ask how the Budget is related to human rights. They are certainly related because expenditure is required. Here, I have to rake up some old scores. Recently, the media reported again that Secretary Stephen LAM disbanded the Human Rights Education Working Group immediately after he had taken up the work of the Committee on the Promotion of Civic Education (CPCE) in 2007. The working group only undertook three tasks: first, to conduct surveys on the promotion of human rights awareness in co-operation with the University of Hong Kong (HKU); second, to update teaching materials on human rights; and third, to organize activities of the Commission on Human Rights so as to meet the expectations of the United Nations. However, Secretary Stephen LAM even disbanded the working group. The HKU already made preparations for the survey on human rights awareness, but the Government even paid the HKU not to conduct this survey. How outrageous indeed! Why do some people disagree to its acts? Because in the Budget this year, the Government does not encourage the implementation of human rights education but only focuses on promoting civic education and national education. Just for the CPCE alone, the Government has made a provision of over \$20 million for the implementation of national education. Besides, it has also provided a funding of \$100 million over a period of five years to subsidize student tours to the Mainland to enable students

to gain a better understanding of China. Moreover, it has provided almost \$100 million for the organization of exchanges between teachers in Hong Kong and those in the Mainland to promote national education. Frankly, although the Government has organized so many activities and even arranged for Deputies of the National People's Congress (NPC) and members of the Chinese People's Political Consultative Conference (CPPCC) to give talks in schools, young people who belong to the post-90s generation do not appreciate its effort at all. As the President said, although the reunification of the territory has completed, the reunification of people's hearts has not. Is the Government's strategy of luring people with money by putting in a few hundred million dollars really effective? Actually, as long as Hong Kong and the Mainland can do a good job of human rights education, there will be no cause for fear.

President, talking about fear, we will stage a procession this Sunday to urge the Government to place its focus on long-term investment and planning in preparing budgets. We always advocate peaceful, rational and non-violent processions. Recently, however, we noticed that some people had put up civil disobedience and behaved irrationally both in processions organized by us and those organized by others.

Just now, a Member asked why the young people are so furious. Because many of them are members of the middle class, and their children are unable to find a job after graduating from university. Another Member also pointed out just now that there is a growing number of young recipients of CSSA. He also asked why our education system has caused the problem of manpower mismatch in Hong Kong, and why the six industries where Hong Kong enjoys clear advantages are unable to increase job openings in Hong Kong. Therefore, I hope the authorities will refrain from focusing only on how to suppress demonstrators. I will certainly call on these people to express their views in a peaceful and rational manner, but the Government has to realize the root of the problems and the conflicts involved.

President, when it comes to human rights, I must talk about women's interests. It has almost been 10 years since the authorities first launched the gender mainstreaming initiative. However, most officials still do not know much about it. President, I am not sure whether you know what gender mainstreaming is. A number of members of your political party may not know it, and perhaps even fewer people in the Government. The authorities said new

recruits for the position of Executive Officer were not required to receive training in this respect until 2010, while Administrative Officers have been receiving such training since 2001. But those Administrative Officers who have frequent contact with me do not have any idea what it is all about.

Regarding gender mainstreaming, one of the things that the Government should do is to enable women to participate in the several hundred committees by all means. Since June last year, it is required that at least 30% of the members of these committees should be male and 30% of the members should be female. President, according to the latest statistics for March last year, although the relevant numbers for June have increased, only 171 out of the 384 committees met this requirement, while 213 committees did not, with the relevant numbers of 41 of these committees being zero — President, there was no female member in these committees. Does it mean that it is very difficult to join these committees? Actually, these members are appointed by the Government rather than being appointed by us or elected. In that case, how can people be convinced that the Government is determined to promote gender mainstreaming?

Moreover, regarding barrier-free access for people with disabilities or other people, the authorities have undertaken to make a commitment of \$120 million to carry out improvement works for 3 700 government premises and facilities by June next year. Besides, the Housing Department has also undertaken to put in \$1.3 billion to carry out enhancement works in over 150 housing estates, over 20 shopping centres and 119 carparks. President, over 40 000 existing buildings in Hong Kong were built before the relevant guidelines were formulated by the Government. Many members of the public think the Government should give regard to this issue — we may also become relatively immobile a few years later — and so they think the Government should introduce legislative amendments for this. However, enforcement would be rather difficult if people are forced into compliance by way of legislation. For example, some owners' corporations may not have sufficient funds to comply with this requirement. Therefore, they proposed that the Government provide subsidies to these owners' corporations or owners' organizations in need to enable Hong Kong to become a genuinely barrier-free city.

President, both you and I have attended quite a number of these activities, and barrier-free access facilities are designed not only for people with disabilities and the elderly. Many people who deliver goods on carts also need them.

Actually, many international cities have made great efforts in providing barrier-free access. I hope the Government will put in more resources for the provision of barrier-free access, in particular when it has a debt-free reserve of \$1,200 billion.

President, the Budget presented by the Financial Secretary is highly controversial. I hope the Financial Secretary will listen to and take on board our views, or else we from the Democratic Party will oppose the Budget.

MR LEE CHEUK-YAN (in Cantonese): President, there is no difference between the Budget debate this year and the debates last year and in the year before the last. Why? We argue over the budget here every year. We reproach the Government for making no long-term commitments and refusing to resolve long-term problems. Not only the pan-democratic camp but also all the royalists do so. The royalists also heavily rebuke the Government every year for its failure to make long-term commitments. However, even though the royalists rebuke the Government so heavily, they will support the Government in the end. Under this circumstance, with the royalists lending their support to the Government, we will be unable to secure enough opposition votes. The situation next year will just be the same, with Members joining hands to rebuke the Government heavily for its failure to make long-term commitments at the beginning and supporting the Government in the end. The situation is the same every year. I am already fed up with it, and it is indeed amazing if you are not.

With an additional problem, the situation this year is even worse. We really have no idea what philosophy the Government has adopted in the management of public finances. The Government has refused to make long-term commitments despite our requests and kept saying in response that it upholds the principle of "big market, small government". It insists that recurrent expenditures should be reduced — cut — and cannot exceed 20% of the GDP. Certainly, the Chief Executive once said this is a soft indicator, yet the Government is doing the same thing every year, which is to have the expenditures cut, cut, and cut.

Strange enough, however, the Government just kept on reducing the long-term expenditures and recurrent expenditures, and it did not realize until after the publication of the Budget that it was in big trouble, and it was then at a

loss as to what it should do. Actually, this trouble is somewhat of the Government's own making, which has caused harms to itself as well as the others. The Government is excessively frugal in spending. Even though recurrent revenue has been increasing, the Government keeps reducing recurrent expenditures, resulting in a huge fiscal surplus every year and the need for a "flood discharge" in the end. In conducting a "flood discharge", the Government refused to make long-term planning, and thus the only option was "handing out candies". The Government kept saying in the past that it was not "handing out candies" but only helping those people in need, and Financial Secretary John TSANG also said he detested "handing out candies".

The trouble this year is more serious because the surplus stands at over \$70 billion, but the Government has no idea how to make use of it. Has the Government not invited trouble for itself? The Government has been excessively unscrupulous and frugal, so much so that a huge surplus has built up. As it has no idea how to carry out a "flood discharge", it can only "hand out candies". To put it simply, I think the Government's philosophy in public finance management is structurally "naïve". What does it mean by being structurally "naïve"? It means being excessively frugal in the long run while extravagant in the short.

I always reproached the Government in the past. I might have been wrong in reproaching it, but now I really do not know how to reproach it. In the past, we always reproached the Government for being a miser, but this year, I would reproach the Government for being a spendthrift. It seems the Government has developed a "werewolf syndrome". Sometimes, it is a miser, but on full-moon nights, it will turn into a "werewolf", that is, a spendthrift. Fortunately, the Government's transformation into a "werewolf" only happens once a year. The Government behaves like a miser, adopting a frugal approach to public finance management and refusing to make long-term commitments for 12 months; and when the month of the budget release approaches, it would transform into a spendthrift. I really do not know of any cure for such a "werewolf syndrome". But why would this happen to the Government? Financial Secretary John TSANG is not present in the Chamber now, but I really want to ask him why the Government has transformed into a "werewolf", a hybrid of a spendthrift and a miser.

What would happen after the Government has been frugal in spending for one year? Why did I say the Government has caused harms to itself and the others? The Government has caused harms to itself because people cannot understand its philosophy of public finance management, and it has caused harms to the people because it refuses to make long-term commitments, thereby making it impossible for us to resolve many long-term problems which need addressed.

Therefore, I can only come to one conclusion, which is that this Government has "three naughts", that is, it is not competent, not scrupulous and not committed. The Government's "three naughts" have been fully revealed this year. In saying that the Government is not competent, I mean the Government put forth a poor proposal right at the beginning, which was to inject \$6,000 into each MPF account, thereby causing great fury among members of the public. As Members may know, we will not be able to withdraw our MPF benefits until the age of 65, and so this amount cannot be used to meet our urgent needs. Even if we do not need this amount of money now, we still think that the Government allows fund houses to benefit now, while members of the public have to wait until they reach the age of 65 to benefit from it.

The Government put forth this poor proposal as early as three years ago. Back then, I criticized the Government for it and proposed to modify this proposal of injecting money into MPF accounts. We have to rake up some old scores with the royalists. When the Government proposed to inject \$6,000 into MPF accounts of people earning a monthly income of less than \$10,000 back then, why did they not raise any protest, leaving me to do so alone? At that time, I requested that this proposal be modified so that the money would be injected into the voluntary contribution accounts instead of the MPF accounts to allow members of the public to withdraw the money immediately. However, I could not get the support from the majority of Members, and coupled with the separate voting system, my amendment was negatively eventually. Back then, I already pointed out that it was not justified to inject \$6,000 into MPF accounts. The proposal put forth by the Government this year is even worse. Under the proposal this year, cash handouts will be offered not only to people with a monthly income of less than \$10,000 but to everyone, and the amount at stake is \$24 billion. In putting forward this proposal, has the Government not displayed its incompetence?

The royalists are most hypocritical. While the DAB did not agree to my proposal of injecting the money into the voluntary contribution accounts instead, it has proposed to allow the public to receive cash handouts this year. My amendment three years ago precisely sought to allow the public to receive cash handouts, but they opposed it back then. This year, I do not know why they have made this change all of a sudden when there was a public uproar. Therefore, President, I think the Government's proposal to inject money into MPF accounts right at the beginning is a display of its utter incompetence.

The Government has taken another incompetent move. The injection of money was divisive, and the subsequent switch to offering cash handouts was also divisive. Actually, I have been very upset lately. Why? Whenever I visited a Hong Kong style café, I would definitely find people arguing. While a certain waiter is not eligible for the \$6,000, another waiter is. The waiter who is not eligible for the \$6,000 is a new arrival to Hong Kong, and the waiter who is eligible is a person who has lived in Hong Kong for over seven years. However, while the waiter who has lived in Hong Kong for over seven years may have been in Hong Kong for only 10 years, the new arrival may have already been in Hong Kong for six years. The waiter who has been in Hong Kong for 10 years would chide the waiter who has been in Hong Kong for six years, questioning what contribution the latter had made to justify his receipt of \$6,000 shortly after his arrival to Hong Kong. Then, the waiter who has been in Hong Kong for six years would say that he had been working like a dog and originally he was supposed to have money injected into his MPF account, and he would then ask why he could not get it now. Why would the Government adopt an approach which causes "former new arrivals" to criticize new arrivals as "locusts"? The Government is creating division, which will in turn tear society apart in the long run. This is indeed very disappointing.

