

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 16 June 1999

The Council met at half-past Two o'clock

MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE MRS RITA FAN, G.B.S., J.P.

THE HONOURABLE KENNETH TING WOO-SHOU, J.P.

THE HONOURABLE JAMES TIEN PEI-CHUN, J.P.

THE HONOURABLE DAVID CHU YU-LIN

THE HONOURABLE HO SAI-CHU, J.P.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE EDWARD HO SING-TIN, J.P.

THE HONOURABLE ALBERT HO CHUN-YAN

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE RAYMOND HO CHUNG-TAI, J.P.

THE HONOURABLE LEE WING-TAT

THE HONOURABLE LEE CHEUK-YAN

THE HONOURABLE MARTIN LEE CHU-MING, S.C., J.P.

THE HONOURABLE ERIC LI KA-CHEUNG, J.P.

DR THE HONOURABLE DAVID LI KWOK-PO, J.P.

THE HONOURABLE FRED LI WAH-MING

DR THE HONOURABLE LUI MING-WAH, J.P.

THE HONOURABLE NG LEUNG-SING

PROF THE HONOURABLE NG CHING-FAI

THE HONOURABLE MARGARET NG

THE HONOURABLE MRS SELINA CHOW LIANG SHUK-YEE, J.P.

THE HONOURABLE RONALD ARCULLI, J.P.

THE HONOURABLE MA FUNG-KWOK

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE AMBROSE CHEUNG WING-SUM, J.P.

THE HONOURABLE HUI CHEUNG-CHING

THE HONOURABLE CHRISTINE LOH

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN

THE HONOURABLE BERNARD CHAN

THE HONOURABLE CHAN WING-CHAN

DR THE HONOURABLE LEONG CHE-HUNG, J.P.

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

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE GARY CHENG KAI-NAM

THE HONOURABLE SIN CHUNG-KAI

THE HONOURABLE ANDREW WONG WANG-FAT, J.P.

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE WONG YUNG-KAN

THE HONOURABLE JASPER TSANG YOK-SING, J.P.

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE YEUNG YIU-CHUNG

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

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

THE HONOURABLE MRS MIRIAM LAU KIN-YEE, J.P.

THE HONOURABLE AMBROSE LAU HON-CHUEN, J.P.

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

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

THE HONOURABLE LAW CHI-KWONG, J.P.

THE HONOURABLE TAM YIU-CHUNG, J.P.

THE HONOURABLE FUNG CHI-KIN

DR THE HONOURABLE TANG SIU-TONG, J.P.

MEMBERS ABSENT:

THE HONOURABLE LEE KAI-MING, J.P.

THE HONOURABLE CHAN KAM-LAM

THE HONOURABLE TIMOTHY FOK TSUN-TING, J.P.

PUBLIC OFFICERS ATTENDING:

MR MICHAEL SUEN MING-YEUNG, J.P.
THE CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE DONALD TSANG YAM-KUEN, J.P.
THE FINANCIAL SECRETARY

THE HONOURABLE ELSIE LEUNG OI-SIE, J.P.
THE SECRETARY FOR JUSTICE

MR CHAU TAK-HAY, J.P.
SECRETARY FOR TRADE AND INDUSTRY

MR NICHOLAS NG WING-FUI, J.P.
SECRETARY FOR TRANSPORT

MR DOMINIC WONG SHING-WAH, J.P.
SECRETARY FOR HOUSING

MRS KATHERINE FOK LO SHIU-CHING, J.P.
SECRETARY FOR HEALTH AND WELFARE

MR RAFAEL HUI SI-YAN, G.B.S., J.P.
SECRETARY FOR FINANCIAL SERVICES

MR STEPHEN IP SHU-KWAN, J.P.
SECRETARY FOR ECONOMIC SERVICES

MRS REGINA IP LAU SUK-YEE, J.P.
SECRETARY FOR SECURITY

MRS RITA LAU NG WAI-LAN, J.P.
SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING

CLERKS IN ATTENDANCE:

MR RICKY FUNG CHOI-CHEUNG, J.P., SECRETARY GENERAL

MR LAW KAM-SANG, J.P., DEPUTY SECRETARY GENERAL

MS PAULINE NG MAN-WAH, ASSISTANT SECRETARY GENERAL

PAPERS

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

Subsidiary Legislation	<i>L.N. No.</i>
Employees' Compensation Ordinance (Amendment of Second Schedule) Order 1999	146/99
Occupational Safety and Health Ordinance (Amendment of Schedule 2) Order 1999	147/99
Banking Ordinance (Declaration under Section 2(14)(d)) (No. 2) Notice 1997 (Amendment) Notice 1999	148/99
Smoking (Public Health) (Amendment) Ordinance 1997 (93 of 1997) (Commencement) Notice 1999	149/99
Smoking (Public Health) (Amendment) Regulation 1998 (L.N. 13 of 1998) (Commencement) Notice 1999	150/99
Merchant Shipping (Safety) (Subdivision and Damage Stability of Cargo Ships over 100 Metres in Length) (Amendment) Regulation 1999 (L.N. 99 of 1999) (Commencement) Notice 1999	151/99
Travel Agents (Amendment) Regulations 1988 (L.N. 240 of 1988) (Commencement) Notice 1999	152/99
Dogs and Cats (Amendment) Ordinance 1997 (97 of 1997) (Commencement) Notice 1999	153/99

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. Question time normally does not exceed one and a half hours, with each question being allocated about 12 to 15 minutes. I would like to remind Members again that, when asking supplementaries, Members should be as concise as possible. They should not ask more than one question, and should not make statements. To do so would deprive other Members of a chance to ask a supplementary question.

After a Member has asked a main question, other Members who wish to ask supplementary questions will please indicate their wish by pressing the "Request-to-Speak" buttons. If a Member wishes to follow up and seek elucidation on an answer, or raise a point of order, please stand up to so indicate and wait for me to call before speaking.

First question.

Importation of Mainland Talents

1. **DR DAVID LI:** *Madam President, it is reported that the Commission on Innovation and Technology is set to recommend a scheme for importation of mainland talents with an unlimited quota to facilitate technology development in Hong Kong. In this connection, will the Government inform this Council how it will assess that an applicant's expertise is essential for Hong Kong's development of information services industry and high value-added industries?*

SECRETARY FOR SECURITY: Madam President, the Financial Secretary announced in this year's Budget speech that the Government would set up a Task Force to review existing immigration policies to facilitate the admission of talents, in particular those from the Mainland, to enter Hong Kong for employment. The aim of such admission is to build up a critical mass of talents required by Hong Kong to enhance the competitiveness of our economy as a manufacturing or services centre, particularly in knowledge-intensive, high value-added activities. The Task Force is chaired by me and comprises representatives from the Trade and Industry Bureau, the Education and Manpower Bureau, the Industry Department, the Government Economist and the Immigration Department.

In considering the admission criteria for the talents from the Mainland, the Task Force will take into account the existing criteria for allowing entry for employment from overseas countries. Under existing immigration policies, an applicant must possess expertise or skills not readily available and of value to Hong Kong apart from meeting normal immigration requirements. We will likewise require the mainland talents to fulfill these criteria. As they are expected to contribute to Hong Kong's development into a technology-based and high value-added goods and services centre, we will make it a requirement that their qualifications, experience and skills must be demonstrably outstanding and relevant to the jobs they are offered. They will be asked to submit documentary and other proofs for their applications. The Task Force will also take into account the recommendations of the Commission on Innovation and Technology on Hong Kong's manpower needs and technology opportunities.

The details of the scheme are still being formulated by the Task Force. The Task Force believes that the determination of whether an applicant's expertise is essential for Hong Kong to develop high value-added goods and services, such as information services industry, should be driven by private enterprise. In other words, it should be for companies which wish to import mainland talents to make out a case for their admission, in accordance with the selection criteria to be published by the Administration. In addition, the Task Force is considering the possibility of setting up a committee comprising representatives of relevant government departments, academics, businessmen, industrialists and persons with experience of working with technology to assist the Government in vetting applications.

DR DAVID LI: *Madam President, a recent survey by the Political and Economic Risk Consultancy showed that Hong Kong is below Singapore not only in terms of how its expatriates rank the Asian quality of life, but its language is also only fifth place in the Asian quality league. Will the Government advise this Council as to what incentives will it offer to attract mainland and overseas hi-tech talents to work in Hong Kong?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, we have very lax policies and fairly open immigration policies for attracting foreign talents. So long as they can prove that they have skills, experience or expertise that are not readily available in Hong Kong and of value to Hong Kong, their applications for entry will be approved. But this policy is not applicable to the Mainland. In other words, mainland talents do not have channels through

which they can enter Hong Kong for employment except for official business. We find this a great pity for we are not able to tap the large pool of talents in the Mainland. Our Task Force is studying how the policy can be relaxed to provide a channel for really outstanding talents in technology, not ordinary talents to enter Hong Kong. We believe Hong Kong has a strong appeal to them. First, in our idea, they are subject to conditions of stay upon first arrival in Hong Kong. If companies are willing to continue to employ them, they can continue to live in Hong Kong on a yearly renewal basis. Second, for these talents who have come to Hong Kong, we will consider giving their immediate family members such as his spouse and minor children the same treatment as that given to talents coming from other countries, and he can bring them here to live with him. I believe these conditions should be attractive to talents in technology in the Mainland.

MISS CYD HO (in Cantonese): *Madam President, in attracting mainland talents to Hong Kong, will an evaluation be made on the pressure their immediate family members such as spouses and children will impose on housing, education and medical care after they have come to Hong Kong just like evaluating the pressure to be imposed by the children of Hong Kong people born in the Mainland?*

SECRETARY FOR SECURITY (in Cantonese): According to the conceived plan, we wish to attract talents in the Mainland and we mainly ask the companies that file applications on their behalf to prove that they have skills that are not readily available in Hong Kong and of value to the development of hi-tech and high value-added industries in Hong Kong. As our purpose is to attract talents who are not readily available in Hong Kong, the number will be rather small. As these people will certainly be employed by companies and given fairly good salaries, they will not exert pressure on the demands for housing and public services in Hong Kong.

