

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 19 May 2011

The Council met at Three o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

DR THE HONOURABLE MARGARET NG

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHAN KAM-LAM, S.B.S., J.P.

THE HONOURABLE MRS SOPHIE LEUNG LAU YAU-FUN, G.B.S., J.P.

THE HONOURABLE LEUNG YIU-CHUNG

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

THE HONOURABLE 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 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.

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 LEUNG KWOK-HUNG

THE HONOURABLE TANYA CHAN

THE HONOURABLE ALBERT CHAN WAI-YIP

MEMBERS ABSENT:

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

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

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

THE HONOURABLE LEE WING-TAT

THE HONOURABLE WONG YUK-MAN

PUBLIC OFFICERS ATTENDING:

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

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

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

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

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

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

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

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

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

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

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

THE HONOURABLE 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

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

CLERK IN ATTENDANCE:

MS PAULINE NG MAN-WAH, SECRETARY GENERAL

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

THE CHIEF EXECUTIVE'S QUESTION AND ANSWER SESSION

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

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

CHIEF EXECUTIVE (in Cantonese): President and Honourable Members, today, I am going to focus on the latest progress of our social and livelihood policies.

The minimum wage formally came into force on 1 May, marking a significant milestone in the social progress of Hong Kong. Here, I would like to express my thanks in person to all Honourable Members for the immense support they rendered to us during the scrutiny of the relevant legislation, the formulation of the minimum wage level and the eventual implementation of the minimum wage. In the spirit of seeking common grounds, tolerating differences and mutual accommodation, everybody has sought to achieve this major social reform.

In the 2007 Policy Address, I set down the strategy of legislating for a minimum wage level. On issues ranging from underlying beliefs to wage levels and details of implementation, employees and employers both held divergent views, and the interests they upheld were also different. That we have got where we are today is no easy task. The course of implementing the minimum wage is bound to be marked by various disputes and different kinds of problems that demand our joint efforts to identify solutions. The Government, the business sector and the community must seek to resolve all such conflicts from the perspective of society's overall interests. However, I am confident that with the full-scale implementation of the minimum wage system, the wage levels of grass-roots workers will certainly see increases. Hong Kong workers will surely benefit from it.

Working poverty and the wealth gap have been our conspicuous social conflicts in recent years. This is a key area. This is also the focus of my

governance. The minimum wage and the new transport support scheme are implemented precisely to cope with these problems.

Following the Financial Secretary's announcement of the Budget this year, some political parties and Members reopened discussions on universal retirement protection, criticizing the Budget for failing to tackle this issue and using this as one of the justifications for voting down the Budget this year.

Many Members now present in the Chamber have been involved in the controversies surrounding retirement protection schemes over the past 20 years. The Mandatory Provident Fund (MPF) System was the social consensus that resulted from the opposition of mainstream public opinions to the Government's proposal on forming an old age pension scheme years ago. The various universal retirement protection schemes currently proposed by people in society share two common key elements with the old age pension scheme proposed years ago: first, all people will be entitled regardless of their payments; second, the pay-as-you-go principle is adopted, so the current generation of working adults will support the previous generation. These two elements were precisely the focus of disputes at that time, and no consensus could be reached. It was against this background that the present MPF System emerged.

We are concerned about the problem of population ageing, and we realize that this problem will seriously affect the sustainability of a universal retirement protection system. The proportion of young people capable of supporting retirees will get smaller and smaller as time goes by, but the expenses on universal retirement protection will turn bigger and bigger. Under such a circumstance, in order to avert the bankruptcy of the system, the Government will inevitably have to increase taxes for the purpose of making greater commitment. And, it must inevitably enact legislation on forcing both employees and employers to bear a greater burden of scheme contributions. I think it is unrealistic to ask society to forge a consensus overnight on taking forward such a significant and far-reaching social reform.

Rather than wasting time on any fruitless arguments, we should really do something concrete and enhance the existing protection system. Doing so is far more constructive than opening another fiercer and more divisive social policy debate. At present, the Government is co-operating closely with the Mandatory Provident Fund Schemes Authority to review and enhance the various

arrangements under the MPF System. We will also continue to make efforts in the area of elderly welfare.

Having worked in the Government for so many years, I realize that it is not so easy to strike a proper balance in respect of livelihood policies. Some think that the provision of too many welfare benefits will alter the core value of hard struggle upheld by Hong Kong people. Others, however, maintain that when the wealth gap widens, the Government must proactively seek to redistribute wealth.

As a matter of fact, over the past few years, the Government has been investing huge resources to improve people's livelihood. Since the establishment of the third SAR Government in 2007, the expenditure on education, healthcare and social welfare has increased by 30%, from \$122.3 billion to nearly \$160 billion as proposed in the Budget this year. This rate of increase far exceeds the rate of our GDP growth in the same period. The current Government is able to maintain this trend of expenditure only because our economy is prosperous and public finances are in good shape.

However, we must not take prosperity for granted. Members surely have not forgotten the hardship in the prolonged periods after the Asian financial turmoil. We were fortunate that we had sufficient fiscal reserves to help Hong Kong survive this period of economic sluggishness. Government officials are duty-bound to meticulously study and thoroughly examine any measures that may involve increases in the Government's recurrent expenditure, so as to avoid any adverse impacts on our future.

As for the property market, it must be pointed out that short-term speculative activities have already subsided over the past six months, but the prices of private residential properties have still continued to rise, and the prices of flats in some housing estates have even exceeded the peak levels in 1997. The Government's policy objective is to maintain the healthy and stable development of the property market, so that people can all live and work in contentment. We will ensure an adequate supply of land. As for the land sale policy, we will take proactive and active steps to put up more land lots for sale. Faced with the possible risks of a property bubble brought about by the cash flood and super-low interest rates, we will remain vigilant every single second and closely monitor all market changes. Whenever necessary, we will not hesitate to take further actions to maintain our economic and financial stability.

I understand that one reason for people's grievances about life is that high property prices have deprived many people (especially the middle classes) of any hope of acquiring their homes. Difficulties in property purchase are a vexing problem to many Hong Kong people. By announcing the implementation of the My Home Purchase Plan (MHPP) and a whole series of property-related measures last year, I actually intended to adopt a more integrated approach to stabilize the property market and assist people in acquiring their homes. I note that many people in society are still requesting the Government to make more efforts in land supply, public housing construction and subsidized home purchase. I will continue to listen to the opinions of all sectors with an open mind.

In the past one year, I had the opportunities of visiting Beijing, Shanghai and Singapore. I was able to see for myself the rapid developments in these places and how the completion of one construction project after another had transformed the cityscapes of these places. But when I look at Hong Kong's infrastructure projects and realize how they have been delayed unnecessarily, I begin to worry about its ability to sustain its competitiveness.

I note that there are views in society that some political parties and politicians have, in the name of environmental protection or conservation, resorted to legal procedures or other means to frustrate some large-scale infrastructure projects which are about to commence shortly, so as to achieve their ulterior political motives, even at the expense of Hong Kong's overall and long-term interests.

(Mr LEUNG Kwok-hung rose to his feet)

MR LEUNG KWOK-HUNG (in Cantonese): *President, I think*

PRESIDENT (in Cantonese): Mr LEUNG, please wait until the Chief Executive has finished his speech.

MR LEUNG KWOK-HUNG (in Cantonese): *I cannot catch what he means. He said that many politicians and political parties*

PRESIDENT (in Cantonese): Mr LEUNG, this is not the time for you to speak. Please sit down.

MR LEUNG KWOK-HUNG (in Cantonese): *One must be responsible for one's words, buddy.*

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

MR LEUNG KWOK-HUNG (in Cantonese): *Then, he must be talking nonsense.*

PRESIDENT (in Cantonese): Mr LEUNG, you must not violate the Rules of Procedure again. Please sit down. Chief Executive, please continue.

(Mr LEUNG Kwok-hung sat down)

CHIEF EXECUTIVE (in Cantonese): Some people simply wonder what those political parties or politicians who seek to frustrate infrastructure projects are up to — whether they are really in pursuit of environmental protection and conservation

(Mr Albert CHAN rose to his feet)

MR ALBERT CHAN (in Cantonese): *You are precisely one such politician. What is wrong with you? What are you talking about?*

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

(Mr Albert CHAN ignored the President's instruction and remained standing)

MR ALBERT CHAN (in Cantonese): *You must respect the procedures under the rule of law.*

PRESIDENT (in Cantonese): If any Member interrupts the Chief Executive's speech again in contravention of the Rules of Procedure, I shall have no alternative but to ask him to leave the Chamber.

(Mr Albert CHAN turned to leave his seat)

MR ALBERT CHAN (in Cantonese): *I am leaving of my own volition. I do not want to listen any more to the nonsense of this inferior politician.*

PRESIDENT (in Cantonese): Mr CHAN, please leave immediately.

(Mr Albert CHAN left the Chamber)

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

CHIEF EXECUTIVE (in Cantonese): Some people simply wonder what those political parties or politicians who seek to frustrate infrastructure projects are up to — whether they are really in pursuit of environmental protection and conservation, or whether their intention is just to say no to economic progress, to say no to the creation of additional employment opportunities, or to say no to Hong Kong's further integration with the Mainland. Such views really merit calm and objective analysis. But I do not intend to discuss them here. Members of the public will have their own judgments. What I want to emphasize is that the SAR Government will abide strictly by the rule of law. We will definitely deal with the challenges posed by judicial review through legal channels. However, I strongly believe that boosting economic progress and creating employment opportunities through infrastructure projects, promoting Hong Kong's further economic integration with the Mainland, and paying heed to the needs for environmental and cultural conservation are all conducive to people's well-being.