Second, the Government is both incompetent and unscrupulous, and neither does it have any commitment. This can be reflected by the fact that the Financial Secretary only knows how to offer cash handouts but does not know how to resolve Hong Kong people's livelihood problems in the long term. As all of us know, there are now two major conflicts in Hong Kong. The first one relates to housing, and the second one to poverty. The Government is now hoarding \$1,000 billion, and a fiscal surplus is recorded every year. Yet, it refuses to make commitments to solve the relevant problems and various

long-term problems. What is most deplorable is that the Government does have the financial means to solve these problems.

If the Government is running out of funds, we may sort it out together. However, solutions are already available, and these problems can be resolved as long as the Government is willing to spend money on long-term recurrent expenditures rather than on the short-term measure of offering cash handouts. Moreover, Hong Kong already has enough financial means to resolve these problems without drawing down the fiscal reserves of \$1,200 billion at all.

President, let us take a look at this chart. I always show it to the Financial Secretary. The red line on the chart indicates the recurrent expenditure and the blue line indicates the recurrent revenue. We can see that the gap between the two lines, which resembles the mouth of a shark, is becoming wider and wider. How much recurrent revenue in excess of recurrent expenditure is there? The figures shown in this chart were the average figures over a period of five years. The recurrent revenue accounts for almost 16.8% while the recurrent expenditure is about 12.9%. The difference between the two is almost 4%, and 1% is equivalent to \$18 billion.

After taking a look at this chart, Members will know that structural issues are involved. So, we have sufficient funds to meet all the recurrent expenditures without drawing down the fiscal reserves. Members may take a look here. The blue line indicating recurrent revenue is above the red line here which indicates recurrent expenditure. If the Government really uses an additional \$20 billion, as proposed by us from the pro-democracy camp, this line will only move to the middle, and there will still be \$36 billion left. However, the Government still refuses to introduce any measure to resolve the relevant problems under this circumstance.

We are most infuriated by the Government's reluctance to introduce measures to resolve the relevant problems although it has the means and the financial strength to do so. The only explanation for the Government not to introduce any measure, though it has the financial means to do so, is that it is unscrupulous. Mr WEN Jiabao also requested the Government to introduce long-term measures to resolve the structural problems and make long-term planning to solve the problem of inadequate social protection. However, the Government did not take any action.

What I despise most is the attitude of the royalists. As all of us may know, after meeting with the royalists on a certain Monday, the Financial Secretary indicated on that Wednesday that cash handouts of \$6,000 would be offered, and their attitude was one of having struck gold. I would like to ask royalist Members this: As you displayed such wisdom and boldness that day in holding the Government to ransom, so to speak, to discuss the issue relating to the \$6,000, why did you not discuss the issue of long-term expenditures? Today, Ms Miriam LAU rebuked the Government for not making any commitment for long-term expenditures and not taking any long-term actions and lacking in commitments, and the DAB and the Hong Kong Federation of Trade Unions (FTU) also said that many long-term issues have to be addressed. Why did they not say all this and even display such a playful attitude that day? That day, Mr WONG Kwok-hing even said he was proud of being a member of Hong Kong society. Why did they not discuss the long-term issues that day? That day, with votes in their hands, they held the Government to ransom and, given the opportunity to bring up long-term issues, they did not do so. They were so despicable that all they wanted to do was only to deal with the issue relating to the \$6,000. Yet, the long-term issues still remain unsolved.

When I saw Mr WONG Kwok-hing in such great elation that day, saying that he was very proud of being a member of Hong Kong, I really wanted to ask him this question. It is true that we will receive \$6,000, but when we find that among the people waiting for residential care places, the number of those who died before being allocated a place was three times that of those who were admitted, should we be proud of ourselves?

It is true that we will receive \$6,000, but we find that many young people cannot afford to buy their first homes and have to pay high rentals. They are not eligible for public housing on the one hand and cannot afford their own homes in the private market on the other, and the Government is also unwilling to build HOS flats, should we be proud of ourselves? These young people do not see any hope for their future, yet you feel proud of yourselves.

It is true that we will receive \$6,000, but when we find that some students enrolled on associate degree programmes have to bear the cost of high interest rates and are heavily indebted before graduation, should we be proud of ourselves?

It is true that we will receive \$6,000, but when we find that the waiting time for admission to public hospitals is as long as almost one year, medication fees are exorbitant and there is a surge in departure of doctors due to work pressure, should we be proud of ourselves?

It is true that we will receive \$6,000, but when we find that some elderly people have to collect cardboards to earn a few hundred to a thousand dollars each month to make up for the shortfall of the "fruit grant", should we be proud of ourselves?

I remember Mr LAU Kong-wah from the DAB once said the elderly people would be very happy to receive \$6,000. If the Government really wants to make them happy, it should provide them with old age pension rather than only offering them cash handouts of \$6,000.

Will we be very glad and proud of ourselves after receiving this \$6,000? Members may recall that the transport subsidy, which was introduced after our strenuous plea and heated arguments, was unable to address the issue relating to the dual-track approach. Actually, allowing applications on an individual basis will involve an additional expenditure of only \$1 billion, but we did not succeed in fighting for this. Could you still be proud of yourselves?

Do you not find this unscrupulous? Financial Secretary John TSANG, do you not fund this unscrupulous? With all those problems mentioned just now, what exactly does the Government want to do? The pan-democratic camp and the Hong Kong Confederation of Trade Unions (CTU) hope that the Government will assume its responsibilities and solve the long-term problems of Hong Kong.

When meeting with Financial Secretary John TSANG, we made three major demands, which are all very reasonable. Our first major demand is to resume the HOS to solve the public's housing problem. Our second demand is to set up a universal old age pension scheme. With the ageing of the population in Hong Kong, life has become increasingly difficult for the elderly, and they will definitely continue to remain impoverished. As all of us may know, the ageing of the population and the problem of elderly in poverty have become a time bomb for Hong Kong. Our third major demand is to commit \$20 billion to education, medical and social welfare services and environmental protection. Why does the Government not do so? Just now, I have shown Members a chart, which

shows that the Government has the financial means required. The Government has the capability required, just that it has refused to do so.

Actually, with these three major demands, we only hope the Government will give regard to the well-being of the people of Hong Kong. I implore government officials to open up their eyes to the people's plight and do good to the others. I am particularly annoyed now as time is running out. If the Government refuses to take any action this year, it will all the more refuse to take actions next year. This Government is really very disappointing.

I think the only thing members of the public can do now is to fend for their own well-being and take to the streets for the housing and poverty problems I mentioned just now. See you all in the Victoria Park at three o'clock this Sunday afternoon. Thank you.

MR CHAN KAM-LAM (in Cantonese): President, it can be said that the Budget this year is the one which has attracted the most criticisms, causing the Government to make a rare move of making major changes to the Estimates. Some initiatives proposed by the Government in the Budget were indeed so ill-considered and ill-conceived in certain aspects that they are still a far cry from the expectation of the general public. Originally, given the huge fiscal surplus, everyone should be overjoyed when the Government offers cash handouts totalling \$40 billion, but the Government fails to win public applauses, which is indeed a pity. It can be said that the Government is still rather bad in grasping public sentiments. The DAB hopes the Government will learn from this experience and enhance its communication with Members in the future.

At the same time, the Government should review and improve the Budget consultation procedure. Insofar as the existing consultation procedure is concerned, the Government would only gauge the views of political parties and organizations, but would not conduct consultations on specific policies to be rolled out. I understand that the Budget involves various financial benefits and thus confidentiality is vitally important, but for some one-off measures, the Government should intimate to the public about them so as to test the waters and gauge the public's response.

I understand that the Financial Secretary has repeatedly referred to principles of public finance management, such as the "prudent fiscal policy" and "keeping expenditure within the limits of revenues", and we do not think that problems can be solved by offering more cash handouts. However, the Government should make long-term planning for the economy of Hong Kong and face economic issues squarely and address them proactively.

Hong Kong, which experienced an early take-off in its economic development, is a rather sophisticated economy. However, when our rate of economic growth becomes much slower than that of our neighbouring emerging regions, we must heighten our vigilance. In the National 12th Five-Year Plan, one of the areas of focus is how to expedite changes to the existing model of economic development. The economic model of Hong Kong is also undergoing changes, which warrants our attention. With the present development of our import and export sectors and logistics industries, coupled with the fact that the financial services industry having become the major pillar of our economy, our import and export sectors and logistics industries have shown signs of deceleration in the face of competition from Mainland ports. Although the development of our financial services industry remains robust, it only employs less than 7% of the working population, and its scale is not large enough to support other service industries. Among the four Asian dragons, Hong Kong is the only place where high-technology industries are not developed, which is also a potential concern for the long-term economic development of Hong Kong. However, the major task before the Government is to engage in fresh planning for the Hong Kong economy, and we should make early preparations for the economic restructuring of Hong Kong.

President, the earthquake of magnitude 9 on the Richter Scale occurred in Japan earlier and the resultant tsunami and nuclear leak crisis have caused considerable negative impact on the future economy of Asia and even the whole world. Material price levels, whether those of fuels, construction materials, agricultural products and other industrial products, including automotive parts and electronic parts, will inevitably soar, which will naturally cause the inflation to worsen or even the emergence of stagflation in Hong Kong. Coupled with the implementation of the statutory minimum wage next month, it is expected that the unemployment rate and the employer/employee relationship will see some changes. Therefore, the SAR Government has to pay closer attention to the market situation to prevent some small and medium enterprises (SMEs) in Hong

Kong, including those engaging in the catering, retailing and import/export industries, from running into operational difficulties.

The National 12th Five-Year Plan released this year affirmed its support to Hong Kong in developing into an offshore Renminbi (RMB) centre and international asset management centre. To facilitate and further promote RMB investments and the circulation of RMB in Hong Kong, the DAB urges the Government to introduce legislative amendments expeditiously to solve the technical problems relating to the levying of stamp duty on RMB stock transactions to facilitate the purchase and sale of RMB-denominated securities products by investors and vigorously promote IPOs of RMB stocks, thereby enabling the diversification of RMB-denominated products and services in Hong Kong and providing a consolidated and diverse investment platform for RMB capital and overseas RMB funds. At the same time, the SAR Government should proactively urge the Central Authorities to gradually relax the restrictions on RMB-denominated remittances between Hong Kong and the Mainland and the limit for conversion between RMB and Hong Kong dollar, as well as streamlining the mechanism for channelling overseas RMB funds back to the Mainland.

Recently, the new round of consolidation of stock exchanges in the world has posed a challenge to the stock exchange of Hong Kong. This we must never overlook. Although stock exchanges in the Mainland have not undergone corporatization and demutualization, as the free conversion of RMB to other currencies has yet to be implemented and there are various technical problems, for example the capital account is still subject to control, it would be premature to consolidate the stock exchanges of Hong Kong and the Mainland. However, the authorities should actively explore the feasibility of enhancing co-operation with stock exchanges in the Mainland. Focusing on the articulation between the Mainland and Hong Kong in transaction settlements and trading in A-shares and H-shares, as well as the differences in market regulation and the legal systems of the two places, the authorities should strive to seek common medium-to-long-term goals, and establish a platform bridging the two places to enable investors of both places to directly purchase across the boundary securities products of both places, thereby creating more favourable conditions for the financial industry of Hong Kong.

As for economic development, we think the Government should make more vigorous efforts to promote the six priority industries. Although there is a

more detailed account of these six industries in the Budget this year, complementary policies are still insufficient. The DAB would like to reiterate that the SAR Government should set up an investment fund covering the six industries for investment immigrants and require them to put a certain proportion of their investments in the fund in order to provide concrete support to the development of the six industries where Hong Kong enjoys clear advantages, promote the diversification of our economic structure and attract talents required by the six industries to live, work and invest in Hong Kong.