DR RAYMOND HO (in Cantonese): *Madam President, in the past, the policy on the entry of foreign professionals to Hong Kong was lax and unconditional. It is correct for us to make a policy change now so that mainland talents will have a chance to enter Hong Kong for employment. In future, will this opening of more opportunities for mainland talents to enter Hong Kong lead to relatively less applications by other countries for the entry of talents for employment or will conditions be imposed on them likewise?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, firstly, I must clarify that the scheme is not intended to general professionals such as engineers, doctors or managers and factory directors but talents in technology. In other words, we want to attract talents with outstanding achievements in different fields or in high value-added service industries to assist Hong Kong's technology-based economic development in tune with the overall development of Hong Kong. Therefore, they will not pose competition to talents in the local labour market or those from foreign countries.

MR LEE CHEUK-YAN (in Cantonese): *Madam President, talents may indeed account for a large proportion of the 1.2 billion population of the Mainland, so will this be a threat to Hong Kong talents as the former may be willing to accept lower salaries? Will this affect the job opportunities of local talents? I would like to know how the Administration will balance the job opportunities of local talents. I do not oppose attracting more talents to Hong Kong but doing so will have great effects on the local university graduates.*

SECRETARY FOR SECURITY (in Cantonese): Madam President, first, I would like to stress once again that I am not talking about ordinary talents. We will not allow ordinary university graduates in the Mainland who do not have outstanding academic achievements or working experience to come to Hong Kong this way. Therefore, this scheme should not affect the job opportunities of local university students or local talents. Will they become cheap labour who will compete with local talents? According to our usual policy, we will certainly consider the wages employers will offer them. We have considered if we will permit these talents to switch jobs. We have made reference to the employment situation of people who have come here from other parts of the world and we have not restricted that they can only serve one company without changing jobs. Therefore, in our preliminary conception, these mainland talents, having come to Hong Kong, will be permitted to change jobs from the second year onwards. If he can change jobs, under the free market environment, employers cannot make him work at wages below the market rate. Therefore, competitive wages will certainly be offered in the future.

MR YEUNG YIU-CHUNG (in Cantonese): *Madam President, as the saying goes, "the subordinates have countermeasures against the policies of their superiors", if a person migrates to Hong Kong through this channel, does the Government has a mechanism for asking him to leave?*

SECRETARY FOR SECURITY (in Cantonese): *Madam President, I have explained how we will select talents of excellence in technology and vet the applications we received. We intend to set up a committee comprising representatives of relevant government departments, assisted by people from the local industrial and business, technological and academic sectors. Therefore, every application will be considered prudently. Second, these mainland people will be subject to conditions of stay after they have arrived. At first, we may only permit him to stay for one year. If his job nature has changed or his company no longer employs him, or his company no longer employs him for it is found that his skills are not helpful to Hong Kong, or he has overstayed or even breached other conditions of stay, we can repatriate him according to the Immigration Ordinance.*

MR HOWARD YOUNG (in Cantonese): *Madam President, in respect of selection criteria, the Secretary has said that she will consider an applicant's qualification, experience and skills. It may be easier to measure or quantify skills but qualification and experience are rather abstract. If a company is asked about the qualifications of the talents it would like to attract to Hong Kong, it may only say that the person is doing business with many mainland organizations, he has countless ties with government departments or personal ties, and he can help open up the market. Does the Government regard these as qualifications? Does the Government think that qualifications can really be measured?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, our usual immigration policy requires an applicant to possess expertise, qualifications or skills not readily available in Hong Kong. Once we receive an application and we need to weigh the conditions by these yardsticks, we will often encounter the difficulties mentioned by Mr YOUNG. Can the Government surely measure or quantify these objectively? The Immigration Department always vet the applications in consultation with the relevant departments or academic bodies. As this is a new scheme, we have to ensure that the applicants meet our requirements and the scheme is adequately flexible to facilitate the admission of mainland talents. Therefore, we intend to set up a selection committee and we hope that people from the industrial, business and academic sectors will participate and give us more advice so that we can easily evaluate if the qualifications, skills and experience of the persons concerned are of value to or not readily available in the local market when vetting applications.

MISS CHOY SO-YUK (in Cantonese): *Madam President, will the Government extend this scheme to cover applications by mainland investors who intend to launch large scale hi-tech projects in Hong Kong?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, as this is a scheme for the admission of talents in technology, it is not our aim to attract investors unless they also possess hi-tech experience and qualifications that Hong Kong lacks.

DR LUI MING-WAH: *Madam President, I fully agree that we must have hi-tech talents to develop our hi-tech industry and high value-added services. But can the Government tell us what will be the critical mass, as the Secretary has just told us, that the Government wishes to build up in the next few years?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, we have considered this and consulted those in the academic and technology sectors, and

we find that it is very difficult to quantify this "critical mass". Some academics have pointed out that this is a "suppressed demand" problem. We do not have channels for the entry of mainland hi-tech talents to Hong Kong, thus few companies are running technology-based business and the demand is not great. Therefore, if a channel is put in place in future and investors think that the scheme is fairly convenient and efficient, more people may be interested in investing in technology-based industries and more applications will be filed. But we can hardly make an estimation now. In any case, we do not intend to set a ceiling so that this scheme will be flexible and able to achieve our target of importing the talents we need.

MRS SELINA CHOW (in Cantonese): *Madam President, the Secretary keeps referring to the committee mentioned in the last paragraph of her reply but I would like to ask her why does she not bring in unofficial members onto the Task Force reviewing our immigration policies? If our policy fails to cope with the needs of the market or industry, how can she ensure that the policy will meet our needs?*

SECRETARY OF SECURITY (in Cantonese): Madam President, although people from the industrial, business and technological sectors have not taken part in the Government's Task Force, we have listened to the views of many people from the academic, industrial and business sectors and made reference to the views of the Commission on Innovation and Technology. Some have pointed out the opportunities of technological development for Hong Kong in future and the industries that should be developed. Amending the immigration policies is actually very simple for we simply need to slightly relax the restrictive policy that prohibits the entry of mainland talents to Hong Kong except for official business. At this stage, a working group comprising representatives of government departments should suffice. But when we handle the specific and most important work and determine who can come to Hong Kong, we welcome the participation of the industrial and business sectors and other parties.

PRESIDENT (in Cantonese): We have spent more than 16 minutes on this question. Let us proceed to the second question.

Repossession and Recovery of Rent in Arrears

2. **MR JAMES TO** (in Cantonese): *Madam President, some tenants of domestic flats deliberately default on the payment of rent. The owner concerned has to apply to the Lands Tribunal for repossession and recovery of the rent in arrears. Very often, by the time the Lands Tribunal rules on the application, the tenant has already defaulted on rent payment for many months. In this connection, will the Government inform this Council whether:*

- (a) it knows if such cases are prevalent; if they are prevalent, how they can be prevented;*
- (b) it will consider simplifying the procedure of the Lands Tribunal in handling owners' applications for repossession and recovery of rent in arrears; and*
- (c) whether there is legislation enabling the authorities to prosecute such habitual rental defaulting tenants; if so, the details of it; if not, whether it has assessed the need to enact such legislation?*

SECRETARY FOR HOUSING (in Cantonese): *Madam President, we do not have information on the number of cases involving tenants who deliberately refuse to pay rent. Hence, I cannot conclude whether the situation is prevalent or not.*

According to the statistics kept by the Judiciary. The numbers of applications filed with the Lands Tribunal and the District Court for repossession of premises and recovery of rents for both residential and non-residential premises since 1998 are as follows:

	1998	1999 (up to 9 June)
Repossession of premises	4 476	1 827

Recovery of rent

14 466

6 021

There is no further breakdown of statistics for residential and non-residential premises. I should point out also that not all repossession of premises cases arise from non-payment of rent as landlords may apply for repossession on other grounds such as self-occupation and redevelopment. As we all know, non-payment of rent is sometimes associated with disputes between landlords and tenants, and not necessarily deliberate default.

It is very difficult to prevent tenants from not paying rent. In order to protect their interest, landlords should:

- (i) exercise care in selecting tenants;
- (ii) keep a sizeable and reasonable amount of deposit of rent in order to minimize financial losses in the event of non-payment of rent by tenants; and
- (iii) take early legal action for arrears of rent.

As regards part (b) of the question, the statutory procedures for repossession of premises and distress for rent are laid down in the Lands Tribunal Ordinance, District Court Ordinance and the Landlord and Tenant (Consolidation) Ordinance. These procedures safeguard that sufficient notice is required to allow both landlords and tenants to prepare; adequate opportunity is given to tenants to respond to landlords' applications; and tenants may apply to the Court for a stay of execution of a writ of possession. All these provisions inevitably lengthen the time for repossession and recovery of rent. To assist landlords and tenants, the Judiciary has published information pamphlets on procedures for application for repossession orders and on procedures taken by the Bailiff's Office to execute court orders. Rent Officers of the Rating and Valuation Department also provide advisory and mediatory services in its own premises and in 14 District Offices.

Madam President, having said this, I have decided to set up a working group to review the procedures in consultation with the Judiciary to see if there is any room for simplification.

As regards part (c) of the question, there is no legislation at present to enable the Government to prosecute habitual rental default tenants. My legal advice indicates that it would not be appropriate to enact legislation to make non-payment of rent a criminal offence as it is primarily a contractual matter between landlords and tenants. Since non-payment of rent is a breach of contract, it should be resolved through civil proceedings.