Anyway, Hong Kong's success in turning itself into a world city and the contentment of its people in work and life are mainly attributable to our pragmatic attitude towards running and constructing Hong Kong. Pragmatism emphasizes the striking of a balance. It stresses paying equal attention to all social strata and the promotion of pluralism and tolerance. Such a pragmatic spirit is one of Hong Kong's core values.

Members of the public have grown tired of all the endless political struggles and demagogical slogans. What we need today is a greater number of people who are willing to make more concrete efforts to build Hong Kong.

Thank you.

PRESIDENT (in Cantonese): Mr LEUNG Kwok-hung, please move aside the placard you put on the bench because I cannot see you.

(Mr LEUNG Kwok-hung moved the placard on the bench to one side)

PRESIDENT (in Cantonese): The Chief Executive will now take questions from Members.

MR JAMES TO (in Cantonese): *President and Chief Executive, I am a Non-Executive Director of the Urban Renewal Authority (URA). Recently, the URA has started to make acquisition offer under the Ma Tau Wai project. Computed on the basis of saleable area, the offer per sq ft is \$9,700, breaking all past records. In Sham Shui Po, there is a housing development comprising flats each measuring some 400 sq ft. It is by no means a luxurious property development, but the price is \$8,700 per sq ft. President, there is one question I want to ask the Chief Executive. The general public and this legislature have, in such a rare fashion, come to the consensus that the construction of Home Ownership Scheme (HOS) flats should resume. But the Chief Executive alone, perhaps with the backing of his staff, is stubbornly against the idea.*

May I ask the Chief Executive whether he is really so confident that his personal judgment is wiser than that of the entire community? He has asserted

that in case there is any grave concern about the housing problem in society, he "will not hesitate to take actions at any time". Can the Chief Executive give us an undertaking right now, at this very second, that he will give us a pleasant surprise? Can the Chief Executive announce the resumption of the construction of HOS flats today? Can he offer a ray of hope to society at large, especially young people?

CHIEF EXECUTIVE (in Cantonese): To begin with, I am not oblivious to the voices for resuming the construction of HOS flats, nor am I in any way opinionated. The only thing is that having undergone several financial turmoils and cyclical economic downturns over the past few decades, we have stopped the construction of HOS flats and found it necessary to put in place a new scheme, the MHPP. I think the MHPP is an enhanced version of the HOS, and I sincerely commend it to the people of Hong Kong. I have never stopped listening to Members' advice, but Mr James TO should know very well that the main objective of our present housing policy is to cater for the needs of grass-roots people. For this reason, we must reserve sufficient land for the construction of public rental housing (PRH) units, so as to ensure that all eligible Hong Kong residents can be allocated PRH units within three years from their dates of application.

Besides, in regard to land for private development, we must likewise ensure an adequate supply of land in the Land Application List, so that when necessary, regular auctions can be held to stabilize the prices of private residential properties and avoid any abrupt fluctuations. This is of equal importance. To cope with soaring property prices, I put forward in the policy address last year the MHPP, which, I think, is an improved version of the HOS. The MHPP has many special features; since many discussions have been held, I do not think that I need to repeat them yet again. The relevant construction works will of course take some time, but the MHPP will surely be a faster and more effective approach than resuming the construction of HOS flats. I believe that with the passage of time, Hong Kong people will realize the superiority of the MHPP to the past HOS.

However, I am not totally oblivious to other views, and I do understand such a need. But what we must realize is that if we are to take one more new route in addition to the aforesaid three routes, if we are to resume the HOS, for

example, we must then consider a host of many other issues. One of the most significant issues is land supply. If we are to continue with the HOS I think Members will agree that we should not use the land earmarked for PRH construction for building HOS flats. The reason is that this will impact our undertaking of satisfying grass-roots people's needs — the undertaking of allocating a PRH unit to the applicant within three years from the date of application.

Members will also agree that we should not use the land earmarked for constructing private residential buildings for erecting HOS flats under any long-term plans. Doing so will only reduce the quantities of land put up for auction by the Government. Property prices will thus continue to soar, and the market will only turn more distorted. For these reasons, before contemplating the resumption of HOS flat construction, we must carefully consider the demand for land. It was only after overcoming various difficulties that we finally managed to identify several sites last year for constructing some 5 000 MHPP flats for sale. If we are to take one more new route, that is, if we are to resume the construction of HOS flats, we must conduct a fresh review of the entire situation.

Speaking of conducting a fresh review, Mr TO, I suppose Members should have clearly observed a new factor. Initially, we used to think that our land supply should only be meant for meeting Hong Kong people's housing needs. But these days, we observe that many outsiders have come to Hong Kong to purchase properties. Since Hong Kong is a free market, we naturally welcome others to purchase properties in Hong Kong as much as possible. But in that case, what will be the effects on our property prices? And, what will be the effects on Hong Kong people's affordability? What is more, how much land is required to stabilize land prices? All these are very complex problems.

I can tell Members today that I definitely have not forgotten the urgency of this problem. But I must also say that Hong Kong people really need to consider the viability of the proposal on resuming the construction of HOS flats and also the orientation of the MHPP. Members and some political parties have put forward proposals on optimizing the various aspects of the MHPP, so as to make it better able to suit Hong Kong people's needs. We will definitely listen to all these views. Moreover, we also need to consider whether there are any other plans that can resolve the problem of land supply and demand faced by us now.

At present, we are conducting studies on our long-term demand for land, in an attempt to ascertain how many more reclamation projects we must carry out and how many additional land lots must be supplied before we can meet the needs of all sides. I very much hope that you can allow me to follow up this problem in the policy address this year.

MR JAMES TO (in Cantonese): *President, I well understand that there is actually an albatross around the necks of many government officials or their staff. They fear that in case they really construct several thousand HOS flats, and if the property market subsequently collapses as a result of sudden increases in interest rates and economic downturn, people will put all the blame on the Government. This is their fear. But I wish to tell the Chief Executive that the MHPP he has introduced is simply treated as a joke and laughing stock in the streets of Hong Kong, and people have been using very sarcastic language to describe it. The MHPP is totally unable to offer any help, whether in terms of the quantity of units or the schedule of construction.*

President, while making sure that PRH supply is not affected, we do have a need for seriously considering other options. Since the sale of HOS flats is limited to local people, the construction of several thousand HOS flats, regardless of whether this quantity is sufficient, can at least give grass-roots people some hope in a lucky draw — though they do not know when they can eventually win. Therefore, in the interim to the announcement of the policy address, will the Chief Executive seriously consider the idea of "special treatment under special circumstances and taking actions whenever necessary", so as to give people a pleasant surprise before the announcement of the policy address?

CHIEF EXECUTIVE (in Cantonese): As I have already said, I will seriously consider and study this problem in the meantime. However, I must not allow myself to give any perfunctory reply. This problem must require a satisfactory solution. In particular, we must note that we have not yet come to an accurate grasp of the situation, and all social sectors must first come to an agreement on land demand and reclamation projects before an adequate supply of land can be made available for the purpose.

You remarked just now that the MHPP would be a slower approach. But the fact is that even if we approve the resumption of the HOS today, the flats to be constructed under it will not be completed and available for sale as soon as those provided under the MHPP. This is a fact. Therefore, time-wise, the MHPP will be a quicker approach than the HOS. I have said that I am not totally oblivious to this problem, but I must add that in order to solve the problem, it must require a social consensus, not just the decision of Donald TSANG alone. We need more land. To meet the demand for land, we must require cavern development. Members can see that we are currently conducting a consultation exercise. We also need to carry out reclamation before we can meet the various demands for land: private housing, PRH, the MHPP I have introduced and perhaps also the resumption of the HOS proposed by you. Only a holistic approach can give confidence to the people of Hong Kong. The wait will not be very long. I have said that I will definitely follow up the problem in the policy address.

MR PAUL CHAN (in Cantonese): *Chief Executive, the day before yesterday, the Executive Council approved the granting of the property development rights for two sites located respectively in Valley Road and Wong Chuk Hang to the MTR Corporation Limited (MTRCL) as a form of financial assistance for implementing the South Island Line (East) (SIL(E)) and Kwun Tong Line Extension (KTE) projects. My immediate response after reading the document provided by the Transport and Housing Bureau is that I will jump at the offer. The reason is that according to the document, the funding gap in respect of the two projects is \$13.2 billion, but the Government will require the MTRCL to pay full market premium, and the MTRCL also has to bear \$2.6 billion to \$2.9 billion of the funding gap. However, Chief Executive, after studying the figures carefully, I would like to ask you the following questions. First, the MTRCL*

CHIEF EXECUTIVE (in Cantonese): Can the Honourable Member be requested to raise one question only?

PRESIDENT (in Cantonese): Mr CHAN, please raise one question only.

MR PAUL CHAN (in Cantonese): *My questions are all about*

PRESIDENT (in Cantonese): Please raise one question only.

MR PAUL CHAN (in Cantonese): *President, my question actually consists of several parts, (Laughter) but they are all about the financial arrangements for the SIL(E) and the KTE.*

PRESIDENT (in Cantonese): In accordance with the Rules of Procedure, a Member may raise one question only. You may try to raise your questions, but I will determine whether they belong to one single question or are simply several questions.

MR PAUL CHAN (in Cantonese): *Very well, President. In that case, I will first talk about the most important part because financial arrangements*

PRESIDENT (in Cantonese): Please be as concise as possible, so that other Members may also have chances of asking questions.