President, another issue of public concern is housing. We are very glad to see that the Government has recently relaxed the income limit for applying for public rental housing (PRH), thus allowing more members from the low-income group to register on the Waiting List for PRH. However, after the relaxation of the income and asset limits, the number of households eligible for PRH will increase by 25 000 per annum, and the Waiting List for PRH will become longer. In the long run, therefore, the authorities must conduct effective planning to provide more land for the PRH construction and take measures to ensure that adequate PRH flats will be completed to make sure that members of the public will be allocated PRH flats within the three years' waiting time as pledged and will not have to wait for an excessively long time.

In order to allocate PRH flats to more low-income people, apart from constructing more PRH flats, another solution is to provide PRH households with an exit option, which is the Home Ownership Scheme (HOS). We find it most disappointing that the Budget has after all not made any reference to the resumption of the HOS. One of the functions of the HOS is to enable the upward movement of PRH residents, and we do not hope that PRH residents will have to live in PRH flats for life. We still maintain that it is necessary for the authorities to resume the HOS, so that PRH households with means can purchase HOS flats. This way, more PRH flats will be vacated to meet the need for PRH flats of more members of the public from the lower strata.

Recently, we can see that property prices have been rising, and people's wealth accumulated in the process of economic growth has been eroded as a result. At present, the rate of increase of property prices is indeed shocking. I believe the Government appreciates this situation, and it has also introduced a host of measures in this regard. However, we can notice that despite these

measures, property prices keep soaring. We think the authorities must consider afresh resuming the HOS. The Government proposed the My Home Purchase (MHP) Plan last year. We think such a distant solution is unable to solve this imminent problem as the first batch of 1 000 flats in total will not be completed until 2014. For people with an urgent need, this is still not good enough. Here, we would like to propose that the Government enhance the MHP Plan so that people may rent or buy the flats. Besides, we hope the number of flats coming on stream in the first phase will reach 2 000 to 3 000, so that eligible people may choose to rent or buy the flats at that time.

President, apart from increasing the number of flats, we still think the Government should make early preparations. At present, there are a considerable number of people with housing need. Certainly, we think the housing market can be divided into two segments: one segment is for domestic owner-occupier demand, and the other is for investment in the market. We should ensure that the basic needs of local residents are taken care of. In this regard, we hope the Government will consider afresh enhancing the existing MHP Plan or resume the construction of an appropriate quantity of HOS flats.

Apart from helping those members of the public with housing need, some people who have already purchased their own homes also need the Government's help. Particularly, in property management, we know that small property owners living in old buildings are still facing numerous problems. Although the Government has introduced the Mandatory Building Inspection Scheme (MBIS) and the Mandatory Window Inspection Scheme (MWIS), and even provided financial assistance to help these small property owners carry out maintenance and repair works, we still find that many owners of old buildings have not been able to identify appropriate property management companies or set up owners' corporations. Therefore, we propose that the Government improve the existing property management industry, in particular, enhance its service quality, so that owners in old housing estates or private housing will have their flats or buildings properly maintained or managed.

President, when it comes to the old districts, we certainly have to bring up the issue of redevelopment. The new Urban Renewal Strategy (URS) has been rolled out. Under this new URS, the top-down redevelopment model, which has been advocated by us for years, is affirmed, and district consultation forums have been set up to collect views from the local communities extensively. We hope

the authorities will implement the URS as soon as possible to benefit more residents of old districts.

As for the implementation of the "flat-for-flat" arrangement, which is also the result of our lobbying for years, it can provide more incentives for owners to accept offers of acquisition, thereby facilitating the redevelopment of old districts. The 1 000 flats for the "flat-for-flat" arrangement of the Kai Tak project is a case in point. Owner-occupiers affected by the acquisition exercise will have priority in purchasing "in-situ" flats. As flats in the Kai Tak development are limited, for affected residents of other districts, the Urban Renewal Authority (URA) may allow them to consider purchasing existing flats in the same district for "flat-for-flat" purposes. In other redevelopment projects, the URA may also stipulate in the tendering documents that the relevant developer has to reserve some flats for URA to implement the "flat-for-flat" arrangement. For example, the project in Yue Man Square, Kwun Tong, is a very suitable trial vehicle.

However, quite a lot of people are still worried that owners cannot afford the price difference between old and new flats in the acquisition. We think the authorities might as well give consideration to providing financial assistance to owners of old flats so that they can easily relocate to their new flats during the redevelopment process.

Regarding the request of some Members from the pan-democratic camp to reduce the salaries of some Secretaries of Departments and Directors of Bureaux, we believe Members will not agree to it. We think this is not commensurate with the degree of public support received by the Budget this year. We hope the people of Hong Kong will support the passage of this Budget.

I so submit. Thank you, President.

PROF PATRICK LAU (in Cantonese): President, in the 2011-12 Budget announced by the Financial Secretary, the initiative which has aroused the most criticism — as already mentioned by many Members just now — is the injection of \$6,000 into people's MPF accounts. This has given rise to great repercussions in Hong Kong, and even with the introduction of the proposal to address the situation, this initiative is still subject to extensive criticisms. Many Honourable colleagues think the lack of long-term vision in the Budget has caused an

avalanche of complaints. Anyhow, I am wondering whether the Government should review its communication and consultation work this time.

Frankly, before the release of the Budget, the Government's consultation and publicity efforts seemed to have improved in that publicity was conducted through various means, such as cartoons, television advertisements and the Internet, and different sectors of the community could express their opinions. Unfortunately, everyone was very disappointed after the release of the Budget. People have a feeling that the so-called consultation was actually only a one-way collection of opinions, and it seems that there were no interactions, exchanges and dialogues. Does this give people an impression that the authorities often cling obstinately to their course despite what people say and have deviated from the actual situation of society?

No wonder some senior members of the industry even considered that the Government should probably arrange for Administrative Officers to live in caged homes or districts with many low-income people for one month, apart from sending them to overseas studies, to broaden their horizons and life experience, and to facilitate their formulation of policies which can give regard to different sectors of the community. I think the Government should learn from this valuable experience and seriously review how best effective consultation can be conducted in the future with a view to genuinely answering the demands of the public.

After the industry and I have put forth the relevant proposals, the Budget proposed to alleviate the problems in the property market by introducing initiatives to increase land supply. We welcome this proposal in principle, but we have great doubts about its effectiveness. Although the Government has undertaken to reserve five land sites for the My Home Purchase (MHP) Plan to provide about 5 000 small to medium flats, as property price levels hinge on land price, if the Government cannot ensure that land will be sold at a low price to the Hong Kong Housing Society (HKHS) for the construction of flats under the MHP Plan, members of the public will still be unable to afford these flats. May I ask how the Hong Kong spirit, that is, the gradual upward movement on the so-called social ladder, can be maintained?

I propose requiring that land reserved for the MHP Plan should be provided to the HKHS for development at a low price or even premium-free. I also

propose that Hong Kong should follow the example of Singapore and organize open architectural competitions to dovetail with such specific tendering requirements as green buildings and greening arrangements to ensure that members of the public participating in the MHP Plan will have a quality living environment.

I also think the Government should continue to — as many Honourable colleagues have said — build public rental housing (PRH) flats and resume the Home Ownership Scheme (HOS). In this regard, should the Government only allow the sale of HOS flats in the secondary market to eligible Green Form applicants without the need to pay premium, so that they will have the opportunity to live in HOS flats?

As for the allocation of \$300 million to conduct a study to facilitate the formulation of long-term planning and examine the feasibility of reclamation and rock cavern development, as stated in the Budget, I am very supportive of it. It can release land for housing and other uses, and it is rather original. However, I would like to point out that this study involves planning which will be extended over a very long period of time and thus must be conducted on a long-term basis. However, before launching this study, should we not study the ecological environment to identify sites in Hong Kong which call for conservation?

Members from the planning sector and I always think that the Government has a duty to make proactive efforts to strengthen nature conservation. In particular, many rural areas in the New Territories with significant conservation value should be zoned within the boundary of country parks or protected by way of statutory plans. If resources are available, the Government should also set up a nature conservation trust to protect and conserve the precious natural environment and historical monuments of Hong Kong. I think the conservation of these reserves will help create more high-pay jobs. In particular, it may benefit low-education and low-skilled people who are interested in engaging in the green industries or jobs relating to green tourist attractions, facilitate the development of tourism and narrow the wealth gap. Unfortunately, however, the Budget is silent on the relevant arrangements. Therefore, I hope the \$300 million fund can be used for examining the development of these sites, with priority accorded to exploring the feasibility of carrying out nature conservation, to be followed by studies on other aspects, such as the development of other sites, reclamation and rock cavern development.

The Government always stresses its intention to develop a quality living environment for the public. In order to do so, we have to formulate a planning strategy for comprehensive sustainable development. Although the Budget has proposed arrangements for innovation and technology, the environmental industries and the cultural and creative industries, it seems that they are not related and co-ordinated in such a way that will enable Hong Kong to develop into a green city. If innovation and technology, transportation network planning, energy policies and land use planning are not brought under an overall planning and development strategy in a comprehensive and co-ordinated manner, we will be unable to develop Hong Kong into a quality city. We should pay special attention to the importance of a good transportation network to the dynamism of the community because the transportation network may shorten the distance between people and the distance between people and communities, thereby directly lifting the dynamism of a city. If resources are available, should we not buy back the two tunnels which are now charging exorbitant tolls? Should we relax the eligibility criteria for applying for the transport subsidy to enhance the dynamic of Hong Kong society?

The formulation of clear policies to support the manufacturing industries, including providing land to attract investment and creating more high-pay jobs, is vitally important. Members from the industry and I think that we should vigorously promote scientific researches. In particular, promotion efforts should be made so that research projects on environmental protection in relation to renewable energy, environmentally-friendly construction materials, the conversion of newly-developed land and reclamation will be elevated to the level of scientific researches. Any result achieved by these researches will not only be able to promote the putting of green concepts into practice but also help nurture local talents and enable the Innovation and Technology Fund to make profits. Actually, the development of green economy is a highlight in the 12th Five-Year Plan. Therefore, I find it very strange that the Budget has not mentioned anything about the environmental industries at all. The Government has even neglected such an important aspect.

Talking about environmental protection, we professionals have always been very concerned about the promotion of a low-carbon life. Some members from the industry even said that if the Government really intends to promote green living and green concepts effectively, instead of offering an electricity tariff subsidy of \$1,800, it should use the amount of \$4.7 billion to introduce an

incentive scheme to offer subsidies to households which can reduce their annual electricity or water consumption or offer incentive grants to all households in Hong Kong which manage to reduce their annual water and electricity consumption by 10% or 20%. I think it may be a more effective way to promote public education in this respect.

Besides, although it is pointed out in the Budget that Hong Kong will strengthen co-operation with Taiwan and neighbouring municipalities and regions in China, members from the industry and I would like to remind the Government that it is necessary for us to thoroughly examine the co-operation between Hong Kong and Taiwan and position ourselves in the Mainland's Urban Agglomeration Development Plan in the West Side of the Strait to avoid lagging behind other regions. Regarding co-operation with neighbouring regions, Hong Kong is actually capable of making great achievements. The Hong Kong & Shenzhen Bi-city Biennale of Urbanism/Architecture co-organized by members from my industry and their counterparts in Shenzhen are well-received by the people of Hong Kong and Shenzhen and even tourists from other places. It has provided an example for local creative talents and an opportunity of communication between people of the two places. As the Government has not ascertained whether this activity should be categorized as an educational and attractive project over these years, I hope the Government can face squarely the development of the cultural and creative industries and enhance its support for local creative professionals.

Many professionals have relayed to me that as the Government has substantial resources, it should no longer adopt the Build-Operate-Transfer (BOT) mode in implementing government works projects. Actually, we should place our focus on the implementation of the Ten Major Infrastructure Projects. In particular, complementary facilities for community building should be launched as soon as possible. It is also necessary for the Government to provide additional resources to expedite the development of the software and hardware of urban design and landscape. President, it is most important to improve the living environment.