MR JAMES TO (in Cantonese): *Madam President, as many owners of old buildings are old people who make a living by rent collection, the non-payment of rents by tenants will strike a heavy blow at them and they have to pay legal fees for repossession of premises from professional tenants. If a person leaves a restaurant through the back door after having a bowl of tenderloin noodle, he can be prosecuted for fraudulent evasion of liability which is a criminal offence. Not paying for an inexpensive bowl of tenderloin noodle is liable to prosecution, what then should we do with the fraudulent evasion of rent payment? Although there are difficulties in terms of onus of proof, will the Government consider making efforts in prosecution or review of legislation? We know from the fifth paragraph of the main reply that the Government will set up a working group to review the procedures to see if there is any room for simplification. But is it absolutely unfeasible or not appropriate at all to institute criminal proceedings?*

SECRETARY FOR HOUSING (in Cantonese): *Madam President, as I have said, I have sought legal advice before coming to the conclusion that it is inappropriate to make non-payment of rent a criminal offence. But I do not dismiss Mr James TO's remarks. Besides reviewing the procedures to see if there is any room for simplification, the working group will consider if there are other methods to tackle this problem in a more satisfactory way. I hope that the working group will further examine how this problem can be tackled.*

MR JASPER TSANG (in Cantonese): *Madam President, as stated in the Secretary's main reply, it often takes a long time for repossession and recovery of rent because the statutory procedures ensure that sufficient notice is given to both parties to the litigation, adequate opportunity is given to tenants to respond to landlords' applications, and tenants may apply to the court for a stay of execution of a writ of possession. This is the Government's usual policy for protecting tenants. But the Secretary is now saying that a review will be*

conducted to see if there is any room for simplification of the procedures. Does this signify that the Government is prepared to move the equilibrium point and cater more for the interests of owners than those of tenants?

SECRETARY FOR HOUSING (in Cantonese): Madam President, I have not said that the equilibrium point would be moved. Undeniably, we have received comments that the time taken by the legal proceedings are really excessively long. In general, it takes about six months to apply for a repossession order and more than two months for a writ of detention. Although the Government does not think that it is appropriate, we have to strike a balance between the two. It cannot be denied that the current laws take good care of tenants but we should also consider if the time taken by legal proceedings can be adjusted. We have not arrived at a conclusion yet but we also think that improvements should be made.

MR KENNETH TING (in Cantonese): *Madam President, the Secretary has said that owners can file applications with the Lands Tribunal for repossession of premises if tenants' default in rent payment is deliberate, and such applications will take six months. The Secretary also suggests collecting considerable but reasonable deposits from tenants, but only two months' rents will be collected as deposits in general. If the Government has records of arrears of rent, can it tell us the longest duration of arrears of rent?*

SECRETARY FOR HOUSING (in Cantonese): Madam President, I do not have the relevant information on hand but I intend to work with the Judiciary and the relevant departments to collect information on cases that have occurred in order to prepare a list and examine the relevant information. I hope that this can help the people concerned, be they owners or tenants.

DR YEUNG SUM (in Cantonese): *Madam President, in the past few months, the ward office set up by Mr Martin LEE and I in North Point received some complaints by old people. They bought premises for letting with their life-long savings after retirement but they found that some tenants know the laws very well and that it takes half a year for processing applications filed with the Lands Tribunal for repossession or recovery of rent. As these old people own premises, they cannot apply for legal aid, therefore, they have to meet the legal expenses themselves if they institute civil proceedings. Madam President,*

under these circumstances, how can the Government help these old people who make a living by rent collection so that their interests will not be legally jeopardized by their tenants?

SECRETARY FOR HOUSING (in Cantonese): Madam President, as I have said in my main reply, this is highly difficult. Besides, I have also said in my main reply that owners should pay attention to a few points to improve the situation but that does not give them 100% protection. There are provisions for legal aid under the law but as far as I know, in general, the expenses required for instituting civil proceedings are not as expensive as we think, just about a few thousand dollars. Certainly, this is hardly affordable by poor old people. The Government does not have any solution yet but please allow me to discuss this in the working group to see if the Government can help these old people in any way.

MR AMBROSE LAU (in Cantonese): *Madam President, the Secretary has said in his main reply that the time required for repossession and recovery of rent is inevitably lengthened in order to balance the interests of owners and tenants. After the Court has issued a writ of possession, it often takes a very long time before enforcement, therefore, the time taken for owners to actually repossess premises will be lengthened. This does not involve disputes between owners and tenants but the bailiffs do take certain time to enforce the court order. Accordingly, when the Government reviews the relevant procedures, will it consider how it can shorten the time taken by bailiffs to enforce court orders?*

SECRETARY FOR HOUSING (in Cantonese): Madam President, I understand the situation very well because I have collected some information before answering this question. Rightly as Mr LAU has said, bailiffs take up most of the time in the whole process, and sometimes, their work takes three months or even longer. But I really cannot influence the Judiciary or urge them to improve this situation. Even so, I will convey the views of the Government and Mr LAU to the Judiciary and I hope that they will co-ordinate with our efforts in terms of manpower and time, and further shorten the time taken.

MR ANDREW WONG (in Cantonese): *Madam President, even though owners can very often succeed in applying to courts for repossession, professional tenants who refuse to pay rent will leave some broken furniture in the premises.*

As these are not the owners' property, owners cannot throw them away or put them outside because owners are responsible for keeping them. We all know that the problem is actually fairly serious. Therefore, I would like to know the composition and initial inclination of the working group. At least, is the Administration initially inclined towards telling us that the equilibrium point must be changed, for there is an imbalance in the relationship between owners and tenants?

PRESIDENT (in Cantonese): Is this supplementary about

MR ANDREW WONG (in Cantonese): *Madam President, my supplementary is about whether the working group has an initial inclination.*

SECRETARY FOR HOUSING (in Cantonese): Madam President, as I have not formally set up the working group yet, it will definitely not have an initial inclination. The Housing Bureau and I do not have any inclinations either. But I would let the working group know that they should cautiously cater for the interests of both parties, not only one party. Therefore, the equilibrium point will still be maintained and the change is aimed at improving the results and shortening the time taken in the hope that all parties will be benefited.

PRESIDENT (in Cantonese): Last supplementary.

MR AMBROSE CHEUNG (in Cantonese): *Madam President, besides default in rent payment, the Secretary must be aware of many more cases. Some tenants have basically moved out but the owners fail to enter their premises and a very long time is taken for applications for repossession. I would like to ask the Secretary if the working group mentioned in paragraph five of the main reply will consider formulating some simple administrative measures to arrange for owners to enter and repossess premises when owners can provide sufficient information to prove non-payment of rent by tenants and that tenants have left to maintain a reasonable balance and safeguard the interests of tenants and owners?*

SECRETARY FOR HOUSING (in Cantonese): Madam President, I believe we will include the situation mentioned by the Honourable Member as one of the topics for consideration by the working group.

PRESIDENT (in Cantonese): Third question.

Declaration of Interests by Executive Council Members

3. **MISS EMILY LAU** (in Cantonese): *Madam President, in her reply to the Chairman of the Panel on Information Technology and Broadcasting of this Council on 11 May, the Director of Administration said that a Member of the Executive Council, who is employed by a company a division of which had been engaged by the Government to conduct a strategic assessment on the concept of a Cyberport in Hong Kong, had not been excluded from the deliberations of the Council on the Cyberport project, because the interest involved was not a direct and significant pecuniary interest and did not amount to an exclusionary interest. In this connection, will the executive authorities inform this Council:*

- (a) *of the definitions of "direct and significant pecuniary interest" and "exclusionary interest" (please give examples to illustrate what constitute such interests); of the reasons for the Executive Council Member, whose company had been involved in the assessment of the Cyberport concept, not being regarded as having a direct and significant pecuniary interest which amounted to an exclusionary interest in the deliberations of the Cyberport project;*
- (b) *whether the current rules of the Executive Council on declaration of interests and on exclusion from deliberations are different from those before the handover of sovereignty; if so, of the differences; and*
- (c) *of the number of occasions since the handover of sovereignty on which Executive Council Members declared direct and significant pecuniary interests or exclusionary interests, and were excluded from deliberations of the Council on the related matters; and the*

nature of such declarations and exclusions?

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President,

- (a) (1) The Executive Council has a long-established mechanism for Members to declare their interests in matters laid before the Council. This is to ensure that the advice tendered by Executive Council Members to the Chief Executive is disinterested and impartial. The existence of a direct and significant interest would normally result in a Member withdrawing from the Council during the discussion of the relevant item. Such interests can be broadly divided into the following categories:
- (i) significant personal pecuniary interests which may be materially affected by the decision of the Council;
 - (ii) directorship, partnership or advisory positions of companies or associations which may be materially affected by the decision of the Council;
 - (iii) professional positions held by Members in advising or representing any party in connection with the item under discussion; and
 - (iv) all close or substantial interests which, if known publicly, may lead reasonable members of the public to think that a Member's advice may well have been motivated by his personal interest rather than by the duty to give impartial advice.

The above interests are regarded as exclusionary interests. In other words, a "direct and significant pecuniary interest" constitutes an "exclusionary interest".

Interests other than exclusionary interests, whether direct or indirect, even when remote and non-pecuniary, should also be declared where they might be thought likely to incline a Member towards a particular stance on the item under discussion.

- (2) In the discussion of the Cyberport project at the Executive Council, the outcome of the strategic assessment on the concept of a Cyberport was not the focus of discussion ; it was only part of the background information. The focus was on whether the Government should enter into detailed discussions with the project proponent on the framework for the implementation of the project. The Executive Council Member concerned holds a senior position in a company, a division of which was engaged by the Government, and not the project proponent, to conduct a strategic assessment on the concept of a Cyberport in Hong Kong. The company has never been involved in the Government's negotiations with the project proponent, nor has it been asked to advise on the terms being negotiated. Even so, the Executive Council Member mentioned in the question still declared an interest at the meeting in accordance with the requirements. However, as the declared interest was not a direct and significant pecuniary interest and did not amount to an exclusionary interest, that Member was not excluded from the deliberation of the Executive Council on that occasion.
- (b) The present rules on the declaration of interests by Members of the Executive Council are basically the same as those before the reunification. We have, however, elaborated certain guidelines to enable Members to furnish a more detailed return on their registrable interests.
- (c) The Executive Council held 87 meetings and discussed 741 items during the period from 1 July 1997 to 8 June 1999. Sixty-two declarations of direct and significant interests were made by Members of the Executive Council with regard to 45 items laid before the Council. As a result of which, the relevant Members were excluded from the deliberations of the Council on the matters

concerned. The nature of such declarations and exclusions mainly related to the directorship or partnership of or advisory positions held by Members in companies or associations which may be materially affected by the decision of the Council on the relevant items.