MR PAUL CHAN (in Cantonese): *President, according to the document, the units to be constructed under these two projects will be residential flats ranging from 400 sq ft to 2 000 sq ft in the case of the KTE project, and the number of flats will be roughly 1 400 to 1 800; in the case of the SIL(E) project, there will be 4 700 units each with an average size of 760 sq ft. The proportion of units each measuring 500 sq ft will just be 20%. At present, the problem facing Hong Kong people is the difficulty in acquiring properties arising from the shortage of small and medium flats. In the first part my question, may I ask the Chief Executive whether the Government will require the production of "size-restricted" flats and limit the sale and resale of such flats to Hong Kong people when granting the sites to the MTRCL? Why do I mention "size-restricted" flats? President, the Chief Executive has also mentioned that*

PRESIDENT (in Cantonese): The Chief Executive can understand what you mean. Honourable Members, you are now supposed to ask questions, and the Chief Executive will give his replies. Naturally, the background information given by Members when asking their questions will be useful in highlighting the points of their questions, but in view of the Chief Executive's understanding of public policies, it is not necessary for Members to give any lengthy elaboration. I think you have already raised your question. Please let the Chief Executive give his reply now.

MR PAUL CHAN (in Cantonese): *Yes. President, the second part of my question is*

PRESIDENT (in Cantonese): I think you have already raised your question. Chief Executive, please give your reply.

CHIEF EXECUTIVE (in Cantonese): Regarding the exact numbers of small units and large units to be provided, Secretary CHENG already offered an explanation to Members yesterday. Our hope is that the MTRCL can focus mainly on constructing small units. Mr CHAN's proposal on the sale of these units is a new measure which we have never tried before. What I mean is that we have never tried to limit the sale and resale of any properties to any specific groups of people. I am not quite sure whether the various international covenants will allow us to do so, and what impacts the market will sustain. In any case, your proposal obviously involves a major change, one which will distort the market. I am not trying to rule out anything, nor am I saying that there is no need to consider this proposal. If it is really necessary to take steps to protect Hong Kong people's interests, we must explore and consider any options. But frankly speaking, I will not consider this proposal unless we are totally desperate.

Suppose we really impose restrictions, specifying who can buy such properties and who are barred from doing so, how are we going to define Hong Kong people for the purpose? Controversies will surely ensue. Besides, I believe that if resale restrictions are imposed, Hong Kong people will voice a lot of disagreement. But I frankly do not have any hard feeling about this proposal. Mr CHAN, it is fine for you to raise this proposal because the general public can

then hold discussions to explore whether it is desirable. We may explore the proposal from different perspectives, so as to find out whether any international covenants will bar us from doing so, and whether it constitutes any contravention of international covenants. We may explore all these issues together. When dealing with the present housing problem, we should "let a hundred flowers blossom", so that everybody can put forward different kinds of opinions for discussions. It is only in this way that we can possibly solve the problem in the long run.

Most importantly, we must bear in mind that Hong Kong cannot do business behind closed doors, nor can we shut our door to the outside world. Hong Kong is an externally-oriented economy. Our livelihood and economic activities are totally dependent on the outside world. Our trade volume has exceeded our GDP by 300%. This is unique in the whole world. We depend heavily on inward investments. Therefore, we must cautiously examine the consequences when contemplating any special restrictions on outsiders. I wish to thank you for your advice. But I very much hope that we can all come together for discussions and then explore all the positive and negative impacts.

I have already promised Mr TO to give a recapitulation and draw some conclusions in the policy address this year. In the interim, I hope that you can express more views and put forward your desired proposal for Hong Kong people's discussions.

MR PAUL CHAN (in Cantonese): *President*

PRESIDENT (in Cantonese): Mr CHAN, you may ask a brief supplementary question.

MR PAUL CHAN (in Cantonese): *Chief Executive, speaking of international covenants, Australia has in fact been doing so for quite some time. I believe that there must be a basis for Australia's practice. Chief Executive, will you undertake to study the proposal I have raised and then announce the findings?*

CHIEF EXECUTIVE (in Cantonese): Yes.

MR LEUNG KWOK-HUNG (in Cantonese): *Having heard the Chief Executive say that he will not hesitate to take actions at any time, I am really "obliged" to him for that.*

When I entered the Chamber, Mr WONG Kwok-hing asked me what I intended to hurl today. I bought a box of rice with fried fish fillet and corn sauce. An elderly woman was standing beside me when I bought the rice, and she said, "You may throw the box of rice at anything you like — a swine or a dog — but please do not throw such good food at him." So, he is not going to have any rice with fried fish fillet and corn sauce today.

PRESIDENT (in Cantonese): Mr LEUNG, please be concise.

MR LEUNG KWOK-HUNG (in Cantonese): *Yes. I have a pressure test for you. You want to introduce national education. In that case, can you tell me what the Three Principles of the People are? Do you know the answer? This is the pressure test for you because the examiner must set the questions with the level of the candidates in mind.*

PRESIDENT (in Cantonese): Please state your question directly.

MR LEUNG KWOK-HUNG (in Cantonese): *I ran into him at the opening ceremony of the Centenary of China's 1911 Revolution Exhibition the other day, so I wonder whether he knows the answer.*

PRESIDENT (in Cantonese): Mr LEUNG, please state your question directly.

MR LEUNG KWOK-HUNG (in Cantonese): *I suppose he does not. The Three Principles of the People are Nationalism, Democracy and People's Livelihood*

CHIEF EXECUTIVE (in Cantonese): Tattoo¹? People's Livelihood?

MR LEUNG KWOK-HUNG (in Cantonese): *People's Livelihood.*

CHIEF EXECUTIVE (in Cantonese): People's Livelihood. OK.

MR LEUNG KWOK-HUNG (in Cantonese): *Your standard of Chinese is very poor. You even said "匡長" for "冗長". The Three Principles of the People are Nationalism, Democracy and People's Livelihood. The first thing is equalization of land ownership, which constitutes Dr SUN's Principle of People's Livelihood. The other day, I took part in a protest and rebuked you people for creating developer hegemony and giving empty talks about equalization of land ownership. This is the first thing.*

PRESIDENT (in Cantonese): Mr LEUNG, please state your question quickly.

MR LEUNG KWOK-HUNG (in Cantonese): *Yes. The second thing is rampant collusion between business and the Government. How can it be possible to protect people's livelihood in that case? This likewise involves the Principle of People's Livelihood. The third thing is about their subservience to financial cliques and plutocrats. How can they still talk about regulation of capital in that case? Regulation of capital is likewise part of Dr SUN's advocacy. The last thing is the theme — empty talk about the Xinhai Revolution*

¹ The pronunciation of "tattoo" (man4 san1) in Cantonese is very similar to that of "people's livelihood" (man4 sang).

PRESIDENT (in Cantonese): Mr LEUNG, if you still do not stop lecturing, I shall have to direct you to stop. Please state your question quickly.

MR LEUNG KWOK-HUNG (in Cantonese): *Can he understand anyway? President, do you understand? You should be able to understand*

PRESIDENT (in Cantonese): Please state your question.

MR LEUNG KWOK-HUNG (in Cantonese): *My question is very straightforward. You yourself advocate and commemorate the Three Principles of the People, but apart from leaving your popularity "nosediving" and reporting to the police to frame up others, what have you done? This thing was what I intended to give you on 1 May, but it was seized by your security guards. Today, I will not hesitate to take actions at any time. Answer me. What have you done about these three things?*

PRESIDENT (in Cantonese): You have already stated your question. Please sit down.

MR LEUNG KWOK-HUNG (in Cantonese): *About LIU Xiaobo, he must say a few words of justice for him*

PRESIDENT (in Cantonese): Mr LEUNG, you have already stated your question. Please sit down.

MR LEUNG KWOK-HUNG (in Cantonese): *No problem. You just answer me. What have you done about these four things?*

CHIEF EXECUTIVE (in Cantonese): Regarding People's Livelihood, Members can notice all the efforts that this current SAR Government has made. And, I

already gave an account of all this in my opening remarks just now. As for the Principle of Democracy, especially in respect of democratic development, this Government has already finalized the timetable for implementing universal suffrage. We are already able to take the first step forward in 2012. I believe that all our efforts in these areas are very clear to the discerning eyes of the public. They can all observe how much we have achieved.

MR LEUNG KWOK-HUNG (in Cantonese): *What? There are four things — A, B, C, and D. You cannot even give any answer to A and B. It is very simple*

PRESIDENT (in Cantonese): Mr LEUNG, you may raise a very brief supplementary question only.

MR LEUNG KWOK-HUNG (in Cantonese): *God, remember that there is video-recording for this meeting. A Member has made such good preparations* Buddy, see, I show him the picture to let him learn the word lest he pronounces it as "匡長". *Even this must be stopped? Everybody knows how to learn a word by looking at a picture, right? I have even taken account of his presbyopia.*

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

MR LEUNG KWOK-HUNG (in Cantonese): *I do not think this is alright. He has not answered that last question about Mr LIU Xiaobo. Will you say a few words of justice for Mr LIU Xiaobo? Commemoration of the Xinhai Revolution will involve the Principle of Democracy, right? You have already replied to the question on elderly protection, but the reply was nothing but total nonsense. If we want to protect the elderly*

PRESIDENT (in Cantonese): You have already stated your supplementary question. Please sit down and let the Chief Executive give his reply. Mr LEUNG, please sit down.

MR LEUNG KWOK-HUNG (in Cantonese): *Alright, then, you give me a reply. You must not refrain from giving me a reply! I now want to fight you the intellectual way.*

CHIEF EXECUTIVE (in Cantonese): The human rights situation in Hong Kong is clear to all. Hong Kong people's liberties and rights in all respects are safeguarded, well promulgated and protected. From the time before 1997 to now, the post-1997 years, it has been clear to all that Hong Kong can rank among all the liberal and most democratic societies in the world. I have no regret in this regard.