President, I always say that Hong Kong is widely recognized as an international city, but if you take a look at the pavements in Central, you will find that our greening efforts are lagging far behind those of other major cities. Actually, greening works at the district level will only take up a very small

proportion of the infrastructure expenditure, but such works have direct impact on people's daily life. Therefore, we should expedite urban greening and related enhancement works.

There are quite a lot of voices from members from my industry, pointing out that the Government should make good use of the substantial resources to achieve another major objective, which is to solve the problem of manpower and resource shortage in government departments. Adopting the principle of "big market, small government" does not mean that manpower and resources have to be reduced or even professional posts have to be split into assistant professional posts, causing the unfair disparity in pay among employees undertaking the same duties. This practice has made it difficult for government departments to retain professionals, thereby undermining their responsiveness to crisis management. We very much hope the authorities will review and improve the remuneration packages and promotion prospects of civil servants and non-civil service contract staff.

On the education front, we are certainly glad to see that the Financial Secretary has allocated quite a lot of resources to help students at different stages of study. However, I do not understand why, even though there is a huge surplus in the Treasury, the Government would prefer reducing the number of classes and closing schools, thereby giving rise to an avalanche of grievances in the education sector, to allocating resources for the implementation of long-term policies, such as implementing small class teaching, providing 15-year free education and enhancing professional training and development of teachers. Regarding the after-school tutorial programme, I have strong views on it because I do not agree to providing tutorials to students. Does the provision of tutorials imply that students' regular classroom learning is not effective, and so tutorials are required? Or are meaningless tutorials given to help students prepare for examinations? I think the truth is that schools give tutorials out of the fear of losing out and being compared unfavourably. In proposing to offer assistance in this respect, will the Government do a disservice to them? Therefore, I hope the Government, parents, students and schools will reflect on how we should do a better job in education and make better use of our resources.

I so submit. Thank you, President.

DR JOSEPH LEE (in Cantonese): President, to my understanding, this Budget seeks to make specific resource allocation in accordance with some policy objectives announced by the Chief Executive in his Policy Address a few months ago in order to enforce the relevant policies. Certainly, there are diverse opinions in society.

According to my rough calculations, the Budget has basically covered all the proposals in the Policy Address. This Budget comprises 50 pages, with about 193 paragraphs. It seems that the issue concerning the \$6,000, which was the main subject of discussion over the past few weeks, only takes up one paragraph, which is a small part of a single page; while the rest of the some 190 paragraphs or dozens of pages have rarely been mentioned. Regarding areas of concern to me, including medical and healthcare, elderly welfare and education, I have read the relevant parts, which take up about 25 paragraphs, or nine pages. In the following, I will try to use some 10 minutes or so to express my views on the relevant contents.

I will talk about education first. In the Budget, about two pages or eight paragraphs are devoted to education. Members of the community certainly have different views on this area. I have discussed the relevant contents with some people, and we consider them quite satisfactory. At least, there are improvements in financial support for university students and secondary school students. Certainly, is it sufficient? It never is. It is precisely our duty to tell the Government here in this Chamber that such support is never sufficient and the Government should allocate more resources for this purpose. This is our role. However, if one takes a closer look to find out whether or not it is helpful, one will find that it is.

On the education front, as Prof Patrick LAU said just now, why is small class teaching not implemented? As Members may understand, the existing caretaker government will not introduce too many permanent initiatives, and it will only introduce some one-off initiatives for the time being. However, this is better than nothing. Some of my students are studying in the university, and it is good for them to have the opportunity to obtain loans as it will indeed expand the subvention net. Insofar as education is concerned, I think the relevant contents of the Budget are acceptable.

As for my specialties — elderly welfare and medical policies, I will try to go through them one by one. In the Budget, about 18 paragraphs or six pages are devoted to these two areas. Let me talk about the elderly issue first. By elderly support, the Government actually refers to services to help the elderly age in place. The Government will provide additional funding to offer 1 700 additional places of community care services for elders to make the Integrated Discharge Support Programme for Elderly Patients a normalized service and extend its coverage from the current three districts to all districts. Statistically, it seems that the number of places has increased by four folds, which I certainly consider desirable, and coupled with the increase of 2 300 residential care places, everyone would expect that the waiting list may become shorter and the situation relating to bought places may also be improved.

Actually, we would also ask a question — the Financial Secretary or the Secretary are probably not present in the Chamber now — now that so many resources have been allocated to increase the number of places, but as some Honourable colleagues said just now, it seems that the current waiting time for places of residential care homes for the elderly (RCHEs) is 34 months, and that for long-term residential care places is 40 months, then by how much will the waiting times be shorted after so many resources have been allocated? We have to pay close attention to this, and I think all Honourable colleagues in the Chamber have the duty to do so. After the Government has allocated these resources (we certainly consider it desirable to put in resources, and we support it), for elders who are now waiting for long-term care services or RCHE places, by how much will their waiting time be shortened? This is something we hope to achieve.

As we have mentioned just now, additional resources are also allocated for the provision of long-term care services in RCHEs to provide physiotherapy treatment to the elderly so that they will achieve more comprehensive rehabilitation in RCHEs providing long-term care services. We certainly welcome this. However, I believe — a number of Secretaries of Departments are not present in the Chamber now, but it does not matter as they will come to know it after listening to this — that in the community-based rehabilitation process, apart from physiotherapy treatment, various other services are also required by the elderly.

This morning, I attended a ceremony for the establishment of a fund which seeks to provide free spectacles for the elderly. The optometrist, who is dedicated in promoting this cause, told us in his sharing that once someone asked him a question: "As those bed-ridden elderly people rarely participate in activities, why do you still want to give them spectacles?" Those of us who are engaged in nursing know very well that if people who are already bed-ridden cannot see clearly when they open their eyes, they will feel rather upset. If they can see clearly, at least they can read the newspaper, watch television and see their carers, be they healthcare assistants or nurses. At least, they can see their faces clearly, disregarding whether or not they are pretty, and know who they are.

We wonder whether the Government can allocate a bit more resources for the provision of long-term care. Additional funding is required not only to enhance physiotherapy treatment services but also to provide additional optometrists or occupational therapists. I remember a funny story when I was studying geriatrics. During clinical practicum in geriatrics, we had to play mahjong with the elderly people, usually with one student playing the game with three elders. Certainly, they might be tired after playing for a while, and so it would end up three students playing with one elder. It was very good occupational therapy because it could help them think and exercise their limbs. It was very good indeed. We would also smooth rough surfaces with sandpaper and smooth small grooves on a piece of wood using a wood planer with the elderly people. These were the things that they could manage. I believe the Government may make more vigorous effort in this respect. It should be noted that apart from increasing the number of residential care places and shortening the waiting time, the provision of occupational therapists, dietitians and optometrists is also required to provide more comprehensive services.

Besides, the Budget has also mentioned that the funding for demented elders has also been increased. I certainly consider this a good idea, but members of the sector would also like to know whether so many experts are available to take care of people suffering from dementia. Regarding residential care services for people suffering from dementia, the workload is very heavy at present. How should we provide training in this respect? Is there sufficient manpower in the community? Are there such experts or personnel who have received appropriate training to help them look after these elderly people? These services are very important.

This brings us to another issue. Regarding community care services for the elderly, whether it involves ageing in place, RCHEs or long-term care, an important aspect is accreditation. If Secretary Matthew CHEUNG were present in the Chamber, he would definitely say that they had been working on this aspect. However, it seems that there are currently two accreditation systems. Will the Government examine ways to raise the accreditation standards? If proper accreditation standards are set, so that there is greater assurance of the quality of the places bought by the Government, the quality of residential care places will be enhanced, which is also very important. Therefore, regarding accreditation, what I find disappointing is that this Budget has not made any specific reference to accreditation arrangements. Certainly, I will absolutely not encourage the Government to spend any funds on accreditation because it is totally out of the question as this should be the responsibility of operators of residential care homes. However, the Government should also put in some resources for this. At least, it should enhance its manpower in conducting inspection and accreditation of residential care homes to ensure compliance. For the elderly, this is more desirable.

Regarding healthcare vouchers — Secretary Dr York CHOW is not present in the Chamber. It does not matter, he should be able to hear this — their value will be increased from \$250 to \$500, representing an increase of 100%, and everybody is very happy. Actually, we always welcome the provision of healthcare vouchers. We began to discuss the issue of healthcare vouchers a few years ago, and now the relevant scheme is implemented and has even been extended for three years. However, it seems that not many people have used the healthcare vouchers. Under this circumstance, the authorities have extended the healthcare voucher scheme on the one hand and provided optometrists to offer elderly people better sight-testing service in the community on the other to reduce the incidence of falls among elderly people, which will in turn reduce their hospitalization. We appreciate this, and we consider this a good idea. However, has the Government made any funding allocation in the Budget for promoting a healthy living concept? We hope the authorities will not only provide healthcare vouchers at the value of \$500 but also increase manpower and other complementary facilities so that the relevant resources will be increased and elderly people in the community will also use healthcare vouchers more extensively to avoid the situation in which financial support made available is left unutilized. As some doctors practising Western medicine consider the registration procedure complicated, they would rather not register under this

scheme — Dr LEUNG may also be aware of this — but if they do not register under this scheme, the healthcare vouchers may not really be able to achieve their effect. Do not forget that healthcare vouchers can be used not only for medical consultations but also for meeting a broad range of needs, so that elderly people can use the subsidies for health maintenance in the community. This is something we want to achieve most. In this regard, therefore, it is better to provide healthcare vouchers.

As for residential care homes for people with disabilities, we are scrutinizing the relevant legislation at the moment. Instead of going into the details here, I will talk about them later. However, there is an upside to the present initiative, which is that with the increase in the amount of the supplement, about 55 000 people will be able to benefit from it. Certainly, I would not say whether or not increasing the community living supplement to \$250 will mean a lot to the recipients. It is true that the amount is increased to \$200 or so, but is it a substantial increase that will thus be able to help improve the people's livelihood? It is only a drop in the bucket, yet it is better than nothing. However, I would like to urge the Financial Secretary to further increase the amount if he considers that the authorities have the financial strength to do so, not to help people with disabilities but to help reduce the burden of their families. This is a good deed.

Regarding mental health, we have been discussing this issue for a long time, and we have also proposed to create the post of case manager. Now, the relevant policy has been introduced, but the problem is that despite the availability of funds, there is no one to fill the posts. Is the Hospital Authority (HA) really able to train up a group of case managers who can reach out to the community to follow up some serious mental health cases, that is, to perform the role of a nanny, so to speak? I really do not know. According to the information I got just now, the authorities were unable to hire anyone to take up such work. The problem now is that there is no one to take up the work despite the availability of funds; and there is no one to use the additional funding. What should be done? This is precisely the issue which I am going to talk about, and it is also the biggest problem we are facing on the medical front.

Back to this Budget, the Financial Secretary has provided the public healthcare system with a substantial funding provision amounting to over \$39 billion, representing an increase of over \$3 billion. In this provision, about

\$3.3 billion is an additional funding for the HA, and \$2.3 billion out of this \$3.3 billion will mainly be used for the provision of various clinical services, including the provision of additional beds and outreach services, staff recruitment, construction of new hospitals and additional funding to enhance the health of the grassroots. This additional funding of \$2.3 billion for the HA will be used on these initiatives, but manpower is required to implement them. As Members may notice, over the past few weeks, doctors, nurses and healthcare staff in obstetrics and gynaecology departments have pointed out that there is a problem of manpower shortage in hospitals. Although the Financial Secretary has made a funding provision amounting to \$3.3 billion this time, with \$2.3 billion to be used on initiatives requiring manpower in implementation, how can these initiatives be implemented when there is a manpower shortage? This is my concern.