During the same period, 539 declarations of other declaratory interests were made by Executive Council Members with regard to 214 items laid before the Council. The nature of such interests mainly related to membership of boards, committees and tribunals.

MISS EMILY LAU (in Cantonese): *Madam President, all the matters discussed by the Executive Council are highly sensitive and extremely important issues which affect the various different aspects of our community. And, there are also intricate connections between some Executive Council Members and the commercial sector. That being the case, how can the Chief Secretary for Administration convince the people of Hong Kong that the existing mechanism for Executive Members to declare their interests can, as he asserted a moment ago, enable them to give disinterested and impartial advice?*

Madam President, how can we be sure that when Executive Members take part in the relevant discussions after declaring their interests, they will always stand for the interests of the public, instead of their own interests or those of their friends, relatives and various other people in the commercial sector?

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President, as I said in the main reply, the interests which have to be declared can be broadly divided into several categories. Sometimes, individual Executive Members are required to declare their interests because they are the persons affected, as when the discussions and decisions of the Council may materially affect their own interests or those of the companies or associations in which they hold positions. And, one example of such interests are pecuniary interests. Such interests, as I stated clearly in the main reply, will result directly in an Executive Member withdrawing from the Council during the discussion of the relevant item. Besides, I have also stated clearly in my main reply the total number of meetings held by the Executive Council since the reunification and the number of occasions on which Executive Council Members were required to

withdraw from the relevant discussions after declaring their interests. I should perhaps explain once again that whenever an Executive Council Member is required to withdraw from the relevant discussions because of any declarable interests, he will not receive any document on the relevant item of discussion before the meeting. When the meeting discusses the relevant item, he will have to withdraw and will thus be barred from any participation in the discussion. So, there is in fact no justification for the worry expressed by the Honourable Member just now, because the Executive Council Member concerned will simply have no input. He cannot even have access to the relevant documents, let alone any chance to take part in the discussions. But what about other interests? Let us perhaps look at the case of the officials sitting on the Executive Council. When it comes to civil service pay rise, they are of course directly affected, but their participation in the relevant discussions will not possibly bring them any extra, illegitimate income. For this reason, while they need to declare their interests, they do not have to withdraw or refrain from discussing the matter. Therefore, we must differentiate between these two categories of declarable interests. And, the statistics given in my main reply can show the number of declarations made by Executive Council Members, together with the categories of these declarations and the actions which we took in response.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, it is mentioned in part (c) of the main reply of the Chief Secretary for Administration that 62 declarations of direct and significant interests were made by Executive Council Members with regard to 45 items out of the 741 items discussed in the 87 Executive Council meetings held during the period in question. After calculations, I find that the rate of such declarations is just 6%, which is in no way high. But he explained very clearly later on that all these declarations were made by Executive Council Members holding positions in companies and associations which might be affected materially. For this reason, these declarations all involved the direct and significant interests mentioned in part (a) of the main reply.*

As we all know, the membership of the Executive Council is very small, and this may have an implication for the system of withdrawal from meetings, because given the possibility that every Executive Council Member may at one time or another withdraw from meetings, actual attendances may well be even smaller than the already tiny membership. In that case, the efficiency of the Executive Council may be affected, and the range of its discussion topics may

also be reduced, thus hindering its very operation. May I ask the Chief Secretary for Administration whether the composition of the Executive Council will be reviewed? For instance, will he consider the possibility of abolishing the existing appointment system, which is undemocratic and may easily give rise to favouritism? And, will he instead consider the idea of setting up another appointment system which is fairer and more impartial?

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President, perhaps there is a little misunderstanding here. I have no power to make any decision concerning the composition of the Executive Council, nor have I been involved in any way in any relevant reviews. When the Chief Executive talked about the future composition of the Executive Council yesterday, he said that he would consider many different factors. I am not in the position to answer the question asked by the Honourable Member just now. But as Members are aware, the Executive Council is actually supposed to provide direct advice to the Chief Executive, and to assist him in making various different decisions. That is why its Members are not elected.

MR LEE WING-TAT (in Cantonese): *Madam President, it is mentioned in part (c) of the main reply that of all the 741 items discussed by the Executive Council in the past two years, 62 involved significant pecuniary interests, and there were also 539 declarations of other declarable interests. All this shows that intricate connections do exist between the Executive Council and the commercial sector. In view of the fact that Executive Council Members can have access to the most significant and sensitive policies and information of the Government, will the Government consider the idea of requiring all Executive Council Members to give up their positions in commercial organizations and cut all the relevant ties during their terms of office, so as to reduce conflicts of interests?*

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President, I think we should understand that nothing really special has in fact happened recently, because the need for declaration of interests has always existed throughout all these years, which is why we have put in place a sound mechanism requiring Executive Council Members to declare their interests. Besides, we also keep a register on the personal interests declared by Executive Council Members. Whenever a person is appointed as an Executive Council Member, he will be required to declare all his personal interests, including the

directorships, partnerships and advisory positions which he holds in any companies or associations, and all these particulars will be entered into the register. As we all know, this register is accessible to all members of the public upon request. I am sure that many journalists have themselves looked up this register, and some of the information contained in it has in fact been published in the press. We think that this is already a very effective safeguard, because people are thus able to know what interests Executive Council Members are holding and the extent of their involvement. And, they will also know whether Executive Council Members are discharging their duties in a fair manner.

MR JAMES TO (in Cantonese): *Madam President, it is mentioned in part (c) of the main reply that 62 declarations of direct and significant interests were made by Executive Council Members with regard to 45 items laid before the Executive Council. May I ask the Government whether it will disclose the number of declarations made by individual Executive Council Members and the contents of such declarations?*

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President, I am sure that Honourable Members should be well aware of the rule of confidentiality applying to the agenda of the Executive Council and the matters discussed by it. That is why we will not disclose the interests declared by individual Executive Council Members during any particular meetings. But we are prepared to make some disclosures on the statistics, as what we have done today. In other words, we are prepared to disclose the number of Executive Council Members who have made declarations over a period of time and the number of discussion items involved.

MR JAMES TO (in Cantonese): *Madam President, my question is on the number of individual Executive Council Members making declarations of interests. Madam President, I fail to see how this would enable people to know the contents of the discussions held by the Executive Council. I simply fail to see why.*

PRESIDENT (in Cantonese): Chief Secretary for Administration, do you have

anything to add?

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President, I should perhaps add one point, because I have probably misinterpreted the supplementary question of Mr James TO. We will consider the idea of disclosing the number of declarations made by individual Executive Council Members. (Annex I)

PRESIDENT (in Cantonese): I know that several more Members would like to ask supplementary questions on this issue. But since we have already spent 17 minutes on this question, we shall now have to proceed to Question 4.

Emission of Excessive Fumes from Vessels

4. **MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, in reply to my written question on 28 April this year, the Secretary for Economic Services advised that in the past three years, there were four successful prosecutions against vessels involved in the emission of excessive fumes, with an average penalty of \$2,000. In this connection, will the Government inform this Council:*

- (a) *whether it has taken the initiative to deploy staff to monitor if vessels are emitting excessive fumes and to prosecute owners of vessels that have emitted excessive fumes, instead of taking actions only after it has received complaints; and*
- (b) *if there are measures in place to reduce the emission of excessive fumes from vessels; if there are, the details of them; if not, the reasons for that?*

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President,

- (a) Patrol craft of the Marine Department regularly patrol major fairways. Action will be taken against vessels found emitting excessive smoke. The vessels concerned will be requested to undergo an emission test. If the vessel is found to be emitting

smoke in excess of the permissible standard prescribed in the Air Pollution Control (Smoke) Regulations, prosecution action will be taken. Out of the four convicted cases in the last three years, three were detected by patrol craft of the Marine Department and the remaining one was referred to the Marine Department by the Environmental Protection Department (EPD).

- (b) Excessive fume emission from a vessel is usually due to improper and insufficient maintenance of its main engine. In addition, when a vessel adjusts its speed in a short period of time such as during berthing, it may also emit a certain quantity of smoke. The Marine Department undertakes periodical surveys of local vessels, including their main engines to ensure that they are maintained properly. These measures will help to prevent vessels from emitting excessive fumes. Similarly, if foreign vessels in Hong Kong waters are found to be emitting excessive smoke, they will also be prosecuted.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, I often go jogging along the promenade of Tsim Sha Tsui East, and I often see ocean-liners and local vessels emitting a lot of black smoke. It is mentioned in part (b) of the main reply that the authorities have put in place a testing mechanism which can ensure that the main engines of local vessels are properly maintained. But why are so many vessels still found emitting excessive fumes? The Secretary also says that patrol craft regularly patrol our major fairways and that vessels are more likely to emit excessive fumes when berthing. That being the case, why do the authorities not just concentrate all patrols on areas around piers, so as to improve the quality of air in the vicinity?*

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): *Madam President, I did not mean to say that vessels would definitely emit excessive fumes when berthing. I was just talking about a possibility. The mechanism I mentioned is mainly directed at local vessels, not foreign vessels. But if any vessels, whether local ones or foreign ones, are found emitting excessive fumes, our patrol craft will always take immediate action. And, let us not forget that the Marine Department has only 20 patrol craft: 14 are deployed during the day-time to patrol major fairways and the remaining six are deployed on night-*

time patrol duties. Indeed if our staff spot any emission of excessive fumes from vessels, they will take immediate action. So, when people spot any vessels emitting excessive fumes, or if Mr LEUNG spots any such vessels when he is jogging, they are strongly encouraged to notify the Marine Department by telephone. We will then take immediate action.