PRESIDENT (in Cantonese): Mr IP Kwok-him.

(Mr LEUNG Kwok-hung threw a container forward. Security Assistants hastened forward to stop him)

PRESIDENT (in Cantonese): Mr LEUNG Kwok-hung, leave the Chamber immediately!

(Mr LEUNG Kwok-hung threw a bunch of paper flowers and a pair of swim trunks forward. Security Assistants hastened forward to stop him and attempted to assist Mr LEUNG Kwok-hung in leaving the Chamber)

PRESIDENT (in Cantonese): Mr LEUNG Kwok-hung, leave the Chamber immediately!

MR LEUNG KWOK-HUNG (in Cantonese): *You must satisfactorily handle maximum working hours and universal retirement protection*

(Assisted by Security Assistants, Mr LEUNG Kwok-hung left the Chamber)

MR IP KWOK-HIM (in Cantonese): *Chief Executive, when you spoke at the beginning of this meeting, I heard you say that some large-scale infrastructure projects have come to a halt due to the actions of certain political parties and politicians. According to statistics, in the case of certain large-scale infrastructure projects — actually not just one but as many as some 70 projects — the relevant environmental impact assessment (EIA) reports have been voluntarily withdrawn for the conduct of fresh assessments. Many of these works projects are related to people's livelihood and the economy.*

I can remember that in the Central and Western District, because the construction works of certain corridors could not proceed as scheduled due to various factors, serious traffic congestion and huge economic losses eventually resulted. And, the delay of works projects will also lead to increases in construction costs. Ir Albert LAI of the Civic Party has told the mass media many times that the Government was already informed of the concern about the environmental baseline and offered a reconciliation proposal, but it apparently did not pay much heed to the proposal. At the Council meeting yesterday, a Member queried the Government for completely ignoring the proposal and failing to grasp the opportunity of instigating the lawsuit at an earlier time. Is the lack of concern on the part of government officials and the Chief Executive yourself a cause leading to the delay of infrastructure projects?

CHIEF EXECUTIVE (in Cantonese): To begin with, we attach very great importance to the implementation of all infrastructure projects. The current Government already mentioned for the first time in the 2007 Policy Address that 10 major infrastructure projects would provide the impetus for our economic recovery this time around. Therefore, there should be no question about the importance we attach to these works projects. Having said that, I must add that we must also respect people's right to challenge the Government's policy decisions in the form of judicial review.

As for what you mentioned a moment ago, I must make it a point to say that as the judicial process for the EIA report on the bridge has already started, it is actually inappropriate for me to say anything in detail here. However, since this matter is discussed by Honourable Members, and I also think that members of the public have expressed their special concern and worry, I attempted to express my personal feelings in my opening remarks, in the hope that everybody can calmly and objectively look at this issue.

It is true that since we must abide by the law, the progress of a number of works projects will be affected. But this does not mean that we are slow in our actions and lack determination. Rather, it is just because we must abide by the law. As far as I know, some 70 to 80 works projects are affected. In some cases, fresh EIAs must be conducted, or postponement is required. Concerning the details, as I have pointed out, I do not want to say anything further since the judicial process is already underway.

Most importantly, we know that the public are worried about whether the delay of these works projects will hinder economic development, impact Hong Kong people's employment prospects, affect Hong Kong's economic integration with the Mainland, deprive us of the new opportunities brought about by the rapid development of the country, and marginalize Hong Kong in terms competitiveness. I appreciate that these are the worries of the public. Concerning the present ruling of the Court, as I have said, we will respond actively and face the challenge. We will adopt remedial measures on various fronts, in the hope that certain works projects will not be delayed for too long.

MR IP KWOK-HIM (in Cantonese): *Chief Executive, I wish to follow up one thing. Under the present situation, will you continue to make assessment from the perspective of the Government, so as to ascertain the overall economic losses, including increases in the unemployment rate and public expenditure, in case any further infrastructure projects must be called to a halt due to incessant challenges. Do you have any measures in mind to tackle the problem?*

CHIEF EXECUTIVE (in Cantonese): It is very difficult for me to quantify the losses at the moment because some of the affected projects will not be implemented until two or three years later. I do not quite know how much we

can catch up on lost time with the adoption of other measures in the meantime. But it is certain that any delay will necessarily affect public expenditure. For example, if the construction of the bridge is delayed for one year, the loss will be roughly \$2 billion. This is what Members are aware of. As for other works projects, given the high wages and construction costs these days, any delay in construction will necessarily have financial implications. However, I do not have any information on hand that can help me quantify such losses. We are currently computing how much we can catch up on lost time for each project. I believe that in the course of litigation, many problems will emerge one after another.

MS AUDREY EU (in Cantonese): *President, the Chief Executive is also aware that our Air Quality Objectives (AQOs) were drawn up in 1987, that is, 24 years ago. Actually, in the policy address of 2009, the Chief Executive already mentioned the conduct of a review. The review should have been completed in November 2009. Then, last year, the Environment Bureau also said in its work report that the AQOs should be upgraded and updated last year and referred to the Legislative Council for examination. However, Chief Executive, nothing has since happened. It is already 2011.*

Every time when I pursue the matter — with Chief Secretary for Administration Henry TANG, Secretary Edward YAU or Under Secretary Kitty POON — I ask them why there has been such a delay, and what the problems are. They invariably say, "As soon as possible." You also know that Friends of the Earth has recently lodged a complaint with The Ombudsman, questioning why there has been such a long delay.

Can the Chief Executive tell us what the problems are? Are you afraid that after the updating of the AQOs, all Roadside Air Quality Monitoring Stations will record "astounding" levels of pollution every day, and everything will end up in a mess? Or, is that because you are afraid that the updating of the AQOs may render the infrastructure projects you want to implement unable to pass EIAs? What are the reasons? Everything is now ready, and we are just waiting for the announcement of a date of updating by the Government. Why has there been no news for such a long time?

CHIEF EXECUTIVE (in Cantonese): I believe Members all understand that we are very serious about this matter. But the adoption of updated AQOs must be based on certain major guidelines issued by the World Health Organization (WHO). Such new objectives are not yet adopted in many countries for the time being, so we must be especially cautious with their adoption, so as to make sure that they can suit the circumstances in Hong Kong. Besides, over the period in question, many things have happened, including legal challenges concerning the requirements of EIAs.

We must carefully assess the economic and social impacts of any new AQOs on Hong Kong. It is only by doing so that we can put forward any long-term and firmly established AQOs that are appropriate to all works projects and economic development. I believe it is necessary for us to handle the matter carefully. But we are determined to put forward the AQOs for Members' discussions within this year.

MS AUDREY EU (in Cantonese): *Chief Executive, I think that there is something wrong with what you have said. The guidelines of the WHO were already announced in 2006. In 2009, you announced the conduct of a consultation exercise, and the consultation exercise was already completed in November 2009 as a matter of fact. You say that we do not necessarily have to follow the guidelines of the WHO. But in fact, you have never said that we should follow the guidelines of the WHO. Actually, there is a very great difference from the guidelines of the WHO.*

Actually, all work has been completed. The consultant has offered its recommendations, and the Government has also put forward proposed changes. After the completion of all work, the only thing that is missing is the commencement date. When will the new objectives come into force? It started in 2009, and everything is ready now. But no commencement date has been announced so far. The Ombudsman has also referred to people's expectation, saying that the Government should announce a commencement date. Last year, the Government already agreed to go ahead, but no concrete actions have been taken ever since.

Therefore, Chief Executive, all the lawsuits and judicial challenges that you mentioned a moment ago are totally irrelevant. I only want to ask you,

"Why has it taken so long?" Can you give us a promise and tell us a date, instead of saying "as soon as possible"? Well, every time I ask the Secretary this question, he will reply, "As soon as possible." Just give us a date. On which day will the AQOs recommended by the consultant and proposed by the Government come into force? When will they come into force?"

CHIEF EXECUTIVE (in Cantonese): Commencement must be preceded by a legislative process. It is not a decision to be made by me alone. Concerning the objectives in question, if we are to handle As I said just now, they will certainly be put forward within this year. But I actually wanted to talk about several points just now. Following the announcement of the guidelines formulated by the WHO, how has every country developed its own objectives on the basis of the guidelines? How is the situation of implementation? The answers can provide us with useful reference. Which countries have really implemented the guidelines issued by the WHO? Is there any experience that can be learnt?

MS AUDREY EU (in Cantonese): *I did not ask him*

CHIEF EXECUTIVE (in Cantonese): I am sorry. But I must talk about all this in order to answer this question.

MS AUDREY EU (in Cantonese): *..... I asked him when the SAR Government's proposals can be implemented*

PRESIDENT (in Cantonese): Ms EU, please sit down.

CHIEF EXECUTIVE (in Cantonese): Please allow me to answer your question in my own way, can you? I am sorry that I have to answer these questions in my own way, and I must give complete answers. You asked me why I had not proceeded as quickly as possible. So, I tried to explain to you that we must study the experience of other places. This matter cannot be done overnight.

We simply cannot take any hasty actions. We must carefully consider any possible impacts on society. I have promised you that an announcement will be made within this year.