Some Honourable colleagues said we may use this amount to hire more doctors and nurses. However, let us not forget that it takes a few years to train up a doctor or a nurse, and there is currently an amount of funding which remains unutilized due to a manpower shortage. What should be done? This is precisely the problem facing the HA. Certainly, I am not saying that the Financial Secretary should withdraw the funds, but as the Financial Secretary has decided to make this funding provision, he would naturally hope that the relevant services can be implemented. I hope the Financial Secretary and his team will exercise monitoring to find out whether the HA can use this amount properly and rank different services according to priorities and implement them gradually rather than using the entire sum of \$3.3 billion in one go, resulting in the launching of various new services at the same time and making it necessary for existing staff, be they doctors, nurses or other healthcare personnel, which is already insufficient, to take up various tasks and become more exhausted, thereby causing more healthcare personnel to switch to private hospitals in the end. This is a problem which has not been discussed, and it is a cause for concern. Even if the HA announces that it will hire 300 additional nurses and 300 additional doctors, the problem cannot be solved. It is meaningless. Where will the 300 additional nurses and 300 additional doctors come from? The difficulty facing the HA is that even though resources are available, a sound practice to attract and retain employees is lacking. Problems such as poor promotion prospects and the disparity of pay among employees have remained unsolved.

In using this funding proposed by the Financial Secretary, should we refrain from introducing all the new services in one go, while making proper arrangements of the services as a whole and taking complementary measures to retain HA staff to implement the various initiatives instead? The increase in funding provision for the public healthcare system in this Budget may still not be able to meet the needs of the public because there is indeed a manpower shortage at present. Therefore, if the Financial Secretary wants to offer help with this funding provision, we are grateful, but we hope he will not do a disservice with this funding provision, thereby inducing a more serious manpower shortage in the HA. We hope the situation will be improved and these problems will no longer exist in the future.

Apart from these problems on the medical front, funding is required by the Department of Health (DH) for the regulation of pharmaceutical products and tobacco control. I would like to reiterate that I once asked the Secretary at a meeting of the Finance Committee why such a small amount of funding was granted to the DH. Does it mean the DH only needs a small amount of funding to carry out its work properly?

Coincidentally, the talk of the town today is the problems arising from pregnant women from the Mainland giving births in Hong Kong. No one has touched on this issue so far. Some colleagues told me that after these pregnant women from the Mainland have given births in Hong Kong, whether in public or private hospitals, the newborns are Hong Kong citizens. These women will then return to the Mainland, disregarding whether or not the newborns are healthy. The neo-natal services in Hong Kong are better than those on the Mainland in that we will take care of the health of children up to the age of five, including providing them with different health assessments and vaccinations. Therefore, those Mainland women who have given births in Hong Kong will bring their babies to Hong Kong again to use the assessment services provided by the Maternal and Child Health Centres (MCHCs), which are currently managed by the DH. Apart from facing the manpower shortage problem, certain MCHCs under the DH, particularly those in districts near the border, are swamped with visitors every day. When both financial and manpower resources are lacking, what should be done? I hope the Financial Secretary will allocate funding to the DH so that it can hire a sufficient number of staff to cope with this situation.

Actually, I also raised other issues during my meeting with the Financial Secretary. Apart from the medical, welfare and elderly issues mentioned just now, I also mentioned the issue of youth employment. However, it seems that not much content has been devoted to this aspect in the Budget. As for housing, the situation is even more interesting. Apart from the controversy over the Home Ownership Scheme (HOS), only two paragraphs in the Budget are devoted to housing.

Now, apart from property prices, the level of rental is also a big problem. Why have the authorities not proposed any funding provision in the Budget to deal with the issue of rent control properly and strike a balance between the tenants and owners at present, many tenants are forced to move out from their homes. The weird phenomenon in which property owners may force their tenants to move out has rendered many members of the public unable to rent flats, and neither can they afford to buy their own homes. I hope the Financial Secretary will, in this Budget the remarks I made so far are related to the health, welfare and elderly issues rather than the issue of offering a cash handout of \$6,000 only. Thank you, President.

MRS SOPHIE LEUNG (in Cantonese): President, the controversy arising from the Budget this year is indeed unprecedented. The Government is certainly hit by a lack of luck, but it is undeniable that the public are very dissatisfied with the Budget this year. For me, and as many members of the public have relayed to me, this incident has revealed again some governance blunders on the Government's part.

First of all, the Budget is a far cry from public expectation. Honestly, President, the Budget this year can be said to be a mediocre one, with demands of the community basically addressed and relief measures introduced as usual. Quite a large amount of money will be used, and most members of the public will be able to benefit from such initiatives as electricity tariff subsidy, rates waiver and rental waiver for public housing tenants. On the whole, it can get a marginal pass.

However, one of the causes for such a major controversy is that many public consultation forums were organized before the release of the Budget, and given the huge surplus, people expected that they would receive comprehensive

assistance. People already had a very high expectation before the release of the Budget, but they were very disappointed in the end. In the past, the authorities would instill a reasonable expectation in the public through intentional intimation, but why did the leadership of the SAR act this way this time? Are they being unrealistic, having departed from reality?

I do not know how much effort the Financial Secretary had made in the consultation exercise, but I guess he might have only collected some public opinions and used them as rough reference. The theme of the Chief Executive's Policy Address last year was caring for the people. However, has the Government's understanding of the people this time somehow departed from reality? Take the Mandatory Provident Fund (MPF) System as an example. If the Financial Secretary had genuinely listened to the public's views on the MPF System, he would have known how inappropriate it was to inject funds into the MPF accounts.

I hope the Financial Secretary will understand that actually Hong Kong people do not like any mandatory measures. This is true with both the healthcare financing system proposed earlier and the MPF System. Not long ago, a motion was passed by the Legislative Council at the 10th anniversary of the introduction of the MPF System, and Members brought up various problems about the MPF System and expressed the public's perception of them. The Government must be aware of them.

The decision on the future pathway for Hong Kong involves long-term planning, and the public expects a clear and feasible way forward. At least, people of our generation have learnt since childhood that we have to have a goal and a vision in our endeavours in order to move in the right direction and solve various difficulties to achieve our goal. However, it seems that the whole society of Hong Kong has lost its orientation, and this Budget has not made any preparation for long-term planning. We need a broad picture with concrete steps to realize our ideals or dreams. Unfortunately, however, they are not offered in the Budget.

As for issues concerning the ageing population, social mobility, the economic structure, waste disposal, healthcare reforms and environmental protection, the Financial Secretary did mention them. However, what we need are not empty words, but a visionary and brilliant outlook. We do not expect

instant achievements, but we would like to know how preparations for the future can be made in an orderly manner. It is not a matter of how much, but of how best money should be spent.

The Budget lacks clear objectives. I am not sure whether it is because long-term planning is lacking that the Budget gives people an impression that it is fragmented, chaotic and filled with a jumble of ideas while lacking in a central theme of public finance management, and neither is there any display of passion. This Budget invites our speculation that various departments only submitted their assignments in the light of their own needs by making reference to their operational expenditures in the past years. When there are voices calling for improvement in certain aspects, some piecemeal remedies will be made; and when a certain problem has emerged, a measure will be introduced in response. Why can the authorities not deal with the major problems in a holistic manner before dealing with these minor problems? This way, people will know which directions society as a whole should take in tackling these problems and solve them with concerted efforts on such orientation.

The Government has spent more than half a year to prepare the Budget, but why is there not any new idea? Many policies are just old ideas in new packaging. For example, the development of Renminbi (RMB) business, the Framework Agreement on Hong Kong/Guangdong Co-operation (Framework Agreement) and the four sites for private hospital development, which have been discussed plenty of times, are now taking up a considerable proportion of this Budget again. We cannot quite understand why this is so.

The Financial Secretary said the mindset he has adopted is not that of a caretaker government. However, members of the public cannot help but speculate: Is it because various departments are only minding their own business and holding each other back, or the bureaucratic institution is too rigid, or there are other reasons that the Budget contains only all these platitudes?

I am also concerned about the substantial increase in government expenditure this year. The revised estimates of expenditure amounted to \$378.2 billion, representing a year-on-year increase of almost 25%, which is a very significant increase. Although this is a display of the Government's long-term commitments and resources are required to make improvements in a number of aspects in society, if expenditure continues to increase, the size of the

Government will keep on growing, and so will the expenditure. Given our narrow tax base and reliance on land-sale revenue, in case of an economic downturn, resulting in a substantial reduction in revenue, the so-called a few hundred billion dollars of reserves will actually not be able to keep us going for a long time.

Members may still remember that in the wake of the financial crisis, the deficits of the Treasury hit record highs, and so the Government reluctantly had to reduce the level of CSSA payment. If we do not exercise control over revenue and expenditure and cut expenditure and raise revenue, there is no guarantee that the chaotic situations in European and American countries, with their governments owing huge debts and their nationals staging protests against cuts in welfare and benefits, will not occur in Hong Kong in the future.

President, I would also like to talk about other problems arising from the offering of cash handouts. To whom should cash handouts be offered? How should cash handouts be offered? I believe these are big problems. As to the question of whether or not it is appropriate to offer cash handouts, different members of the community may have different views.

The injection into MPF accounts, as proposed in the previous budget, already led to strong discontent among members of the public, and the proposed injection this time has indeed departed from the mainstream view of society. As a government official, one cannot depart from the people and draw up plans behind closed doors, whether in leading society in the right direction or striving to serve the community. As the sole reliance on conventional means of consultation may no longer be adequate, I hope the Government will seriously reflect on itself this time.

If the Government had admitted in December last year that the public had a rather poor impression of the MPF System and was willing to reflect on itself rather than making a host of such remarks as "it has been carefully considered", "it was advocated by the World Bank" and "it would definitely contribute to people's well-being", I believe this Budget would not have drawn such scathing criticisms.

The more defensive the Government is, the more disappointed members of the public are of it. I know the Government has actually made much effort and

taken many measures to benefit the people's livelihood. However, if the Government makes the public feel that it does not have the courage to admit its mistakes and keeps evading the problems, once the public's perception of the Government has become negative, it would be very difficult for the Government to make any move. If government officials always think that their decisions are right and give themselves over to imagined sufficiency, they will only defer the problems, all the more be unable to solve the deep-rooted conflicts in society.

I think our Government is an elite government. However, instead of only relying on the mindset of the elite, it also has to adopt an all-encompassing thinking of the elite and manifest such thinking through actions.

Regarding the executive-led system, I have heard that some people in the Government complained that the Budget adopted the proposals of certain political parties, but these political parties even made strong criticisms of the Budget after its release. If this is the case, then I think those officials are indeed too naïve! It is not at all novel to see someone eating his own words here in the Chamber, and one should not think that political parties are very influential or their thinking is very deep. At their best, political parties can only make use of an opportunity rather than creating an opportunity. The Government should adopt an executive-led approach and make its own judgments rather than being led by the views of political parties. When the Government's work is effective, there will be no cause for concern. Actually, the political parties in Hong Kong do not seem to have done a very good job. As a number of elections will be held in the future, they will even resort to various unscrupulous means to canvass more votes, and the problem of creating or making use of opportunities to attack the Government or opponents will only become more serious. I hope the Government will exercise its discernment in assessing people.

After all, as we were not involved in the process of drawing up the details of the Budget, we may have some misunderstandings about certain aspects. All our criticisms are well-intentioned, and I sincerely hope that we will have a strong and powerful government which understands the needs of society, communicates effectively with the Legislative Council and is capable of forming its own views and thinking, thereby commanding support of the public. Most importantly, it has to show the public that the Government as a whole is a very cohesive team.