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

MR LEUNG YIU-CHUNG (in Cantonese): *Can the Secretary clarify to us whether the testing mechanism is really so unsatisfactory? I want to ask this question because in reality, the testing mechanism seems to be unable to ensure that the main engines of vessels are always properly maintained.*

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, the testing mechanism is just a preventive measure. During the tests, if problems are found with the main engine of a vessel, the owner will of course be required to make immediate repairs; this can then avoid the emission of excessive fumes resulting from poorly maintained main engines. But as I have already explained (I do not know how to pilot a vessel, and I know how to row a boat only), when a vessel adjusts its speed within a short period of time, as when it switches from diesel to other heavy fuels, it will inevitably emit excessive fumes. That being the case, even if its main engine is subject to regular tests, it may still emit excessive fumes.

Mr LEUNG also asks why we have not stationed our staff in piers to conduct inspections. This actually involves the problem of resources. As I have explained, we have only 20 patrol craft. This number is by no means big already, and let us not forget that they also have to conduct other inspection and prosecution duties. So far, the crew of these patrol craft have conducted as many as 10 000 on-board inspections, and 1 800 prosecutions have been initiated. And, besides prosecuting vessels emitting excessive fumes, the Marine Department still has to carry out other duties, such as those relating to marine safety, in particular the monitoring of vessel speeding.

MR HO SAI-CHU (in Cantonese): *Madam President, according to the main*

question, the average fine is just \$2,000. Will the Secretary please inform this Council of the highest level of fine imposed so far under the current circumstances? If the average fine is really just \$2,000, can we then say that the levels of fine imposed are indeed much too low? At present, even vehicles emitting excessive fumes are subject to a fine of \$2,000. The size of vessels is much higher. That being the case, should the penalties imposed on vessels be raised correspondingly?

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, the highest fine is of course not just \$2,000. Under the relevant legislation, the fine for a first offender is \$10,000. And, in cases of repeated violations, a maximum fine of \$20,000 may be imposed.

MR LAU KONG-WAH (in Cantonese): *Madam President, a moment ago, I heard the Secretary say that there were some 1 000 prosecutions in the past. I do not know what cases he was actually referring to. But it is clearly stated in his main reply that there were only four successful prosecutions in the past three years. This may well indicate that the situation was in fact satisfactory. But on the other hand, this may simply mean that they were somehow unable to prosecute offenders successfully. The Secretary talked about the point of monitoring vessels when berthing. Will the Administration try to enhance its regulation of vessels by implementing measures similar to those adopted to deal with the emission of excessive fumes by means of transport on land?*

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, I wish to thank Mr LAU for asking this supplementary question. Actually, as soon as I learnt that Mr LEUNG would ask this question, I immediately requested the Director of Marine to make arrangements for a special patrol. Yesterday, he went to the East Lamma Channel, that is, the fairway off Aberdeen, to which Mr LEUNG should also be very familiar. I asked the Director to look out for vessels emitting excessive fumes and compile a record, because I myself also wanted to know the actual situation. But as indicated by the report, no vessel was found emitting excessive fumes. I believe that the problem is actually not that serious. In the past three years, we received only nine complaints about vessels emitting excessive fumes, and this

in fact means a mere average of three complaints a year. I also hope that Mr LEUNG can lodge more complaints, and if everybody does this, the number of complaints will certainly increase. But I must say that we have in no way neglected this problem. The Director of Marine has in fact reminded his patrolling staff that once they notice any vessel emitting excessive fumes, they should take enforcement actions. Prevention is the most effective measure, which is why the Marine Department will inspect the main engines of vessels on a regular basis. This does not mean that we want to see a rise in the number of complaints, because, after all, we believe that the smaller the number of complaints, the better should be the situation.

MR LAU KONG-WAH (in Cantonese): *Madam President, my supplementary question is on the possibility of stepping up regulation. The Secretary said that he had asked the Director of Marine to conduct a patrol. Can this be taken to mean that actions have been stepped up? What regular measures will be taken in the future?*

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): I have actually answered this supplementary question. What we can do now is to make use of our existing patrol craft which patrol our waters regularly. So, when we talk about "stepping up" regulation, we must necessarily be thinking about the possibility of asking the crews of these patrol craft to look out for vessels emitting excessive fumes while conducting their routine patrol duties. But we must remember that while it is certainly important to monitor the problem of excessive fumes, it is even more important to ensure marine safety, because safety should always come first after all. So, while the Director of Marine will continue to ask the captains and crews of our patrol craft to monitor this problem, we also hope to do more work on education and publicity.

MR AMBROSE LAU (in Cantonese): *Madam President, the main reply of the Government shows that the number of successful prosecutions is indeed very small. The Secretary also said that the 20 patrol craft could be used for monitoring the problem as well. But in practice, since these 20 patrol craft have to discharge other duties as well, they may fail to monitor the problem of excessive fumes effectively. Education aside, may I ask the Secretary whether there are any other specific measures to step up regulation?*

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, if Honourable Members really think that the problem of excessive fumes is really so very serious, I would say that the most effective means will be to expand the patrol fleet. And, of course, we will then have to consider the problem of resources. But is this problem really so very serious? I am sure that the spotting of vessels emitting excessive fumes has in fact always remained one of the concerns of those Marine Department staff on patrol duty, and I also trust that they have been taking corresponding actions. But the point is that there have not been too many complaints and prosecutions, which makes me think that the problem is not really that serious. I hope that everybody can help us monitor the problem, and we will also pay close attention to the relevant complaint figures and study the report findings submitted by the Director of Marine. And, if Members really think that this problem is really very serious, I am more than ready to apply for funds to purchase more patrol craft. But I do not think that there is such a need at this stage. To sum up, I am of the view that prevention is most important; if we can step up our efforts of regular examinations, and if vessels can receive regular maintenance, I am sure that we will be able to minimize the incidence of emission of excessive fumes.

MISS CYD HO (in Cantonese): *Madam President, about a month ago, the Marine Police applied to the Finance Committee for funds to purchase new police launches. Well, one reason for this application is that existing Marine Police launches are not fast enough, and the other reason is that these existing launches cannot meet the fumes emission standards set down by the EPD. So, when an Honourable colleague indicated his interest in buying these old launches, his colleagues immediately advised him against doing so, saying that the fumes emitted by these old Marine Police launches would most certainly make him liable to prosecutions. May I therefore ask the Secretary this question: Of all the vessels now owned by the Government, how many are able to meet the requirements of environmental protection? Is there any possibility of "a thief giving chase to another thief" — I mean, is it possible that even the patrol craft themselves are emitting excessive fumes when they are going after other vessels for this offence?*

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, as I pointed out, the Marine Department has only 20 patrol craft, and whenever any vessels, government ones or not, are found emitting excessive fumes, patrol staff will take out prosecutions against them. I do not think that the problem of emitting excessive fumes is particularly serious with government vessels.

DR RAYMOND HO (in Cantonese): *Madam President, many of the vessels sailing in our waters are emitting excessive fumes, but the only response given by the Secretary for Economic Services so far is simply that the Marine Department has only 20 patrol craft. Actually, when government helicopters carry out air patrols, it will be very easy for them to spot vessels emitting excessive fumes. Will the Administration consider the idea of requesting government helicopter pilots to assist the patrol craft of the Marine Department, so as to step up enforcement actions against vessels emitting excessive fumes?*

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, well, if Honourable Members really think that the problem is so very serious, I will be more than ready to do so — though I must add that we do not often see any government helicopters conducting air patrols. I think what is most important is that if people or Honourable Members are really so concerned about this problem, they should lodge complaints with the Marine Department whenever they spot any vessels emitting excessive fumes. As I have pointed out repeatedly, the Marine Department is also very concerned about this problem; whenever its patrol staff spot any vessels emitting excessive fumes, they will take out prosecutions. So, I may as well make an open appeal here. Whenever people spot any such cases, they should complain to the Marine Department at once, and we will certainly take actions.

MR AMBROSE CHEUNG (in Cantonese): *Madam President, it is mentioned in the main reply of the Secretary that regular testings are conducted. At what intervals are these regular testings conducted? Is there any way or device which can enable us to ascertain whether the seriousness of air pollution inside*

the harbour is very different from that outside the harbour?

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, let me first answer the second part of this supplementary question. I can of course ask the Environmental Protection Department to prepare a report for Members' reference. But tentatively, the EPD is of the view that air pollution inside the harbour is not very serious, because fumes will disperse fairly more quickly there. As for the first part of the supplementary question, each vessel will have to undertake at least one test every year; whenever the staff of the Marine Department spot any vessel emitting black smoke in the course of their patrol duties, they will ask for an inspection of the engine of the vessel, even if the problem may not look very serious. If problems are found, the vessel owner will be instructed to make repairs within a few days or a certain period of time and then make his vessel available for a further examination. I believe that repairs and maintenance are the most effective means of preventing the emission of excessive fumes.

PRESIDENT (in Cantonese): Last supplementary question.

MR LEE CHEUK-YAN (in Cantonese): *Madam President, having listened to part (a) of the main reply, Members may well start to doubt the readiness of the Government to take any positive steps. So far, how many emission tests have been conducted during routine patrols at the active request of Marine Department patrol staff? We know that there were four successful prosecutions following emission tests conducted during routine patrols. But how many emission tests were actually conducted? My worry is that patrol crews may have to give a low priority to prosecutions against emission of black smokes because of the competing calls of other duties.*

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, at this moment, I am unable to answer Mr LEE's supplementary question on the number of emission tests which were actually conducted. I will ask for the relevant information from the Marine Department and give Mr LEE a written reply later on. (Annex II)

PRESIDENT (in Cantonese): Last oral question.

Tenancy Agreements of Cyberport Project

5. **DR RAYMOND HO** (in Cantonese): *Madam President, it is reported that quite a number of international enterprises have indicated their interest in becoming tenants at the Cyberport. In this connection, will the Government inform this Council whether:*

- (a) *it will consider stipulating in the tenancy agreements that the tenants have to employ local professionals; if not, the reasons for that;*
- (b) *the tenants, when importing professionals not available in Hong Kong, will be required to train local professionals, so as to achieve the target of technology transfer; and*
- (c) *it will make references to the terms in the tenancy agreements of similar projects overseas in drawing up such agreement terms?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President,

- (a) We plan to set up an independent committee under the proposed Cyberport Company to formulate and administer the admission criteria. Although the admission criteria is yet to be finalized, we have no intention to lay down as a requirement in the tenancy agreement that Cyberport tenants must employ local professionals, as one of the main considerations of the multinational corporations in choosing to establish business in Hong Kong is that Hong Kong provides the professionals they need for their businesses, Cyberport tenants are no exception. The companies operating in Cyberport need talents who understand well the local environment. It is especially important for those companies involved in content creation and multimedia production to hire talents who have good understanding of the local culture and languages. To stipulate a requirement that tenants must employ local people will not be

appropriate. We believe that enabling the companies to hire the best person for the job will be very important for the companies' development and will in turn benefit Hong Kong's overall economic development.