MR ANDREW LEUNG (in Cantonese): *President, in his opening remarks, the Chief Executive pointed out that he was aware of people's concern about soaring property prices. Actually, the SAR Government already administered very heavy remedies to deal with the problem last year. However, as he rightly pointed out, property prices have still been soaring, with the price levels in 1997 being exceeded in the case of some individual housing estates. As can be expected, he has said that more land lots will be made available for increasing land supply. But even if more land lots are made available, the effect will not be felt until several years later. And, when it comes to land auctions, there is a record-breaking price in every auction. The price of flour may easily be higher than the price of bread, so to speak. The Government has made many efforts, but there seems to be no obvious effects.*

On the other hand, if we look at the situations in foreign countries, we will see that their financial systems are not quite so stable. In PIGS countries such as Greece, a debt crisis may emerge at any time. He talked about the issue of a bubble just now. May I ask the SAR Government what proposals on handling property transactions it can put forward to the public? And, in case the bubble bursts, how can it ensure a soft landing and reduce the losses suffered by Hong Kong, so as to avoid the repetition of what happened after the financial turmoil? What plans does the Government have?

CHIEF EXECUTIVE (in Cantonese): Concerning the risks in the property market, the Financial Secretary, the Secretary for Financial Services and the Treasury and the Chief Executive of the Hong Kong Monetary Authority have been repeatedly reminding the public that the current period of low interest rates will soon come to an end, and interest rates will start to rise very soon. All countries have started to halt all the quantitative easing monetary policies they have put in place. Following this, a rising trend of interest rates will occur, and the cash flow may no longer be so adequate.

Therefore, the present soaring of property prices have brought about two obvious problems. First, in case of bursting, will negative equity assets occur once again? Second, will the present soaring of property prices come to affect the public, making them feel that they are unable to "board the train" and acquire properties? Regarding the second question, some Members have already referred to it, and I have replied that we will focus on whether people are able to acquire properties, and whether the construction of HOS flats should be resumed. However, even in this regard, we must still consider how much land should be allocated if we are to stabilize property prices. I have undertaken to follow up this issue in the policy address.

Concerning the first question, we will monitor every day the flows of capitals, the trends of the mortgage business, Hong Kong people's debt-servicing ability and also the increases in interest rates. Hong Kong people are very clever. We have gone through the Asian financial turmoil, and our ability to overcome various problems in the aftermath of the recent global financial tsunami is precisely attributable to the experience we have gained from the Asian financial turmoil. That negative interest rates have not occurred is entirely ascribable to the support and co-ordination of all sides. And, our banking system is more robust than before.

Besides, we have put in place appropriate regulatory control, and our liability control is likewise satisfactory, especially in respect of credit control. We will adopt multi-pronged measures in respect of credit lending, mortgage and especially information dissemination, in an attempt to inform Hong Kong people of what is happening in Hong Kong. As long as we can do so, I believe that should there be any further fluctuation causing a worldwide decline in property prices, Hong Kong will suffer less.

However, Members also know that under the operation of market economies, all impacts are global in nature, so there is no room for us to stop anything single-handedly. At present, there are already many signs, and the alarm has been sounded in respect of affordability and property investment returns. The yellow light and the red light are already showing. The Financial Secretary has given repeated warnings. What is more, the Chief Executive of the Hong Kong Monetary Authority has made special references to this issue several times. I believe all these messages are effective. Before purchasing any properties, a person must first assess his affordability. And, he must not

assess his affordability at the present moment only; rather, before making any investment, he must also project whether he can still afford in case the interest rate goes up by 3% or 4%, otherwise he may inflict harm on himself.

Having said so, I am confident that after going through the Asian financial turmoil in 1998 and 1999, Hong Kong people should have learnt a lesson.

MR ANDREW LEUNG (in Cantonese): *The Chief Executive says that many statistics have actually sounded the alarm. In that case, can he share with the public more information which sounds the alarm, so that people intending to purchase properties can know whether they can afford, and choose to wait a little while in case they find that they do not have sufficient means, lest the properties they purchase may become negative equity assets?*

CHIEF EXECUTIVE (in Cantonese): You can see that Mr Norman CHAN has been writing many articles on this particular problem. The Financial Secretary has likewise talked about the risks problem several times. I have already offered you a very good piece of advice just now — before taking out a mortgage loan, a person must project whether he can still cope in case the interest rate goes up by 3%. This is the best pressure test to ascertain one's affordability. If a person thinks that he can cope and needs not worry about his affordability, he may make investment. But he must at the same time consider the rate of investment returns. To sum up, everybody must be very cautious in this regard. One obvious trend is that globally, quantitative easing monetary policies seem to be drawing to a close, and the cycle of interest rate increases has already begun.

MR CHEUNG MAN-KWONG (in Cantonese): *Chief Executive, the SAR Government expressed its intention of introducing Moral and National Education and even claimed that Moral and National Education was not a form of "brainwashing". However, when the education sector was still dubious about this claim, HAO Tiechuan of the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region suddenly made a remark in public, saying that national education was a form of "necessary brainwashing", and asking, "How can any moral and national education defiant of the Central Government be called 'Moral and National Education'"?* In other

words, according to him, national education is simply equal to teaching students to obey the Central Government, or even "brainwashing" them.

Admittedly, he subsequently tried to take some remedial actions, but his remarks have left such a deep impression on the education sector that they simply fail to dispel the anxieties of the sector. Does the Chief Executive agree to HAO Tiechuan's remarks? What is your response? Besides, in the course of implementing national education in the future, will the SAR Government make it very clear that it refuses to accept HAO Tiechuan's viewpoints?

CHIEF EXECUTIVE (in Cantonese): To begin with, Mr CHEUNG, I will not respond to the comments made by any persons. I do not think that it is appropriate to do so.

However, it cannot be denied that Hong Kong is part of China. Helping students to get to know their identity as Chinese nationals and the latest development of the country is the intrinsic duty of the authorities. And, this is also conducive to the development of the country and individuals. Many countries, including advanced and democratic countries, likewise adopt this practice.

The relevant contents are already included in the present curriculum of moral and civic education. You should know this very well. The only thing is that we will just try to enhance the relevant curriculum contents and proceed in a more systematic matter.

During discussions on such issues or others, different sides will inevitably hold divergent views. Since our country has a very long history, it is only natural for everybody to put forward many different views on this particular topic. Students may hold discussions from many different perspectives. There is no need to avoid anything, nor is it necessary to be particularly concerned about any ideas. I believe that teachers will have sufficient professional competence to handle different schools of opinions and formulate a new and satisfactory curriculum for moral education.

Most importantly, I think, we must realize that we must not use the word "brainwashing" to describe national education. I think this word is an insult to

national education, and to teachers and students, this word is likewise a bit insulting. Education is education, and national education is also part of education.

MR CHEUNG MAN-KWONG (in Cantonese): *President, the very one who talked about "brainwashing" is HAO Tiechuan. Therefore, the very one who insults others is also HAO Tiechuan.*

According to the Education Bureau, there will be no restrictions on the topics covered by teachers in national education, and sensitive materials will not be avoided either. The Education Bureau has indeed provided many teaching kits on the achievements of the country, such as the Beijing Olympics and the economic progress of the country. I totally support all this, and I also support the implementation of national education.

However, to ensure room for "liberal" and "pluralistic" perspectives, will the Education Bureau provide teaching materials on the 4 June Incident, the AI Weiwei incident and the LIU Xiaobo incident, so as to show that our national education is truly pluralistic and liberal?

CHIEF EXECUTIVE (in Cantonese): To begin with, Mr CHEUNG, I have already remarked that we need not evade all these issues. Any issues can be discussed openly from different perspectives.

Most importantly, consultation is still underway. We are of the view that regarding this issue, that is, the issue of how national education should be implemented, everybody can conduct open discussions and put forward the views mentioned just now for exploration. Everybody can put forward views for exploration. I hope that we can formulate the most satisfactory curriculum, so as to well-equip our youngsters for becoming good citizens of our country.

MRS REGINA IP (in Cantonese): *President, at the beginning of this Chief Executive's Question and Answer Session, the Chief Executive said that the implementation of the minimum wage had produced very great impacts on society. I know that some private elderly homes serving totally 40 000 elderly*

persons are now faced with imminent closure because while wages have gone up by 20%, the bought-place fees have increased by 2% only, thus arousing great worries in society. But another bill that will be put before this Council very soon may produce even greater impacts. I am talking about the Competition Bill.

Chief Executive, this Bill was also mentioned in your election platform. It is as thick as some 200 pages. What I notice from its contents is that first, the standards adopted by the European Union (EU) are used as the bases in many cases; second, sometimes, the provisions are even harsher than those found in the EU. I think that as you were once the Director-General of Trade, you should understand the situation. In the case of the EU, the threshold for abuse of market power is "dominant". But in Hong Kong, the proposed threshold is lower, being pitched at "substantial". A "substantial" scale may already lead to conviction. And, there may also be "follow-up actions" and "stand-alone private actions". Both large enterprises as well as small and medium enterprises (SMEs) are extremely worried. The Law Society of Hong Kong has written a statement of 40 pages on this issue. I think only academics specializing in competition law will be keen on the law.

Chief Executive, may I ask whether you think that it is absolutely necessary for this piece of legislation to be passed? Have you issued any directives to the Commerce and Economic Development Bureau, ordering that the legislation must be passed?

CHIEF EXECUTIVE (in Cantonese): The enactment of a competition law was the undertaking made by the current Government to Hong Kong people in 2007. We have drafted this legislation, and we also hope that it can be passed during the term of the current Government. So far, there have been several rounds of open consultation, and the bill that has been put forward is based on the findings of the consultation. We will continue to listen to the views of different sides and hold discussions on deciding which clauses are not suitable for Hong Kong. We will surely listen carefully to all views, especially those on the negative impacts that may be suffered by SMEs.

However, as Mrs IP also knows, the power of passing laws is not vested in me but you Legislative Council Members. If you ask me whether the bill can

certainly be passed, I would reply that I cannot give any assurance. But I will naturally make sure that we will all do our utmost.