I absolutely believe that there are many dedicated people among government officials who are willing to serve the public and capable of making great contribution with their abilities. However, it would indeed be a shame if they are unable to give full play to their abilities because of problems with the system. Officials must make changes and refrain from causing society to come to a halt because of disputes raised for their own sake. I hope this will make Hong Kong a better place.

President, I so submit.

MR CHEUNG HOK-MING (in Cantonese): President, I wish to stress to the Financial Secretary once again that the vicious inflation is the issue which is causing the greatest impact on the people's livelihood currently. In particular, when wages of the working masses have been lagging behind inflation over an extended period of time, grievances in society will only intensify. The Government definitely has a duty to maintain inflation at a stable level.

Over the past two years, there were price hikes across a variety of services in Hong Kong. Insofar as transport corporations are concerned, those operating at a loss raised their fares, and so did those which had made huge profits. Almost every one of these corporations has imposed fare increases. The MTR Corporation Limited (MTRCL), with an average daily ridership of over 4 million passenger trips, also announced that it would raise its fares by 2.3%, despite the \$12 billion net profits to shareholders recorded last year, taking the lead in pushing up inflation. The MTRCL has proposed to raise its fares, but has it upgraded its service quality at the same time?

The truth is that it has not. As all of us can see, only a few months have passed since the beginning of the year, but 10 incidents of varying magnitudes have already occurred with the MTRCL. The most recent incident even occurred on the Disney Line, spoiling the mood of over 2 000 Hong Kong people and tourists. A passenger who has always been affected by these breakdowns said that nowadays taking the MTR is like having to pay to get a bad experience.

Given the frequent breakdowns, the MTRCL's fare increase will only escalate the discontent among passengers. In a survey on the MTRCL conducted by the DAB last month, 25.4% of the respondents held the view that

there were signs of deterioration in the service quality of the MTRCL over the past year, and almost 7% of the respondents even described the services of the MTRCL as "much worse than before".

In our view, if the MTRCL insists on imposing fare increases despite the frequent breakdowns and the lack of genuine improvement in service delivery, strong reactions from the public will definitely occur as a result. Therefore, we think that although the MTRCL is allowed under the relevant legislation to increase its fares in accordance with the relevant mechanism, being legal does not necessarily mean that it is reasonable. If the MTRCL only places its focus on making profits while giving no regard to the public's affordability, it will unreasonably increase the public's burden of travelling expenses, thereby adding hardship to their livelihood. Therefore, the DAB strongly urges the MTRCL to shelve the current fare increase, do its share in curbing inflation, plough its profits back into its services and become an enterprise with a good conscience.

Although my amendment on setting up a public transport fare stabilization fund proposed in the debate on Implementing the Twelfth Five-Year Plan at the meeting last Wednesday was not passed, I will put forth this proposal again to the Financial Secretary today because it is expected that the problem of inflation will trouble Hong Kong for a while, and I believe it will take some time for the authorities to solve the problem of exorbitant travelling expenses. However, if these corporations increase their fares time and again, the trend of price hikes will definitely intensify as a result, which will give rise to a vicious circle and cause greater impacts on the grassroots' livelihood.

With persistent high inflation, a public transport fare stabilization fund will definitely be able to help make up for the inadequacy of the mechanism which will allow both upward and downward fare adjustments and reduce the pressure of upward fare adjustments on the public. I hope the Financial Secretary will consider afresh the feasibility of setting up the stabilization fund so as to benefit the general public.

President, apart from the MTRCL, six outlying island services operated by the New World First Ferry Services Limited (NWFF) and the Hong Kong and Kowloon Ferry Limited (HKK) have also applied for fare increases by over 10% upon the expiry of their operation rights. As outlying islands cover a large area and are very scattered, ferry services are definitely important to outlying island

residents in connecting them with other areas, and the ferry may even be the only means of transport for them. Therefore, ferry fare increases will have a direct impact on outlying island residents' burden of travelling expenses. It will also reduce people's incentive to travel to the outlying islands, which will in turn make life even more difficult for outlying island residents who rely on tourism for a living.

Earlier, the Government put forth a proposal on providing ferry companies with a funding of \$120 million as subsidy for their ferry maintenance costs. Regarding this proposal, we think the Government has displayed its sincerity, but as the proposal is not vigorous enough, it will not really be able to solve the problems of oil price hikes and reduced patronage facing the ferry companies.

The Islands District Council has repeatedly pointed out to the Government that the authorities have to formulate a comprehensive support policy to genuinely provide effective support in the development of ferry services. The relevant proposals include: in the short run, the Government should urge the ferry companies to co-operate with the MTRCL again to resume the outlying island ferry interchange scheme introduced in 2008 to help alleviate outlying island residents' burden of travelling expenses; over the medium-to-long term, the Government should set up a public transport fare stabilization fund to reduce the impact of international oil price movements on the ferry companies, thereby enabling the setting of reasonable and stable ferry fares; and in the long run, the authorities should consider privatizing the ferry companies, possibly following the MTRCL's existing mode of operation, with the Government procuring the vessels and renting them to contractors for service operation, so as to ensure that ferry fares will not be increased substantially on the one hand and the quality of services will be maintained at a high level on the other.

President, next, I would like to express the DAB's views on land supply and planning.

President, one of the reasons for the surging property market is the imbalance between flat demand and supply. In this Budget, the Government announced that the number of sites specified in the Application List will be increased. Although this is said to be a targeted measure, only the land supply for the coming year is revealed. In order to allay the public's worries about the shortage of residential flats, the authorities have to formulate a more long-term

plan on land supply. They may also further increase the transparency in land supply by announcing the volume of land supply and the location of the relevant sites for the coming five years to give the public a clear picture of residential property supply in the medium term so that they do not have to immediately rush into buying high-priced flats, thus drawing up home purchase plans which suit them most.

The DAB welcomes the initiative proposed in the Budget on increasing land supply, and we are also very glad to see that the authorities have made proactive efforts to arrange for the auction of more sites in parallel with the Application List system. However, although the sites specified in the Application List can be used for the construction of 30 000 to 40 000 flats, which is more than double the target of 20 000 flats set by the Government earlier, these sites will only become available pending the lengthy application process initiated by developers, with the Government being placed in a totally passive role.

As it is said, radical measures have to be taken in unusual times. In other words, in order to play a dominant role in controlling housing supply, the Government has to arrange for land sales more expeditiously and proactively. If government-initiated sales of sites by auction are not successful, such as in the case of the auction of the site on Lin Shing Road in Chai Wan at the end of last year, the relevant sites can be redeployed for building flats under the My Home Purchase Plan or the Home Ownership Scheme immediately to avoid wasting land resources.

Besides, among the 54 sites in the Application List for next year, only 10 of them are Residential (Group A) or Residential (Group B) sites which can be used for building a large number of residential flats. After all, small and medium-sized residential flats for first-time home buyers are in the greatest demand, while the demand for luxury flats is only secondary, and so it is most important to increase land supply for the development of small and medium-sized residential flats. The authorities should continue to proactively identify sites and launch them onto the market once suitable sites are identified to meet the demand in society.

Land resources will become the key to the future development of Hong Kong. We must make good use of every piece of land, particularly sites in the urban area. Apart from the floor space, consideration can also be given to

utilizing the underground space for development. The authorities might as well put in more resources to explore the feasibility of developing the underground space to develop multi-function sites so as to release more floor space for residential purposes. Besides, it is also proposed in the Budget to study the feasibility of reclamation outside Victoria Harbour and rock cavern development. This new idea is very good and is worth supporting. The authorities should launch the study and draw up an implementation timetable as soon as possible.

Hong Kong has been undergoing development for a considerable period of time, and it can be said that sites in the urban area are running short. In order to carry out large-scale developments and develop a large area of land for building residential flats and developing industries, I believe we have to begin with sites in the New Territories.

As we all know, releasing the development potential of land in the Frontier Closed Area (FCA) has been a subject discussed for years, and it can be said that the DAB and the Heung Yee Kuk were the first proponents actively promoting this course. We released the "Options for and discussion on all-direction development of the Hong Kong-Shenzhen border area" as early as in 2004 and also mentioned the idea of developing the FCA in a number of reports on new development areas. Over these years, however, the relevant planning has yet to be implemented, remaining on the drawing board. The DAB urges the Government to expedite the implementation of the "Three-in-One" new development area comprising Kwu Tung North, Fanling North and Ping Che/Ta Kwu Ling and the development of the Liantaing/Heung Yuen Wai Control Point and the Lok Ma Chau Loop without wasting any time and allowing the valuable land in the FCA to lay idle day after day.

In particular, it is estimated that the development of the Lok Ma Chau Loop will not be completed until 2020, and it is highly probable that during this period of time, we will miss the opportunities arising from related developments under the National Twelfth Five-Year Plan, which are currently the talk of the town. Therefore, the authorities should make more proactive efforts to urge the Governments of the two places to complete the development of the Loop expeditiously to enable the early development of that area into a new development belt, thereby promoting the sustainable development of the economies of Hong Kong and Shenzhen.

However, the development of the Loop cannot stand on itself alone, and it has to develop a complementary relationship with neighbouring areas after all. Otherwise, the Loop will only become an isolated island in the middle of the river. The development potential of the FCA should not be neglected. Unfortunately, the authorities have only released a small part of the land in the FCA, while a vast span is still left to lay idle. We must adopt a more strategic perspective to re-examine this issue and release more land from the FCA to dovetail with the development of the Lok Ma Chau Loop and other areas in the border.

As for the study on three proposed development projects in the Northeast New Territories, nothing has been heard about them since the completion of the second stage public consultation early last year. It should be noted that given the geographical proximity between the new development area and the FCA, the authorities should pay attention to the linkage and complementary relationship of the two areas in drawing up the zoning plans for industrial, research and commercial areas so that the higher education institutions to be established in the Loop will be able to enhance the articulation among themselves to form a service chain.

Land is a major resource of a nation. All governments should make proper land resource management their major responsibility. It can be said that the SAR Government is duty-bound to ensure that each piece of land in Hong Kong is put to reasonable and good use. As the lead body, the SAR Government must show us a broader perspective and lead us in adopting a comprehensive and multi-pronged approach to develop more land and make more effective use of these valuable resources to cater for the demand arising from the rapid development of society and to meet the need of economic development and people's living.

I so submit. Thank you, President.

MR ALBERT CHAN (in Cantonese): President, the Budget this year can be regarded as a financial management document dominated by the fossilized thinking of a technocrat. There are three limitations in this document and so after its delivery, it was badly criticized by all the political parties and the general public, especially by many pro-government media.

The first limitation is that this Budget is written under the leadership of a technocrat. A budget should be a public policy document with foresight. It should have political ideals and it should be led by political thinking. But all through these years, the kind of fiscal planning led by Financial Secretary John TSANG has basically been tied with the fossilized thinking of a technocrat and its tradition. It is because of the restrictions and fetters imposed on a traditional technocrat that the entire Budget this year is like an account book, without any mention of the way out and methods to tackle social problems and attempts to answer public expectations. There are no vision and foresight, hence nothing to offer to steer Hong Kong out of the predicament.

The second limitation is that budgets are in general compiled in accordance with the direction and policies set out in the policy address. But unfortunately, the delivery of the budget and policy address in Hong Kong has a time gap of more than six months. A budget seldom deviates from a policy address to propose some major policy changes, especially to the mindset of governance. However, there is also no policy change in a policy address. So for the many problems found in Hong Kong, such as the problems of the disparity between the rich and the poor, poverty, people's livelihood, and so on as mentioned by many Members and political parties, they are not dealt with in the Budget. As there is no direction offered in the policy address, this Budget is even worse. Hence there is no solution offered to the large number of serious problems.