- (b) The second part of the question relates to training employees. The Government has no intention to use the tenancy agreement to specify the arrangement of employee training of the tenants. However, we will encourage Cyberport tenants to provide training for their personnel. Employees are the most valuable resources of a company and we believe that Cyberport tenants will put great emphasis on staff training.
- (c) Regarding the third part of the question, the Government will make reference to the experience of similar projects overseas in drawing up the agreement terms for the Cyberport.

DR RAYMOND HO (in Cantonese): *Madam President, will the Secretary inform this Council of the number of international enterprises that have indicated their interest in becoming tenants at the Cyberport? How many of them will consider employing local professionals?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, 10 international enterprises have become tenants at the Cyberport and established companies there. It is still too early to discuss the specific arrangements for employing local professionals, therefore, I do not have information on the number of local professionals they will employ.

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, I believe Hong Kong people have certain expectations of the Cyberport and we hope that Hong Kong will become a place for hi-tech development. But I was astonished, having heard the reply of the Secretary. I surely agree that it may be difficult to specify these conditions in the tenancy agreements, but will the Government think of other ways to formulate technology transfer policies for hi-tech development?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, staff training is a must when a company develops its business. In the course of development, the association and contact between colleagues can give play to their talent, therefore, we should not specify the relevant arrangements in tenancy agreements. It is not appropriate to make rigid provisions.

MISS CHAN YUEN-HAN (in Cantonese): *It appears the Secretary has not answered my supplementary.*

PRESIDENT (in Cantonese): Miss CHAN, what is your supplementary?

MISS CHAN YUEN-HAN (in Cantonese): *I am not talking about provisions in the tenancy agreements but asking if the Government will formulate policies on technology transfer.*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, how can we quantify or evaluate if technology transfer can be made? Even though such an objective is finally set, it is impossible to put it into practice because those are private companies.

MR KENNETH TING (in Cantonese): *Madam President, now that it has not been specified in the agreements that those companies must employ Hong Kong people, will the Government suggest that the tertiary institutions in Hong Kong should directly contact the 10 companies that have become tenants at the Cyberport and ask them what talents they will employ, or will they employ graduates of tertiary institutions in Hong Kong? This will help the employment of graduates and achieve the target of technology transfer in future.*

SECRETARY FOR INFORMATION TECHNOLOGY AND

BROADCASTING (in Cantonese): Madam President, I would like to thank Mr TING for his question. In fact, our next step is to negotiate further with the 10 companies and other companies that may become tenants at the Cyberport and discuss with them their actual needs and plans. We will gladly convey this idea to them for their reference so that they can consider employing talents these local institutions can provide.

PRESIDENT (in Cantonese): Mr TING, which part of your supplementary has not been answered?

MR KENNETH TING (in Cantonese): *Madam President, has the Government suggested that universities in Hong Kong should directly contact the 10 companies?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, I find it most important for there to be a communication channel. We will further promote local talents to the 10 companies and convey Members' views to the Secretary for Education and Manpower.

MR SIN CHUNG-KAI (in Cantonese): *Madam President, I know that the Government is now accepting applications by interested companies to join the Cyberport via its home page on the Internet. The Government will continue to accept applications before the completion of the entire Cyberport project. When will the Government start consulting these companies that have indicated their interest in becoming tenants regarding the talents they need so that we can give various institutions replies as Mr Kenneth TING has suggested? The Government may conduct a survey on information technology manpower in June but I am not sure if it will have any effect on this.*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, our work will be

launched step by step. First, we will set up a Cyberport affairs department in the Information Technology and Broadcasting Bureau and then further negotiate with companies that are interested in becoming tenants at the Cyberport to confirm their actual requirements. At that stage, we can relay through this channel the commitment made earlier that we will promote local talents. Therefore, our work will be launched step by step.

MR AMBROSE LAU (in Cantonese): *Madam President, in the Government's main reply, it is said that an independent committee will be set up to formulate the admission criteria. We all know that the purpose of developing the Cyberport is to develop our economy and create more job opportunities. It is also stated in the main reply that it is not necessary to lay down as a requirement in the tenancy agreement that Cyberport tenants must employ local professionals. I am not going to discuss whether such a requirement should be made but the Government still said that a decision will be made by the independent committee although it has expressed such views. If the independent committee finds this necessary, will it refrain from doing so because this goes against the Government's intention?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): *Madam President, the independent committee certainly comprises government representatives and we also hope that independent persons will be included because they will be able to handle future applications by companies to become Cyberport tenants in an objective, fair and impartial manner. We have in fact announced the outlines of the criteria for admission evaluation. We are keen at soliciting sophisticated technology talents to provide Hong Kong with value-added services and make Hong Kong more competitive. Therefore, we have a great demand for talents throughout the process. I believe one of the factors for consideration when the independent committee determines which companies should become tenants at the Cyberport is whether their talents can promote the business they want to develop. Therefore, there will not be contradictions.*

MR AMBROSE LAU (in Cantonese): *Madam President, in the Government's main reply, it is stated that it will make reference to the experience of similar projects overseas in drawing up the agreement terms for the Cyberport. A very*

important factor is that our neighbouring countries that develop high technology give tenants preferential tax treatments. Will the Government start considering giving preferential tax treatments? If so, in which respects?

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, I think I cannot answer this supplementary question but I can say that compared to our neighbouring countries and even the international standard, tax rates in Hong Kong are fairly low. We have a simple tax regime with attractive tax rates, therefore, the attractiveness of the Cyberport lies not only in the tax concessions or preferential tax treatment available to companies established in Hong Kong. There are other attractions.

MR HO SAI-CHU (in Cantonese): *Madam President, I also agree that it is very difficult to specify this in the agreement terms. However, foreign companies will surely want to import certain staff, especially those experienced and skilled personnel. Can we control the manpower they import and the duration for such importation so that they must train local talents in order to achieve the target of technology transfer? Will the Government consider doing this?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, the Secretary for Security has explained clearly to Members earlier on how talent can be attracted to Hong Kong from overseas. Talents overseas must go through some application procedures before entering for employment. We will handle such applications in line with our general policies for attracting talents from overseas to Hong Kong for employment.

MR HO SAI-CHU (in Cantonese): *Madam President, excuse me, what I meant is just the opposite. While we allow them to admit talents, should we cater for the training of local talents and technology transfer and disallow massive admission of talents over a long period of time but compel them to train local talents? Should the Government consider this?*

SECRETARY FOR INFORMATION TECHNOLOGY AND

BROADCASTING (in Cantonese): Madam President, I think that it is unfair to these companies if we set too many hurdles for them at this stage. When a company develops its business, it must focus on its overall business needs. As it is inappropriate for us to force these companies not to hire talents required, limit the time they can hire such talents or lump such cases together for handling, the Government does not intend to formulate terms or rules in advance at this stage.

MR CHAN WING-CHAN (in Cantonese): *Madam President, the Secretary has said that around 10 companies have applied to become tenants at the Cyberport, how many companies can the Cyberport accommodate? If too many companies are attracted, will there be a waiting mechanism, and how are applications prioritized?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, according to the scheduled area of the Cyberport, we conceive that it can accommodate 130 companies but it is not possible for us to specify the area needed by every company at this stage. As to the question of vetting and of whether it is necessary to work out a waiting list, these have to be tackled by the independent committee after we have finalized the admission criteria and proceeded to handle these applications comprehensively.

MR AMBROSE CHEUNG (in Cantonese): *Madam President, I hope that the Government will take the initiative to promote the training of local talents. The three most attractive factors of the Cyberport are preferential rent, specified business and that demand will possibly exceed supply. Why can the independent committee not set up a mechanism including specific terms that specify that bodies or organizations interested in becoming tenants at the Cyberport must provide such basic information as the number of people employed locally or from abroad, or establish a points system as an incentive? If demand really exceeds supply, will priority be given to organizations employing more local people or locally trained talents? Why can specific application rules not be made for reference by interested organizations?*

SECRETARY FOR INFORMATION TECHNOLOGY AND

BROADCASTING (in Cantonese): Madam President, this certainly has to be handled by the independent committee and the Government can reflect Members' views to the independent committee.

PRESIDENT (in Cantonese): Last supplementary.

DR RAYMOND HO (in Cantonese): *Madam President, the Secretary has stated in part (c) of his main reply that the Government will make reference to the experience of similar projects overseas in drawing up the agreement terms for the Cyberport. What are the countries the experience of which the Government will make reference to?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, I would like to thank Dr HO for his supplementary. We are collecting information on countries such as Asia, the United States and Australia which have implemented similar projects, and we have already got some information on agreement terms. Later, we will try to collect information on other regions that have implemented similar projects.

PRESIDENT (in Cantonese): Dr HO, which part of your supplementary has not been answered?

DR RAYMOND HO (in Cantonese): *Madam President, Asia is not a country. What are the Asian countries the information of which the Administration is considering?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, by Asia I mean countries such as Malaysia, Singapore and Thailand. We have made reference to the information on these countries.

PRESIDENT (in Cantonese): Honourable Members, the question time shall stop here. As there are only five questions today, I have given each question 16 to 17 minutes on average.