MRS REGINA IP (in Cantonese): *Thank you, Chief Executive. Let me perhaps provide the Chief Executive with some information. According to the latest consultation findings, SMEs are extremely afraid. Initially, they thought that anti-trust laws would be directed at large enterprises only. It has never occurred to them that they will also be affected. Anyway, I am glad to hear the Chief Executive say that there is no "deadline", and that our views will be heeded. I must therefore thank the Chief Executive.*

MR LAU KONG-WAH (in Cantonese): *President, a year ago, several Members resigned and ran in the by-election. The public dismissed this as a mere ploy, criticizing them for abusing the mechanism of by-elections. The Government has recently put forward a new measure, and I believe it will be supported by the public. But this year, the same political party is involved in yet another ploy, initiating a judicial review of the Hong Kong-Zhuhai-Macao Bridge. Actually, everybody can see that this political party has been supporting this project in this Council. But outside the legislature, it has turned to a "hired gun", machinating the institution of judicial procedures in the name of an old woman. The public think that they have abused the judicial process. What is even more immoral is that the litigation fees of the old woman's case have been paid to an executive committee member of this political party.*

May I ask the Chief Executive what measures does the Government have in order to plug the loophole and prevent such abuses of the judicial process? Moreover, will such appeal cases result in the protracted delay of works projects, thus further reducing Hong Kong's competitiveness?

CHIEF EXECUTIVE (in Cantonese): I have explained that we must now respect the judicial process. Legal proceedings on the bridge have already begun, so it is inappropriate for me to discuss too many details here. I agree with the Honourable Member that Hong Kong people are now worried not only about the bridge but also all public works projects. If some 70 or 80 projects are delayed, what impacts will Hong Kong sustain? They have two major worries.

On the one hand, as I have said, will the delay of the works projects render Hong Kong unable to grasp the new opportunities arising from the country's economic growth, put back our integration with this gigantic economy, and cause our marginalization altogether? In respect of people's livelihood, will such delay adversely affect our economic growth and in turn our employment opportunities? All these are the present worries of Hong Kong people.

On the other hand, the public are of the view that we people in politics have allowed sufficient opportunities for discussing these large-scale works projects, thinking that such projects have proceeded under "broad daylight" with high transparency, have undergone lawful consultation, have received discussions in the Public Works Subcommittee and the Finance Committee, and have also eventually received their approval. We want to adhere to all these procedures as much as possible, and we also hope that people can respect the procedures, so that the projects can commence. The public are worried that some people may still remain defiant even at the last minute and resort to various judicial procedures to put up obstacles for preventing works commencement. I do not think that any politicians with a sense of responsibility and commitment to Hong Kong should do anything like this.

These are the two points discussed by the general public. My mentioning of these points does not mean that I agree to them. But as I explained in my opening remarks, I think these points really warrant more in-depth and objective discussions. In this way, all of us can ascertain how to tackle the problems.

(Dr Margaret NG rose to her feet)

DR MARGARET NG (in Cantonese): *President.*

PRESIDENT (in Cantonese): Dr NG, a point of order?

DR MARGARET NG (in Cantonese): *Yes. Can I ask the Chief Executive to clarify what he means by "at the last minute"? I myself am not involved the lawsuit concerned. But I note that it is about the EIA report. I also know that after a ruling has been handed down on whether the EIA report shall be*

accepted, an appeal must be filed within the following three months. But no appeal shall be lodged before that. President, I wish to know what is meant by "at the last minute."

PRESIDENT (in Cantonese): Dr NG, please sit down. Your question is not about any point of order. You have queries about the Chief Executive's remarks just now. But we are not holding a debate.

DR MARGARET NG (in Cantonese): *President, I actually want the Chief Executive to make a clarification.*

PRESIDENT (in Cantonese): Please sit down first.

DR MARGARET NG (in Cantonese): *May I ask the President whether we are permitted to seek any clarification from speakers in this session? Or, is the speaker allowed to say whatever he likes, even without any grounds?*

PRESIDENT (in Cantonese): You may of course request government officials or Members who have spoken to clarify their viewpoints. But it is up to the government officials or Members concerned to decide whether they will make any clarification. I shall ask Mr LAU Kong-wah to ask a brief supplementary question before asking the Chief Executive to make a decision.

MR LAU KONG-WAH (in Cantonese): *President, certain political parties are naturally very concerned about achieving success in shelving the construction of the bridge. I have a follow-up question. Chief Executive, the delay of some 70 works projects is by means a minor problem. I think the Government needs to conduct a comprehensive evaluation. Can the Government inform the people of Hong Kong, this Council and the Judges of the details before the appeal relating to the case?*

CHIEF EXECUTIVE (in Cantonese): We will disclose as much information as possible to the public on the premise of not affecting the judicial process. And, some of the information is already included in the Environmental Protection Department's list of EIAs. However, up to this moment, the dimensions of financial implications are not yet known. We will carry out studies on this as far as possible. As Members can understand, the impacts will be very great if as many as some 80 projects are involved.

In response to what Dr Margaret NG said just now, I only wish to make one comment. I have never said that I agree to those opinions. I have only said that some in society have put forward such views. I have done no more than quoting these opinions, thinking that they warrant our objective and calm handling as well as discussions.

MR ALAN LEONG (in Cantonese): *President, it is a pity that I am not the Chief Executive, otherwise I should be able to answer the question raised by Mr LAU Kong-wah very easily. If the Chief Executive is truly committed to the rule of law, he only needs to tell Mr LAU that his remarks are total nonsense. As the Government has been involved in various lawsuits all along, how can it say that some people have abused the judicial process?*

Actually, Chief Executive, I think members of the public who are not misled by you, or by those political parties who may be forced to defend or support the Government despite their reluctance, will understand that the SAR Government has only itself to blame for the High Court's ruling that the EIA report relating to the construction works of the bridge is unlawful.

President, you also know that this Council has in fact been reminding the SAR Government that the way in which it deals with the Environmental Impact Assessment Ordinance is highly likely to be regarded as unlawful. However, the Government has never taken any action. This is exactly the crux of the problem.

President, I have a question to ask the Chief Executive. In the opening remarks he delivered at the beginning, he said that he was aware of some views that certain political parties and politicians had actually sought to hinder economic development in the name of environmental protection. Since he remarked that he was aware of such views in society, he should also have noted

that people holding such views have also pointed out, as Mr LAU also related just now, that "excessive judicial power has come to affect the executive-led governance of the SAR". The same people have even requested the SAR Government to immediately seek an interpretation of the Basic Law from the National People's Congress (NPC), so as to ensure that the construction works of the bridge can resume immediately.

However, the Chief Executive remarked just now that he would not discuss these views today. President, he repeatedly said that he would not discuss these views today, but he remarked at the same time that these views merited thorough consideration by the public.

I would like to ask the Chief Executive one question: what exactly does he want us to thoroughly consider? Does he mean that we should thoroughly consider whether judicial power is so excessive that it has come to affect his executive-led system? Or, does he mean that we should thoroughly consider whether we must immediately request the NPC to interpret the Basic Law, so as to ensure that the construction works of the bridge can resume right away? May I ask the Chief Executive whether he is still in defence of judicial independence, and whether he still respects our rule of law?

CHIEF EXECUTIVE (in Cantonese): I have made it very clear in my opening remarks. I totally respect people's right to challenge government policies by way of judicial review. I totally respect the ruling of the Court, and the SAR Government will act in accordance with the ruling of the Court. The rule of law is a cornerstone of Hong Kong's prosperity. Certainly, this cornerstone must not be shaken even the slightest bit.

As for whether some people have abused the judicial process, I must say that this question is in fact raised by members of the public, and I think it merits our thorough consideration. The public now have two concerns. Please allow me to mention them once again. Their first concern is whether our competitiveness will thus lag behind that of others. In particular, we, as politicians, should act in the interest of the general public, because this is the hope of Hong Kong people. Any major works projects put forward by the Government will invariably go through rounds of discussions in society, and are always dealt with in accordance with open procedures. The Government will

also consult the Finance Committee, District Councils and Public Works Subcommittee, and so on. The pros and cons are dealt with in this process, and once they have been dealt with, everyone is expected to respect the outcome and accord priority to the overall public interest.

The first concern of the general public is whether infrastructure projects will be delayed as a result of the seeking of personal political gains. The second concern is whether such delay will affect our economic growth and competitiveness, or even people's "rice bowls". All these are very real problems. I think they all merit our thorough consideration and exploration.

MR ALAN LEONG (in Cantonese): *In that case, does he mean that we do not need to thoroughly consider whether the SAR Government has failed over the years to pay any heed to this Council's advice on setting things right and interpreting EIA reports in the manner as stated in the judgment of Mr Justice FOK, JA? Does this merit our consideration? Any action that hinders executive dominance is an abuse of the judicial process — is this the point that the Chief Executive wants us to consider?*

CHIEF EXECUTIVE (in Cantonese): I have already said that I do not want to discuss the details of the case, because it is being handled in the judicial process. As a lawyer, Mr LEONG should know that the case should not be discussed. However, as I have said just now, I will certainly respect the Court's decision. And, the other issue I have just talked about concerns the feelings of Hong Kong people. I think it needs to be considered. This is a fact.

DR JOSEPH LEE (in Cantonese): *President, I wish to ask the Chief Executive one question. Twenty-one years ago, the Government introduced the policy of allowing universities to provide registered nurse training. This policy has been in place for 21 years, but over the past 21 years, despite the existence of this policy, the University Grants Committee (UGC) has never had adequate resources or any new funding for ensuring an adequate supply of registered nurses in Hong Kong. In recent years, the situation has even shown signs of deterioration. According to some reports, a nurse now needs to take care of 14*

to 16 patients on average. Seeing this, the Government has hastily reopened certain schools of nursing under the Hospital Authority (HA).