The third limitation is that the Budget uses the established practice of an "envelope system" for each department as practised under the times of the former British Hong Kong Government. This system has existed for many years and owing to changes in the financial conditions, this system fails to adapt to the changes of the times, hence unable to answer the aspirations of the public. At this time when public finance is quite stable and there are no drastic changes and breakthroughs in public revenue and expenditure, so the Government still adopts the mentality of a caretaker government in public finance management. This envelope system is a relatively safe practice in that each department will continue to use the spending pattern in the year before as the basis to adjust its expenditure according to inflation or some policy direction, and so on. This enables one to understand the principles behind the fiscal policies formulated. However, in recent years a big problem has emerged and that is, there is a great discrepancy between the projections made by the Financial Secretary and actual figures on the

fiscal deficit and surplus. The discrepancy could be as much as \$100 billion. This almost shatters the conventional mode of financial management.

At first, when the Government compiled the Budget, it was estimated that there would be a deficit of \$20 billion and so it managed its finance stringently. And so all government departments, members of the public, Members of the Council as well as all the political parties believed and relied on the Estimates made by the Government. They accepted this stringent financial regulation. But when the estimated \$20 billion deficit changed into a surplus of \$80 billion, there would be different demands and expectations on government policies. These many and varied demands caused confusion and drastic changes in financial management, and the Financial Secretary was dazzled by all these demands which found difficult to tackle. After the delivery of the Budget this year, there were widespread condemnations and disappointment. This was related to the discrepancy between the estimated deficit and the actual surplus.

President, it is difficult to change this fossilized thinking led by a technocrat in devising fiscal measures. The Government must be prepared to make significant revisions. First, there must be a change in timing. I do not agree that the budget should be delivered six months after the policy address is delivered. This is because there will be a huge gap in administration. I would think that a budget should be compiled at the same time when a policy address is compiled. In this way a budget can pave the way for a policy address or in the formulation of relevant measures. This will ensure that the proposals made in the policy address can be implemented smoothly with sufficient financial and administrative support. If the budget is compiled six months after the policy address, the timing may not match with the proposals made in the policy address. And when some major change happens in society or about to happen, especially at a time of an economic downturn, the mode of the budget echoing initiatives in the policy address may not necessarily work. Therefore, this gap in timing must be bridged.

Second, there must be firm and comprehensive political theories as a foundation. The Financial Secretary boldly mentioned the "big society" idea espoused by David CAMERON. I have no idea whether the Secretary has taken this idea from the Conservative Party of the United Kingdom or not. This is because the idea of "big society" has been very popular in Britain. But there are differences between the cultural and political settings between Hong Kong and

the United Kingdom. And there are huge differences between the financial situations of the two governments. There is a severe deficit in the United Kingdom and so the Government there calls for cuts. And the thrust of the policies of the CAMERON Administration is to rein in deficit and promote this so-called "big society". By that idea he means that social groups should have the social responsibility to assist in developing the economy or caring for the other groups. This is due to the lack of financial resources in the United Kingdom.

But things are different in Hong Kong. There is huge surplus in the Government. The surplus this year is as much as \$70 billion to \$80 billion. With such a huge surplus at hand, the Government still wants to promote this so-called idea of "big society". This is a total and grotesque mismatch. At a time when the Government has got so much money, the public, various political parties and the Government itself, should ask how the money should be used to make the life of the public better. The Government should not urge other people to do it. It is because the giant consortia will simply not heed the Government. When the Government has got a surplus of \$70 billion to \$80 billion, it still asks the giant consortia for money to take care of the disadvantaged groups. It does not want to spend its own money. So considering the timing and the circumstances, I must say that this move shows bad logic and thinking.

That there are such significant problems with the Budget is because, when the Government formulated its strategies, it utterly failed to note the real situation in society. Of course, the Financial Secretary will say that he has received a lot of submissions and his office has also undertaken many studies. It would be terrible if he only relies on the Central Policy Unit (CPU) led by LAU Shiu-kai. LAU said one thing and denied it afterwards. He mentioned the term "tipping point" and he denied it later. He forgot the very words he had said. How can he help the Government formulate policies, or conduct research and offer his advice? He is a terrible mess, and so are his words. So when it is proposed that the CPU should be abrogated, I think that it is a good thing. It is a good deed done for the Government, for it will no longer be led by the blind the CPU until it bumps its head loudly into the wall.

A major problem with the Budget, which is also an institutional one, is that suggestions have been randomly and recklessly accepted. The Financial Secretary took the suggestions made by the political parties as he liked it. For

those that he did not like, he would just throw them away. There are differences in the political beliefs, thinking or values held by different political parties. The Financial Secretary just took some ideas from the Democratic Party and some from the Liberal Party. These political parties then became very happy. They thought that they had successfully got their ideas accepted. They would go about putting up posters and try to boast about it. But each major political party has its own notions in governance and when compiling a budget, the Government must have its own set of political beliefs and notions in governance. In the United Kingdom, irrespective of the Conservative Party, the Liberal Party or the Socialist Party, they all have a set of thinking and beliefs. And all these ideas are closely and firmly linked to one another. Unfortunately, in Hong Kong we have this random and reckless approach to budgeting. The Government here only relies on wonders to keep the economy floating or in the few past years, relied on the care of Grandpa. This is like the lazy son of a rich man who needs not worry about food.

On the question of handling social and livelihood problems by way of administration in the context of the Budget, many Members have talked about the 12th FYP during the past few days. I can tell Members that the Outline of the 12th FYP has an important section on adjusting the distribution of income in a reasonable manner. At the beginning of Chapter 32, it is stated to this effect: "Insisting on and perfecting the distribution system with the main system of distributing income according to labour and the co-existence of various types of distribution. Efficiency and equity should be dealt with properly during the primary distribution and redistribution. More importance in equity should be attached to in the redistribution process. A reasonable and orderly set-up should be expeditiously formed. Efforts should be made to raise the proportion of individual income in the distribution of national income. The proportion of reward for labour should be increased in the primary distribution process. Efforts should be made to change the growing disparity in income." This is about the problem of the disparity between the rich and the poor. Since many Members voted last week to pass the motion on the 12th FYP, they should show their support for Chapter 32. This is about how government policies can ensure members of the working population can get fair and reasonable reward as far as the distribution and redistribution of income are concerned. On how to narrow the wealth gap — in the words of the Communist Party of China — change the growing disparity in income, only Yuk-man and I voted against the motion on the 12th FYP last time while all other Members voted in favour of it. Then may I

ask them to help push the efforts on income distribution as mentioned in Chapter 32.

Another problem is that, apart from a lack of thinking and theories, the conflict among certain bureaux is quite intense. For four times in the past two weeks, I have asked the Under Secretary, Prof Gabriel LEUNG, about the tobacco and wine duties. This is because Chief Secretary for Administration Henry TANG waived the wine duty while Secretary Dr York CHOW increased the tobacco duty. According to studies on tobacco and wine in many countries, the harms done by alcohol are greater than tobacco. I asked Gabriel LEUNG four times whether he agreed to the waiving of wine duty by Chief Secretary Henry TANG. He dared not reply. Are government departments not a group and is collective responsibility not practised? Do departments not support each other and back each other up? When mention was made of another bureau, he might have a twinge in his conscience and so he did not dare to say that he would support the waiving of wine duty by Henry TANG.

When policies are formulated, be they related to housing or transport issues, and also, as mentioned by Members, the impact on people's life caused by the drastic increase in transport expenses, these government departments and units will just mind their own business. They will just see to it that their own business is done, not caring about anything. When the transport services are done with and it is all right as long as there are ferries and buses, the departments will not care about anything. They will not care about the sharp rise in transport expenses which will lead to the hardship of the people, or even causing a riot. In this latter eventuality, it is an issue in security. When the Government formulates policies, it does not have a set of beliefs to make the life of the people stable and thus achieve stability in society as well. Despite repeated emphases made by the Central Government that stability in governance is very important, the SAR Government has not done that.

Fares for the ferries have gone up recently. The fare for a single trip from Mui Wo to Central during the holidays is \$40. The entire tourist business in Mui Wo on Sundays and public holidays has evaporated. For who will want to travel to Mui Wo for an outing? A single trip costs \$40 and a round trip costs about \$81. From this it can be seen that there is no co-ordination at all within the Government. Nothing is done to pre-empt problems in the policies and the serious impact on the economy and people's life.

People Power is extremely unhappy about the overall direction and many of the contents and details found in the Budget. Of course, we welcome the Financial Secretary's plan to increase funding to meet the requirements of handing out money. We also condemn other political parties for rebuking the Financial Secretary on one hand, while asking him to accept their views on the other. This is the most absurd logic, and it shows muddled thinking as well.

MR WONG TING-KWONG (in Cantonese): President, in the Budget this year the Government has announced two tax increase proposals. One is on the First Registration Tax (FRT) for vehicles and the other is on tobacco duty. The reason for raising the tax is vehicle control and tobacco control, that is, containing the growth of vehicles and smokers. It is hoped that a higher tax will put these under control.

I believe an increase of the FRT by 15% will at most reduce the number of new cars somewhat for a short period of time, but there will be more old vehicles running on the streets. Not only will this not lead to a reduction in the number of cars as a whole, but it will also aggravate the problem of environmental pollution. In fact, the Government once raised the FRT in 2003 and if that was effective, there would not have been an increase in the number of private cars as if there were no tax hike. So is increasing the FRT the only effective way to control the growth in the number of cars?

As to the argument that increasing the FRT can ameliorate the problem of traffic congestion, as far as I know, a cause for traffic congestion at the deeper level is the great disparity between the utilization rate of the Cross-Harbour Tunnel in Hung Hom and the other harbour crossings. Also, some of the roads have reached their capacity, they are too narrow and there is no flyover around to divert traffic. All these are the major causes of traffic congestion. When the Government wants to make this move, is it aiming at the wrong target?

Is this proposal to increase the FRT in conflict with green policies? It is because increasing the FRT will make car owners who cannot afford new cars continue to drive their old cars, and the exhaust and pollutants from old cars are definitely more than new ones. If many people prefer old cars to new ones, the problem of environmental pollution will only deteriorate. Besides, environmentally-friendly cars are given a 15% concession in the FRT. After

raising the FRT on this occasion and as the concession given for such cars are affected by the increase in the FRT for all cars, the tax incentive for green cars is thus offset. What then is the use of it? If the Government can offer a subsidy to commercial vehicles when owners switch to green models, why is this concession not given to privately-owned green vehicles? It seems that there is no co-ordination between the Transport Department and the Environment Bureau, or else how come such contradictory measures are devised?

In order to really control the number of vehicles, the DAB thinks that car owners who replace one old car with a new one should be exempted from the hike in FRT. In other words, when the tax hike falls on all newly purchased cars, if the car owners can return their old cars to the Government, they can be exempted from the increase in FRT when they buy new cars. In this way, as old cars are replaced on a one-to-one basis, the number of cars will not increase and air pollution in Hong Kong will not worsen. In addition, the Government can further reduce the FRT for environmentally-friendly cars or even waive the FRT. This will encourage the people to use green cars and thereby further ease the problem of air pollution in Hong Kong.

As for solving the problem of traffic congestion, the road system and the mass transit system are very important. The Government should undertake a full-scale review of the causes of traffic congestion, examine the provision of roads, improve the mass transit systems, and undertake rational planning on bus routes and the utilization of cross-harbour tunnels. It should also undertake afresh planning of roads where traffic congestion often occurs, like widening the roads or adding flyovers, or even impose vehicle flow control to ensure smooth traffic flow and so ease the problem of frequent traffic congestions in the busy parts of the city.

The Government also proposes in the Budget that tobacco duty be increased by 40%. The sale price of a pack of cigarettes is increased from \$40 to \$50. Will the increase in tobacco duty cause cessation in smoking or force those with less financial means to smoke less? I think this move will only force those without means to buy illicit cigarettes while those with means will not be affected at all.