WRITTEN ANSWERS TO QUESTIONS

Senior Officials Attending Media Programmes on Current Affairs

6. **MISS EMILY LAU:** *Regarding senior officials attending media programmes on current affairs as guest speakers, will the Executive Authorities inform this Council:*

- (a) *whether the Chief Secretary for Administration has ever attended such programmes; if not, the reasons for that;*
- (b) *of the bureau secretaries who have not attended such programmes in the last two years; and*
- (c) *whether the Chief Executive will instruct senior officials to attend more of such programmes, so as to enhance the transparency and accountability of the work of the Administration?*

SECRETARY FOR HOME AFFAIRS: Madam President,

- (a) The Chief Secretary for Administration maintains very close contact with the local and overseas media in her day-to-day work. She takes part in various media sessions, briefings and interviews to explain the Government's views and policies. Her participation in current affairs programme is mainly in the form of one-on-one interviews.
- (b) All Policy Secretaries have attended current affairs programmes as guest speakers in the last two years.
- (c) We are committed to the policy of open and accountable government. All senior officials support this policy and are conscious of the value of communicating with the media to explain government policies and to respond to views expressed by the

community and the media. They will continue to attend media programmes which are relevant to their portfolios and which justify their attendance. There is, therefore, no need for the Chief Executive to instruct senior officials to attend more of such programmes.

Disney Theme Park

7. **MR TIMOTHY FOK** (in Chinese): *In presenting the Budget for this financial year, the Financial Secretary stated that the Government was discussing with the Walt Disney Company the building of a theme park in Hong Kong. It is reported that the Company had asked for the provision of extensive infrastructure in its previous negotiations with the governments of other places on the construction of theme parks. In this connection, will the Government inform this Council of:*

- (a) *the commitments or financial subsidies to be offered to the Company; and whether it has assessed how the offer of such commitments or financial subsidies will help in promoting the development of cultural, sports and entertainment activities in Hong Kong; and*
- (b) *given the controversy surrounding the Cyberport project, the measures in place to ensure that the outcome of the negotiations will be compatible with public interest, and whether there is any plan to enhance the transparency of the negotiation process?*

SECRETARY FOR ECONOMIC SERVICES (in Chinese): Madam President,

- (a) As announced by the Financial Secretary in his 1999-2000 Budget speech, the Government is in intensive negotiations with Walt Disney with a view to determining, by 30 June 1999, whether a Disney project can be brought to fruition in Hong Kong. The two sides signed a joint Letter of Understanding to this effect in February. Given the commercial sensitivities involved, it would not be appropriate for the Government to disclose further details until the negotiations have been completed. However, we can assure Members that we will only conclude an agreement if

mutually acceptable terms can be reached, and subject to the approval by the Finance Committee of this Council of the financial implications for the Government. The Walt Disney Company is the world's leading theme park operator. We are confident that a Disney project would bring about substantial benefits to the Hong Kong economy including a major contribution to our tourism industry.

- (b) We will advise this Council and the public of the progress of our negotiations as soon as we are in a position to do so.

Obesity

8. **DR YEUNG SUM** (in Chinese): *It is reported that the World Health Organization has pointed out that obesity will be the major health problem for mankind in the next century. In this connection, will the Government inform this Council:*

- (a) *whether statistics are available on the weight to height ratios of the population in Hong Kong; if so, of the figures as compared with the standard ratios recommended by the World Health Organization; if not, whether it will conduct surveys in this regard;*
- (b) *how it helps the public prevent obesity or provides treatment to members of the public who suffer from obesity; and*
- (c) *of the plans in place to curb the increase in the number of obesity cases and prevent obesity-related diseases; and the resources involved in carrying out each of such plans?*

SECRETARY FOR HEALTH AND WELFARE (in Chinese): Madam President,

- (a) A group of experts from the University of Hong Kong, the Department of Health (DH) and the Hospital Authority (HA) have conducted a study during the years of 1994 to 1996 on the cardiovascular risk factors in Hong Kong. The results of the study indicated that, according to the criteria recommended by the World

Health Organization for adult population (Body Mass Index [weight (kg) / (height (m))²] exceeding 30), 5% of men and 7% of women in Hong Kong aged 25 to 74 were obese. As for students, any student whose body weight is more than 20% above the median weight for height of the local students will be diagnosed as obese. In the 1997-98 academic year, about 12% of students attended the Student Health Service Centres were found to be obese.

According to the figures released by the World Health Organization, the prevalence of obesity in adults is 10% to 25% in most countries of Western Europe, 20% to 25% in some countries in the Americas, and up to 40% in some countries in Eastern Europe.

- (b) Prevention is always better than treatment for all illnesses, including obesity. The DH and the HA thus emphasize assisting the public to prevent obesity. This involves three aspects of services:

Health Promotion Services — Prevention of obesity is one of the core themes of the health promotion programmes. Publicity and educational activities are organized by the DH and the HA to raise public awareness of obesity and to publicize means of preventing it. Health education materials such as pamphlets, videos, exhibition boards, CD-ROMs and Video Compact Discs have been produced, and disseminated through public clinics and hospitals in all districts, to encourage the choice of a balanced diet and appropriate exercises. Private practitioners can obtain health education pamphlets free of charge for distribution to their patients. The DH's Student Health Service also promotes healthy lifestyle among students through the Service's newsletter "Colourful Bridge" to schools. Special training courses have been organized by the DH for teachers, students, women and elderly as health ambassadors who will in turn help promoting healthy living in the community. Since 1994, more than 4 500 health ambassadors have successfully completed training. They had organized about 2 000 health education activities with an attendance of over one million.

Screening Services — Children, students, women and elderly attending the Maternal and Child Health Centres, Student Health

Service Centres, Woman Health Centres and Elderly Health Centres respectively are screened for obesity by the DH. Clients found to have abnormal body weight will be counselled by nurses and doctors at the Centres. Similarly, the HA will screen their patients for obesity.

Support Services — For clients found to be obese in the DH's respective Centres or General Out-patient Clinics, counselling will be offered to them by dietitians or health staff. Support groups and keep fit classes are also organized for them. Where necessary, clients are referred to HA specialists for follow-up to ascertain whether there is any underlying reason for the obesity. The HA, with the help of a multidisciplinary team, will explain to the patients the reasons for obesity and the consequences on their image and activities. Any pharmacological treatment or surgical operation is rarely adopted for curing obesity, because the best method is still either the adoption of a healthy lifestyle or the curing of any underlying illnesses.

- (c) Healthy diet and regular exercise can prevent obesity. As part of the "Healthy Living into the 21st Century" Campaign, the DH has adopted "Healthy Eating" and "Regular Exercise" to be the theme of health promotional activities in the years 1999-2000 and 2000-2001 respectively. Since early 1999, three healthy eating movements have been launched among children and adolescents by the DH. They are the "Healthy Eating Movement for Kindergartens and Nurseries" targeting at pre-school children, the "Healthy Tuckshop Movement" targeting at primary students and the "Healthy Lunch Movement" targeting at secondary students. For adults, a series of the lectures on "healthy eating" will be given to estate residents, Estate Management Advisory Committee members and food premises tenants under the "Neighbour Health Ambassador Training Programmes". Exhibitions on "healthy eating" have been planned in housing estates and public clinics. The DH is also collaborating with the Radio Television Hong Kong to produce a series of television programmes to promote healthy eating to the public. The DH estimates a total expenditure of around \$3.5 million for the above activities in 1999-2000.

Compensation Concerning Delayed or Cancelled Flights

9. **MR AMBROSE CHEUNG** (in Chinese): *Cathay Pacific Airways has recently cancelled quite a number of flights, disrupting the itineraries of travellers booked on the affected flights, and affecting the departure of quite a number of out-bound tours. In this connection, will the Government inform this Council:*

- (a) *whether the existing mechanism enables members of the public to lodge claims for compensation in respect of delayed or cancelled flights; if so, the details of the compensation; if not, the reasons for that;*
- (b) *of the measures in place to exempt travel agents from the responsibility of compensating their customers for any loss due to the delay or cancellation of flights; and*
- (c) *how it regulates the relevant airlines in offering compensation to the affected passengers and travel agents?*

SECRETARY FOR ECONOMIC SERVICES (in Chinese): Madam President, we have consulted the Department of Justice, the Trade and Industry Bureau and the Civil Aviation Department. Our replies to the three parts of the question are as follows:

- (a) An airline's liability towards passengers of air carriage to and from Hong Kong depends on the circumstances of the specific case, including the contractual relationship between the airline and the passengers. In general, such liability is governed by the Carriage By Air Ordinance (Cap. 500). The relevant provisions of the Ordinance were made mainly by reference to the Warsaw Convention (1929) and the Warsaw Convention as amended by the Hague Protocol (1955) (known as the "amended Convention" in Cap. 500).

Under the Ordinance, an airline is liable for damage occasioned by delay in the carriage by air of passengers. The upper limits for compensation are set out in the table below:

Upper Limits for Compensation⁽¹⁾

International Carriage by Air

Warsaw Convention	125,000 francs ⁽²⁾	Around HK\$86,000
The Amended Convention	250,000 francs ⁽²⁾	Around HK\$172,000
Non-International Carriage by Air	100,000 special drawing rights ⁽³⁾	Around HK\$1.04 million

- (1) When the airline concerned voluntarily offers a higher compensation, such upper limits do not apply.
- (2) The term "francs" mentioned in the Warsaw Convention and the amended Convention refers to a currency unit consisting of 65.5 milligrams of gold of millesimal fineness 900.
- (3) "Special drawing rights" means units of account comprising a number of national currencies used by the International Monetary Fund.

The passengers concerned are required to prove their damages. As to which of the three upper limits for compensation is applicable, it will depend on whether the countries in which the places of departure or destination of individual passengers are situated are State Parties to the Conventions. As at 30 June 1998, there were respectively 144 and 125 State Parties to the Warsaw Convention and the Hague Protocol.

Moreover, the airline concerned is not liable if it proves that it and its servants or agents have taken all necessary measures to avoid the damage or that it was impossible for it or them to take such measures. Furthermore, if the airline proves that the damage was caused by or contributed to by the negligence of the passengers, the Court may exonerate the airline wholly or partly from its liability.

The various provisions of the Carriage by Air Ordinance may not apply in certain cases, for example, when there is non-performance of the contract with the passengers. For these cases, the concerned matters may be dealt with in accordance with contract law, taking into account the circumstances of the specific case.