In respect of this situation, may I ask the Chief Executive to explain why the Government's policy has been so inconsistent? This situation has led to many queries in the sector. Has the Government been backtracking? Seeing the Government's hasty move, some have queried whether its aim is just to save money — after all, the provision of such training by universities will require more funding, and it will be more economical for schools of nursing to do so. Or, is it the intention of the Government to "sap" the strength of universities? I really do not know the answers to these questions. I hope the Chief Executive can offer some explanation here.

Actually, I have made enquiries with Secretary Dr York CHOW and Uncle SUEN. But these two Bureau Directors have both replied that this issue has nothing to do with them. I therefore wish to take this opportunity to ask the Chief Executive for some explanation. When the Government's policy is so inconsistent, how can it ensure an adequate supply of registered nurses for the healthcare industry or healthcare services in the future and sufficiently assure us that the healthcare industry or healthcare services can enjoy sustainable development without having to worry that talks about manpower shortage or surplus, or about resource shortage or surplus, may suddenly crop up, much to the disorientation of everybody?

CHIEF EXECUTIVE (in Cantonese): The development of the healthcare industry can be divided into several aspects. The aspects I am going to mention do not fall within the scope of your question. But please bear in mind that these aspects are likewise part of the overall development. Our plan includes the provision of new land lots for constructing new hospitals. We will expeditiously allocate four land lots for the purpose, in the hope of enhancing healthcare services, especially hospital services, and striking a more satisfactory balance between public-sector and private-sector healthcare services.

The other most significant aspect is that we will increase the supply of healthcare personnel. Such manpower increases are part of the overall plan, rather than any fragmented additions. We are currently proceeding under the plan we have formulated. There are at least two parts. The first is the training of medical doctors. The second is the training of nurses. We have already

completed a review. In respect of universities, the proposed numbers of places to be provided by individual medical and nursing schools have been put forward for soliciting the views of the various institutions.

As Members also know, increases in training places for medical and nursing personnel are not limited to the period from 2012 onwards. Rather, increases are also found in 2009, 2010 and 2011. And, we have already increased the number of places in medical schools from 250 to 320. In other words, we have already increased the number of places for the training of medical doctors. Besides, we have likewise increased the number of nurse training places under the HA. I believe Dr LEE should have more information than I do.

In addition, in the current financial year, we will continue to recruit additional medical and nursing personnel. We will recruit an additional 330 medical doctors and 1 720 nurses. I think manpower is rather tight, but I very much hope that after the recruitment of the additional personnel, the pressure of manpower shortage can be relieved. The most important thing is that rather than coming to an end now, the plan will definitely continue into the future. We must not stop at satisfying current needs. In the future, when we develop the healthcare industry, we must likewise provide sufficient manpower, especially medical doctors and nurses. And, we must also provide other support facilities and services before we can develop this particular industry.

DR JOSEPH LEE (in Cantonese): *My question is actually very straightforward. Since the Government already decided 21 years ago to provide training of registered nurses in universities, why has it failed to provide sufficient funding over all these years for universities to train an adequate supply of nurses? Seeing that there is a shortage of nurses, the Government has hastened to reopen the schools of nursing under the HA. But one simply does not know when these schools will be closed down once again. The Chief Executive has not answered my question. He has only replied that the Government will increase the number of training places for nursing and medical personnel. Actually, my question is about why it is impossible for the Government to provide the UGC with sufficient new funding, so that universities can train an adequate number of nurses to avoid any shortage of nurses in the coming five to 10 years.*

CHIEF EXECUTIVE (in Cantonese): Speaking of nurse training, I suppose Dr LEE is well aware that we are not supposed to rely solely on universities for training, right? There are also senior year places in nursing and associate degree places in nursing. Universities are not the sole provider of nurse training. Resources for universities will be increased, and so will resources for other training programmes. I must tell Dr LEE that the overall number of nurses will increase, and that we will definitely provide universities with more resources for nurse training.

MR WONG SING-CHI (in Cantonese): *President, the Chief Executive's replies to questions and opening remarks have both made members of the public feel that while the Government's environmental impact assessment work is very shoddy, it still blames the public for taking legitimate actions under the law, that he simply ignores the livelihood needs of elderly persons after their retirement, and that he does not want to resume the construction of HOS flats even when rises of property prices have gone out of control.*

As for funneling of benefits, he has refused to make any changes despite all the criticisms. Why do I say so? Just yesterday, the Government announced its intention of granting two land lots to the MTRCL for free as a means of subsidizing the construction costs of its railway projects. It must be noted that the relevant construction costs amount only to \$17.7 billion. However, according to the estimations of some surveyors, the combined value of the two land lots is as high as some \$50 billion to \$80 billion. This is an astronomical sum. After the deduction of \$17.7 billion, some \$40 billion is still left. The Government intends to give all this money to the MTRCL, which still increase its fares incessantly despite a profit of \$12 billion. It also intends to pay to the MTRCL a sum amounting to 16.5% of the construction costs of the Shatin to Central Link as consultancy fee. Close to \$10 billion is again involved. All this involves many problems of interests and benefits.

Another thing is that the MTRCL once ignored passenger safety and needs and refused to construct platform screen doors. There are so many problems with the MTRCL, so why does the Government still want to give these two expensive land lots to it for free? Is this a form of funneling benefits?

If the Government claims that this is not a form of funneling benefits, will it consider the idea of allocating the remaining money to a fare stabilization fund in

case there is still any money left after deducting the relevant construction costs from the values of the land lots, rather than always allowing the unscrupulous MTRCL to increase its fares despite huge profits, so as to lighten the burden on members of the public who patronize the MTR or use the services of the MTRCL?

CHIEF EXECUTIVE (in Cantonese): I understand that Members may easily be tempted to criticize and belittle the public utility facilities in Hong Kong, thinking that they are poorly operated and entirely worthless. However, honestly speaking, the MTRCL is highly reputed all over the world, and its operation is also quite satisfactory. Many other places, including advanced countries, have tried to learn from it. This is not only because its operational performance is satisfactory but also because it can handle its corporate social responsibility very well. Not only advanced countries but also many other countries have come to visit the MTRCL for fact-finding. The Mainland, for example, has co-operated with it in this respect. Therefore, we must be fairer to it.

What is more, in the case of many new railway lines that we construct nowadays, it is impossible to recover the costs because the throughputs are not high enough to meet the resource requirements of the entire construction projects. In that case, there can only be two solutions: first, increasing fares for cost recovery, so that the project can be implemented smoothly as scheduled; second, adopting the approach of subsidy. Our traditional method of making the MTR a success is the adoption of the mutually beneficial approach of allowing superstructure development on MTR stations. The proceeds from such development can make up for the expenses of developing the relevant railway lines. We intend to provide these two land lots because we want to develop the land there and expand the railway network. We hope that the project can thus be successfully implemented to answer people's demand. For this reason, we have decided to adopt the approach of providing subsidy.

The issue of regrant premium must of course be handled by professionals. It must not be handled in any unilateral manner. We must clearly compute the amounts of regrant premium at the time of land grant and inform the MTRCL unequivocally. We will not deliberately depress the levels of regrant premium, nor will we provide any special subsidy for the benefit of the railway corporation. There is no need to do so anyway. Even if the MTRCL agrees to accept land subsidy, it will still face certain risks, because land may not always bring profit,

and property development may not necessarily be profitable either. The property market will also undergo periods of sluggishness.

First, we now provide the MTRCL with land subsidy, so that it can undertake superstructure development on its stations to help maintain fares at lower levels. This approach will lower the fare levels to be borne by passengers, in addition to facilitating the smooth implementation of construction projects. This is one of the objectives. What is more, even if the MTRCL is not given such land lots for development and others are allowed to construct properties on MTR stations instead, many problems may similarly ensue all the same. In foreign countries, there is no property development on many railway stations, and land is thus left idle. Our approach of permitting the MTRCL to undertake superstructure property development on its stations, I believe, will bring benefit to the public; not only this, works projects may also have chances of implementation. In addition, fares may also be lowered.

On the other hand, in case the MTRCL makes any profits, should it allocate the amount of subsidy to a fund? This will entail certain risks and must be handled prudently. If we require the MTRCL to allocate the money to a fund in case it makes any profits in the future, how are we going to cope in case it incurs losses in land development? Are we supposed to raise fare levels to provide subsidy? We must be fair to both sides in our treatment.

The present mode of subsidy is well tested by the times. Over all these years, we have been able to develop our railway networks without having to spend any substantial amounts of public money, and the general public can all benefit. At present, the people of Hong Kong generally need the development of the several railway extension lines. However, the present fare proceeds of the MTRCL alone cannot provide a cogent justification for investment. Such proceeds are definitely unable to support the implementation of all these construction projects.

MR WONG SING-CHI (in Cantonese): *President, maybe, the Chief Executive is really not quite so clear about how unscrupulous the MTRCL is. It has reaped a profit of \$12 billion, but it still wants to increase its fares this year. The Government still wants to give it subsidy; this will simply give the MTRCL huge surplus capital after enabling it to make up for the construction costs. However, the MTRCL still continues to increase its fares incessantly. I think the only*

appropriate thing for the Chief Executive to do is to make an undertaking that the Government will monitor the MTRCL and prevent it from increasing its fares after reaping large profits, or that the public will be able to enjoy cheaper railway services.