It has been reported that the net price of a pack of cigarettes is about \$17. Ever since the Budget has announced that tobacco duty would be increased

substantially, the retail price of a pack of illicit cigarettes has risen to \$32. But there is still a price difference of \$18 when compared to duty-paid cigarettes which cost \$50 a pack. Some people with less financial means are attracted to buying such illicit cigarettes. I have heard that it is not hard to buy such cigarettes and they are readily available. The result is that there is no reduction in the number of smokers.

According to figures from the Census and Statistics Department, 13% of the people above 15 years of age are smokers. This is an increase of 1.2% compared with the figure in 2007. What is even more ridiculous is that there has not been any corresponding increase in public revenue. The number of duty-paid cigarettes falls from close to 3.8 billion sticks in 2008 to 2.9 billion sticks in 2010. These figures are cigarettes imported into Hong Kong through formal channels and they do not include cigarettes smuggled into Hong Kong.

Some of these cigarettes smuggled into Hong Kong are counterfeit products that will harm the health of smokers all the more. The result is that those so-called measures from the Government to help people quit smoking will end up being measures harming the people. Despite the claim made by the Government that rigorous efforts will be to clamp down on smuggling, if tobacco duty is increased in this way continually, the financial incentive offered by the illicit cigarettes will induce criminals to break the law.

If the Hong Kong Government is to solve the smoking problem, it cannot just raise the tobacco duty but it must also make rigorous efforts in cracking down on the smuggling of cigarettes. There must also be publicity and educational efforts made in co-operation with schools and parents. The focus should be placed on the harms of smoking. When the aim is to contain the growth of new smokers, smoking cessation counselling should also be provided so that people with a habit of smoking can kick it soon.

It is true that increasing the tobacco duty adds to the financial burden of smokers and also affects the business of the small business operators and newspaper vendors. According to the vice-chairman of the Hong Kong Newspaper Vendors Association, Mr LAM Cheung-fu, in 2009 when the Government raised the tobacco duty by 50%, the overall business of newspaper vendors dropped by 20%. At that time, 20% of the newspaper vendors had to fold their business. Now, there are only about 1 300 news-stands in Hong Kong.

With these repeated increases in tobacco duty, the business of these newspaper vendors will further suffer. The net income for them each day is only about \$200 to \$300 on average. It is estimated that more of these news-stands will close. It is doubtful how these small vendors can survive and how employees in the tobacco industry can secure their jobs. So how should the Government treat these small business operators? Would assistance be given to them in switching to another occupation or maintaining their living? Would they be allowed to sell more kinds of products? There is no wholesale plan on the part of the Government. Therefore, the DAB has reservations about raising the FRT for cars and the tobacco duty.

I would also like to talk about assistance given to small and medium enterprises (SMEs) and the policy for the industries. It is only after a hard time occasioned by the financial tsunami that the Hong Kong economy started to recover last year. But many new challenges are coming. Apart from pressure from outside Hong Kong and the potential risks and problems internally, the SMEs have to face inflation in Hong Kong and the many new laws introduced by the Government. Examples are the Minimum Wage Ordinance which will come into force this May and the Competition Bill which is presently being scrutinized. And there are studies commenced on the issue of standard working hours, too. All these add to the operation difficulties of local companies, especially SMEs. They find costs rising and that increases the uncertainties in operation as they are subject to more restrictions.

In the disputes regarding paid meal breaks and rest days in the minimum wage issue, the disputes alone have made business conditions uncertain and created confrontation between employers and employees. The Competition Bill which is being deliberated on not only targets big companies engaging in serious anti-competitive conduct, but it may also lead to operation problems for SMEs. This is because the law to be enacted is modelled on the competition law of the European Union which is most stringent, plus the fact that many of the provisions contained in the law are ambiguous. It appears SMEs may have to spend money on hiring lawyers, lest they may run into operational crises once fallen inadvertently into the long arm of the law.

The survival and growth of SMEs is determined by whether the employers can make money, but it also relates to the job security of employees and the overall economic development of Hong Kong. In many overseas governments,

there are policies specially geared towards promoting the growth of enterprises, in particular, the SMEs. Such policies include improving the business environment, promoting the development of the industries concerned, injecting funds and rolling out support measures. In contrast, we see in Hong Kong increasing regulation in recent years which adds to the uncertainties. When it comes to promoting the development of the industries concerned, Hong Kong lags far behind other places.

President, with respect to information technology, timing and market demands are vital to the development of any industry. I think that the Government should seize the opportunity on this occasion when the people of Hong Kong have become more concerned about food certification and safety because of the problem of nuclear contamination. The Government should expedite the introduction of policies the development of food testing and certification services and offer assistance to the sectors concerned to launch more services on testing and certification, even to the extent of introducing new and patented certification services, thereby creating new business opportunities.

The Government may provide assistance in two ways to four sectors, including the food industry, on testing and certification. These two ways are the setting up of a fund for R&D and manpower supply. I think the Government can set up a fund for investor migrants related to the six priority industries so that investors coming to Hong Kong under the Capital Investment Entrant Scheme may invest part of their capital in these six industries. This will offer support in actual terms to the development of these industries.

In addition, I would suggest that the Government should further expand the coverage of the programmes under the Continuing Education Fund so that more people who wish to work in these six priority industries as well as those incumbents working in these industries, including the testing and certification industry, can be subsidized and hence given more avenues to pursue studies and upgrade their technical competence.

With these remarks, President, I support the Appropriation Bill 2011.

MR CHAN KIN-POR (in Cantonese): President, the Budget this year is really fraught with calamities. First of all, the proposal to inject \$6,000 into MPF

accounts caused great repercussions in society. Then political parties which were unhappy with the Budget mobilized a march. And the resolution on the Vote on Account was negatived once in this Council last month. However, although there are still unhappy sentiments in society, I think that most people would accept the revised Budget.

As a matter of fact, ever since the Financial Secretary has decided to hand out \$6,000 to all permanent residents of Hong Kong aged 18 or above, reactions from the people have undergone immediate changes. On the day when the Financial Secretary made the announcement, I was at a dinner reception with a dozen or so tables of guests. I made the announcement to the guests in my speech. There was an instant change from a lukewarm atmosphere to roaring claps of hands. Everyone was happy. I have never had the experience of so many people giving me a big hand. When I came home and returned to my office, I met the security guards of the buildings and the cleaners. They were all smiles, saying that they wanted to thank Members of this Council.

All of these cannot make a formal opinion poll though, to some extent they reflect what is in the mind of the people. It also makes me think a lot. In my opinion, this drastic revision made by the Financial Secretary to the Budget, from injecting \$6,000 into each MPF account to handing out \$6,000 to each person, is a correct decision. It has defused a major crisis in society. But on the other hand, the way in which the Government has handled the Budget leaves a lot of room for improvement.

In the initial period after the Budget was announced, the Financial Secretary was always stressing that the proposal to hand out cash could not be adopted, as so doing would spur inflation. But when there were strong voices of discontent in society, the Financial Secretary made a U-turn and proposed to change from injecting a sum of \$24 billion into the MPF accounts into cash handouts and tax rebates which total \$42.3 billion. This great change is surprising. It is a good thing for the Financial Secretary to heed public opinion, but the impression he has given people is that the Government is too rash and this move will definitely affect his credibility.

Besides, I think the Government should explain the justifications for this cash handout and to set standards for the proposal. Honestly, once this precedent of giving away cash is set, and when the people can get this sum of

money, they would naturally want the Government to continue doing the same in future. They would hope that more money will be given. Wealth should be returned to the people when the times are good and money should be given to assist them when the times are bad. If the Government does not hand out cash, the people will certainly be disappointed. So we can envisage that the Government in future will be in a very difficult position and we can say with some exaggeration that this move has planted a time bomb for the next term of government.

I think the Financial Secretary should do a good job of managing the expectations of the people. It would be best for him to give a detailed explanation of this decision to hand out cash, detailing the justifications and principles involved, so that the people can know clearly for what reasons, under what circumstances and according to what principles the Government will hand out money. At least, the people should be given a message that the Government is not a spendthrift who squanders recklessly and wastefully. It is only when there are strong justifications that the Government would do this as an act of compassion, but when there is no need for that, the Government will certainly be very prudent in using resources in society.

Apart from issues of principles, the Financial Secretary has something left to be desired in handling this proposal. Before making that drastic turn, he held discussions with Members from the pro-establishment camp. Though that was not something wrong, and it was because the Government had to ensure that it would get enough votes to get the proposal passed, the fact that no discussion was held with the pan-democratic Members was the cause of political rows that ensued. These included the row on the Vote on Account resolution which was once negated. All these are the results of the improper handling of the situation by the Financial Secretary.

As a matter of fact, the people would never want to see this sort of bickering in the political scene in Hong Kong. Just think, when will such quarrels stop? So I think this incident precisely shows that the Government is unable to grasp public opinions. In future, the Government should handle issues like this in an open, fair and transparent manner. Whenever an important decision is to be made, it should listen to views from all sectors across the community. Then a proposal with flexibility should be drawn up for discussion with all political parties and groupings in the Council. Finally, a final decision

should be made or some fine-tuning should be done in response to views from all such parties and groupings and in the light of prevailing circumstances. If this can be done, at least the Government will not be doing something out of touch with public opinion and it can also ensure that enough votes are secured. Of course, no government likes to do this, but this is what the reality is all about. I hope that the Government will work in this direction even if it is reluctant.

I would also like to point out in particular that there are many people who are confused about the difference between a budget and a policy address. In fact, there is division of labour between the two. The thrust of a policy address is to give an account of the direction of macro policies while a budget is to provide financial support for these policies and offer relief measures to help the people in need. As the Financial Secretary said in his blog before the delivery of the budget last year, to this effect: "The budget each year is compiled in line with the policy address of the Chief Executive and it aims at making appropriations to implement policies and measures beneficial to society In general, a budget will not introduce any new policy If the relevant bureau has not made any decision on any policy, the Financial Secretary will under normal circumstances not do it on its behalf." So when some people propose some long-term policies such as resuming the production of HOS flats, they should approach the relevant Director of Bureau or the Chief Executive instead of the Financial Secretary. And the community should not mix up the different functions of a policy address and a budget.

Members' attention to this Budget has mostly been focused on the issue of cash handout, to the neglect of many measures beneficial to people's living which I think are most desirable. An example is including more drugs in the Hospital Authority Drug Formulary. Some 50 drugs for the treatment of nine diseases like mental illnesses, rectal cancer, cardiovascular diseases, diabetes and acute thalassaemia are included. This will benefit 52 000 patients direct. In addition, \$1 billion will be allocated to extend the Elderly Health Care Voucher Pilot Scheme for another three years and to double the value of healthcare vouchers to \$500 per person per year. Also, the tax allowance for dependent parents and grandparents as well as that for children will be raised by 20% to \$36,000 and \$60,000 respectively. Moreover, inflation-linked retail bonds worth \$5 billion to \$10 billion will be issued to promote the development of the local retail bond market. This can also provide an investment option for the public to counter inflation. I am sure all these are good measures from the Budget this year which

serve to benefit the people's living. It is a pity that not much discussion has been conducted in society on these measures.

The Budget this year has given rise to great controversies, but it has also proposed many good measures actually. On top of this, there is the proposal to hand out cash. Though it is certain that this move cannot be made permanent, I believe many grassroots would be very happy. A cleaner in my company has asked me again when the money would be paid out. I hope the Financial Secretary can finish the work on the cash handout soon. I would support this Budget.

I so submit.

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

(No Member indicated a wish to speak)

SUSPENSION OF MEETING

PRESIDENT (in Cantonese): If not, I now suspend the meeting until 9 am tomorrow.

Suspended accordingly at twenty-six minutes past Six o'clock.