The purpose of our requesting the MTRCL to allocate part of its property proceeds to a fare stabilization fund is precisely to ensure that the MTRCL cannot unscrupulously increase its fares when it reaps huge profits. Chief Executive, can you undertake to make the MTRCL less unscrupulous? It is obviously unscrupulous, so very unscrupulous, but the Government still wants to give it two very expensive land lots. Is this a form of funneling benefits?

CHIEF EXECUTIVE (in Cantonese): I have already given an explanation. I do not intend to repeat my explanation on why we intend to grant the land lots to the MTRCL for development. The two land lots are meant for the superstructure development of MTR stations. I have already explained the reasons: to make it possible to lower fares and enable works projects to go ahead. If the MTRCL is not granted any lands for development, it will simply have no capitals for constructing these two railway lines.

As for Mr WONG's request for monitoring, I must say that the Government is naturally duty-bound to play such a role. And, do not forget that we have an agreement with the MTRCL. As Members all know, fare adjustments are subject to the terms of the agreement. The terms governing fare adjustments are not ever-lasting either. There is only about two years to go before we can revise such terms again. When the time comes, Members will be able to re-examine the fare adjustment formula to see if it is fair, and whether any other terms should be added. Members may conduct discussions on this.

However, I can assure Mr WONG that it is definitely impossible for the MTRCL to be unscrupulous — I have used the word "unscrupulous" as used by Mr WONG. The returns it gets must be commensurate with market return rates, and must not be any higher. It must not seek to increase its profits by raising fares and make its return rate higher than the market return rate. I believe that there will always be very effective monitoring.

MR CHAN HAK-KAN (in Cantonese): *President, I wish to follow up the housing issue. As pointed out by the Chief Executive at the beginning of this meeting, the prices of certain housing properties have exceeded the levels in 1997. Although the Government has rolled out many response measures, we can still observe a continuous soaring of the property market or property prices.*

I can remember that when I first joined the legislature, I once said to the Chief Executive that many young people born in the 1970s hoped that the Government could offer them assistance through the Home Starter Loan Scheme (HSLs). However, this year, these young people have told us that we no longer need to strive for any assistance under the HSLs for them, because even if the Government agrees to offer them financial assistance, they will not be able to "board the train".

These young people earn stable incomes, and theirs are nuclear families with a household income ranging from \$30,000 to \$40,000. But they are now frustrated by the housing problem. I can remember that some time ago, the Chief Executive once advised these young people to choose to live in places in the farther north of the New Territories. I wish to ask the Chief Executive on their behalf whether he can tell them the places which they can choose as their homes now. What specific policies has the Government drawn up to cope with the housing problem?

CHIEF EXECUTIVE (in Cantonese): I have actually answered the aforesaid question from different perspectives. Let me now offer a consolidated reply.

To cope with real estate problems, I already put forward many measures in the last policy address. The Financial Secretary has since been making many efforts. First, we implemented some stamp duty-related measures in November last year to stamp out speculators. This is a fact. At present, the number of confirmor or speculative cases has lessened. However, property prices are still rising despite the reduction of transaction, and there are no signs of any decline. This is also a fact.

We are currently faced with two problems. First, once interest rates increase, what will happen to owners of "starter homes" who are paying their mortgage instalments? Will their properties be turned into negative equity assets? I have already mentioned that such a situation may really emerge, and it

may well emerge very soon. In that case, what are we going to do? The risks are now higher.

The second problem is the one raised by Mr CHAN a moment ago. Are middle-class people in Hong Kong capable of meeting the expenses of acquiring their homes? This is an even more complicated problem. Members all know that at present, it is most important for us to cater for the needs of grass-roots people, to meet the demand for PRH land, and to ensure that PRH applicants can be allocated a unit within an average waiting period of three years. On the other hand, however, we must never allow any shortage of land for private housing development, otherwise property prices will continue to rise. We have put in place the MHPP, but the question lies with whether we should adopt any other measures.

As for the land supply issue, some Members have also talked about it just now. We must cater for local people's demand for land, and at the same time, we must also meet the needs of inward investors. How much land is required to meet demand adequately? The answer will influence our decisions on further reclamation and the development of new land lots. I hope Members can give me some time, so that in the coming few months, I can collate all the relevant issues and conduct an in-depth analysis. I promise that I will follow up all such problems in the upcoming policy address.

The present problem is that while there are low-priced housing units, they are located in remote areas. There are also low-priced housing units in the secondary property market, but the situation is a bit different from that in the past. True, the prices of new housing units are rising incessantly despite the reduction of transaction, and I think prices have already reached a very precarious level. However, in the interim to the announcement of the policy address, should we detect any sudden market fluctuations and irregular activities in the course of our surveillance, we will not hesitate to take actions; we will definitely take actions to tackle the problems.

MR CHAN HAK-KAN (in Cantonese): *President, the Chief Executive has talked about putting up more land lots for sale. But the fact is that every land sale will invariably lead to a record-breaking land price. Therefore, putting up more land lots for sale may not necessarily be able to resolve the current problem of high property prices.*

Some Members have mentioned that the MHPP has come under many criticisms in society. But we can also observe that many members of the public still hope that the Government can optimize the MHPP. Last month, Members of this legislature put forward many proposals on optimizing the MHPP. President, now that this legislature has already passed the proposal on changing the "rent-and-buy" arrangement under the MHPP to one of "rent-or-buy", and the message is very clear, may we ask the Chief Executive whether he will give thoughts to the proposal?

CHIEF EXECUTIVE (in Cantonese): We are seriously considering all such views and other opinions about optimizing the MHPP.

MR IP WAI-MING (in Cantonese): *Chief Executive, I think everybody is very concerned about the housing issue. You repeated our points over and over again just now, but Mr CHAN Hak-kan actually wanted to ask you which places could be chosen by the middle classes, young people and those who had not bought a flat for acquiring their homes. Some Members also made special reference to the news reports yesterday about the allocation of a land lot in the Southern District to the MTRCL for property development. From newspapers and television newscasts, we know that as estimated by surveyors, the price of the housing units on the land lot may be as high as \$15,000 to \$20,000 per sq ft upon their completion. I do not know how such an evaluation has been arrived at, but this is what we learn from news reports. The Government has set down size restrictions, but it does not set down any price restrictions and sales target restrictions. If the price is really as high as \$15,000 per sq ft — not to mention \$20,000 — even a "size-restricted" unit measuring 500 sq ft would cost as much as \$7.5 million. How many Hong Kong people can afford such a unit?*

Chief Executive, just now, you repeated your points in this regard over and over again, but after listening to you, I must say that I am not yet satisfied. Many demands for resuming the construction of HOS flats have been voiced, but why do you still resort to the excuse that you are still studying the land issue? There are also views that when the Government decides to grant any new land lots, it should consider whether sales target restrictions should be imposed to ensure that only local residents are permitted to purchase the properties concerned. In this regard, the SAR Government does not seem very willing to take any actions. As a result, I will think that the Government

PRESIDENT (in Cantonese): Please state your question.

MR IP WAI-MING (in Cantonese): *President, I am about to state my question.*

The Government has given us the impression that it wants to delay the matter for as long as possible, because on 30 June next year, the Chief Executive will be no more. (Laughter) I am sorry. I mean he will have served out his term. That being the case, how can Hong Kong people have any confidence in the future? How can they possibly buy any properties? Well, let us not talk about buying any properties. How can they possibly have a happy home, to say the very least?

CHIEF EXECUTIVE (in Cantonese): Before the end of my term, I will still work for everybody every day, and I will treasure any chances of meeting with you and communicating with you. First, no matter how people estimate the future prices of the properties erected on those land lots purchased today for future development, or on the two land lots granted to the MTRCL for development, we must always remember that the whole process of property development up to the time of completion may take as long as 10 years. Properties can only be sold after a lapse of 10 years. No one knows what the price levels will be at that time. Who can tell anyway? All we hear today are only estimations, estimations that if full costs are to be recovered at the time of sales, then after adding certain amounts of profits, the property prices will be so and so. But all these are only assumptions. The prices may well be much higher, but it is also possible that they cannot even recover half of the costs. Risks are always involved.

I of course understand what you said just now. You asked me whether we could do more, whether we could also impose price restrictions and sales target restrictions on top of size restrictions. Mr Paul CHAN also raised these points just now. I have never said that I will not consider these ideas. But I am of the view that they all involve major policy changes. If we want to make such policy changes, we must consider the competitiveness of Hong Kong as a place of investment and also the changes in others' impression about Hong Kong. What I mean is that the land policy must not be handled any lightly. Regarding the housing problem, I must consider all options; all options must be considered. The problem must be solved, so that after satisfying their basic needs of

accommodation, Hong Kong people can also realize their dreams of acquiring their own properties.

MR IP WAI-MING (in Cantonese): *Thank you for your reply, Chief Executive. You said that you would consider all options. But how much time are you going to spend on your consideration? When can you put forward some concrete and practical proposals for people's discussions and reference? Without all this, how can we know when the Government may resume the construction of HOS units, optimize the MHPP or re-launch schemes such as the Tenants Purchase Scheme, with a view to giving genuine assistance to Hong Kong people in acquiring their happy homes?*

CHIEF EXECUTIVE (in Cantonese): I have already promised Honourable Members that I will follow up the issue in the policy address to be announced in October this year. There is still four months to go. Thank you, Honourable Members.

PRESIDENT (in Cantonese): The Chief Executive has taken questions from 14 Members. Today's Question and Answer Session ends here.

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

PRESIDENT (in Cantonese): The Chief Executive will now leave the Chamber. Members will please stand up.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council.

Adjourned accordingly at half past Four o'clock.