- (b) Whether travel agents are liable for compensating passengers for any damages due to the delay or cancellation of flights will generally depend on the terms of the contract concerned. At present, there are no statutory provisions in this regard. The disputes between a travel agent and the passengers are private disputes in nature, which may be resolved through civil proceedings.
- (c) For passengers who suffer damages as a result of delayed or cancelled flights, the relevant requirements concerning claim for compensation are already outlined in part (a) above. As to whether the airline is liable for compensating the travel agents affected, it will generally depend on the terms of contract concerned. At present, there are no statutory provisions in this regard.

Special Finance Scheme for Small and Medium Enterprises

10. **MR HUI CHEUNG-CHING** (in Chinese): *Subsequent to a review of the operation of the Special Finance Scheme for small and medium enterprises (SMEs), a number of changes were made to the Scheme in April this year, including increasing the Government's share of credit risk to 70% from the original 50%. In this connection, will the Government inform this Council of:*

- (a) *the total number of loan applications received since the implementation of the changes to the Scheme, and among them, the number of approved cases and the total amount of loans involved; and*
- (b) *the respective numbers of participating lending institutions which have signed the new Deed and those which have not yet signed, as well as the latter's reasons for not signing yet?*

SECRETARY FOR TRADE AND INDUSTRY (in Chinese): Madam President,

- (a) The Finance Committee of the Legislative Council approved the recommended changes to the Special Finance Scheme for SMEs on 23 April 1999. Since May 1999, the participating lending institutions (PLIs) have started signing the Supplemental Deed of the Scheme and processing applications under the revised terms. A breakdown of statistics about the Scheme since the implementation of the changes to 15 June 1999 is as follows:

- Total number of applications received	:	577
- Number of cases withdrawn by applicants	:	7
- Number of cases rejected	:	1
- Number of cases approved under the original terms	:	7
- Number of cases approved under the revised terms	:	562
- Total amount of government guarantee commitment in above cases	:	\$323,753,843
- Total amount of facility in above cases	:	\$506,225,834

- (b) There were 76 PLIs under the original Scheme. Their responses to the revised Scheme by 15 June 1999 are as follows:

- Number of PLIs which have signed the Supplemental Deed	:	70
- Number of PLIs which have not signed the Supplemental Deed	:	6
- New PLI(s)	:	1

In other words, since the Scheme was revised, 92% of the PLIs have signed the Supplemental Deed with the Government to continue to participate in the Scheme under the revised terms. The six PLIs which have not signed the Supplemental Deed have not been active in their participation. Indeed, three of them have never referred any cases to the Treasury.

Exhibitions Organized by TDC

11. **MISS CHOY SO-YUK** (in Chinese): *Regarding the exhibitions organized by the Hong Kong Trade Development Council (TDC), will the Government inform this Council whether it knows:*

- (a) *for each exhibition organized in 1998,*
 - (i) *if the target visitors are trade members or members of the public;*
 - (ii) *the respective exhibition areas allocated to local exhibitors and those of other territories or countries; and*
 - (iii) *the net income of the TDC; and*
- (b) *whether local participants may receive subsidies or enjoy concessions from the TDC?*

SECRETARY FOR TRADE AND INDUSTRY (in Chinese): Madam President,

- (a) (i) The TDC organized a total of 21 exhibitions in 1998. Of these, 15 were targeted at trade members, and the remaining six were open to both trade members and the general public (registration was not required for admission). Exhibitions that were open to the general public included the Education and Careers Expo, Hong Kong Information and Infrastructure Expo and Conference, MoneyWorld Asia - Hong Kong, Hong Kong Book Fair, Food Expo and International Audio and Visual Show.
- (ii) The 21 exhibitions took up a total net exhibition area of 160 806 sq m. Locally registered companies took up

115 985 sq m, representing 72.1% of the total net exhibition area. Other exhibitors took up 27.9% of the total net exhibition area, that is, 44 821 sq m. Please refer to the annex for details.

(iii) The TDC derived a net income of \$101.08 million from organizing the 21 exhibitions.

(b) When participating in some of the exhibitions organized by the TDC, locally registered companies can enjoy discounts in participation fees, ranging from 7.2% to 30%. In the event that the exhibition area is in short supply, if local and other companies are of similar conditions, priority will be accorded to the former.

* The information in this reply is provided by the TDC.

Annex

Exhibitions Organized by the
Hong Kong Trade Development Council in 1998 -
Net Exhibitions Space

<i>Exhibition</i>	<i>Total area</i>	<i>Net Exhibition Space (sq m)</i>	
		<i>Taken up by locally registered companies</i>	<i>Taken up by other companies</i>
Hong Kong Toys and Games Fair	23 610	15 917	7 693
Hong Kong Fashion Week for Fall/Winter	10 857	6 894	3 963
Education and Careers Expo	2 466	1 578	888
Hong Kong Information and Infrastructure Expo and Conference	3 486	3 276	210
Hong Kong International Jewellery Show	14 569	11 651	2 918

Hong Kong Gifts and Houseware Fair	24 896	15 438	9 458
Hong Kong Premium Show	4 833	4 572	261
MoneyWorld Asia - Hong Kong	888	600	288
FILMART	675	375	300
Hong Kong Fashion Week for Spring/Summer	3 788	2 557	1 231
Hong Kong Book Fair	6 957	6 066	891
International Copyright Exchange (ICE) - incorporated in Hong Kong Book Fair	75	24	51
Food Expo	3 018	2 664	354
MarComAsia	1 404	639	765
Hong Kong Watch and Clock Fair	18 384	14 974	3 410
Hong Kong Electronics Fair	22 562	16 977	5 585
ElectronicAsia (joint venture with Messe Munich)	4 020	1 587	2 433
International Audio and Visual Show	5 201	5 081	120
Hong Kong International Hardware Show	1 558	877	681
Pen and Paper (joint venture with Messe Frankfurt)	1 350	654	696
Hong Kong Optical Fair	6 209	3 584	2 625
	160 806	115 985	44 821
		72.1%	27.9%

Estimated Damage to Major Infrastructures in an Earthquake

12. **MR NG LEUNG-SING** (in Chinese): *It is reported that Lantau has been identified in a study as lying within a seismic risk zone, and large magnitude earthquake may happen there. In this connection, will the Government inform this Council whether:*

- (a) *it has estimated the extent of damage to major infrastructure in Hong Kong, such as the Mass Transit Railway and the new airport, when an earthquake with magnitude six or greater on the Richter Scale occurs in Hong Kong; if so, the details of that; and*
- (b) *it has drawn up any contingency plans to deal with the situation in case the major infrastructure in Hong Kong are damaged in an earthquake; if so, the details of such plans?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) According to the Hong Kong Observatory, the seismicity of Hong Kong as a whole, including Lantau, is low to moderate. Since 1979, there have been six instances where earthquakes occurred with epicentres within Hong Kong. These are minor tremors with magnitude less than two on the Richter Scale. According to the Civil Engineering Department, highways and railway structures in Hong Kong are designed to withstand seismic loading, and major infrastructure should be able to withstand seismic forces up to Intensity VII on the Modified Mercalli Scale, which may be generated by an earthquake of magnitude between five and six on the Richter Scale. A working group under the Buildings Department is considering possible seismic effects on buildings. Having said that, the design wind load for high-rise buildings in Hong Kong should be able to withstand the horizontal force generated from an earthquake. An information note prepared by the Geotechnical Engineering Office to explain the earthquake risk in Hong Kong is enclosed.
- (b) The Government has a Contingency Plan for Natural Disasters which sets out comprehensive emergency response arrangements in case of major natural disasters including earthquakes. The Contingency Plan focuses particularly on the rescue and recovery operations required of the emergency and works departments. These departments are also required to prepare their own operational instructions for providing internal guidance to their staff.

In general, in the event of a major natural disaster, the Fire Services Department will activate rescue plans together with the police and the Hospital Authority to save lives, protect property and contain the situation. The Home Affairs Department will co-ordinate relief measures provided by the Social Welfare Department and the Housing Department. The Emergency Monitoring and Support Centre (EMSC) in the Security Bureau will also be activated to

liaise with the Hong Kong Observatory (HKO), the Information Services Department (ISD) and co-ordination centres of the emergency and works departments to monitor and provide support for a co-ordinated emergency response. The HKO and the ISD will provide up-to-date information to the public, so that they are kept abreast of the situation and any government advice on the protective measures they should take.

Information Note 11/97

September 1997

EARTHQUAKE RISK IN HONG KONG

- Key Messages:
- a) The seismicity of Hong Kong is low to moderate.
 - b) There is little evidence of significant recent fault activity in Hong Kong, either onshore or offshore.
 - c) The possibility of significant earthquake damage to slopes, retaining walls and reclamations in Hong Kong is low.

Introduction

Every year, about three or four earthquake tremors are felt in Hong Kong. To put this in context, however, recent studies into earthquake risk in Hong Kong carried out by the Geotechnical Engineering Office (GEO) classified the seismicity of Hong Kong and the adjoining Guangdong Province of China as "low to moderate". The earthquake hazard in Hong Kong is therefore considered to be very much lower than in areas such as Japan and the western United States which lie close to the earth's most seismically active zones along crustal plate boundaries. However, earthquake risk in Hong Kong cannot be regarded as negligible, and the results of the GEO earthquake studies, carried out since 1988 and published locally, now enable Hong Kong's engineers to make better provisions for earthquakes in their design of structures.

Causes of Earthquakes

An earthquake is a complex series of ground vibrations caused when stored energy is released, usually during sudden, sporadic movement along a geological fault. Movements are ordinarily resisted by friction, and only occur when the stress across a fault has built up to a level at which it exceeds the frictional resistance. Other natural processes which generate earthquakes include the movement of magma beneath volcanoes, and gravitational collapse of features at the earth's surface. Earthquakes can also result from the activity of man, most obviously in relation to controlled or accidental explosions, and to man-made changes such as reservoir construction.

Quantification of Earthquakes: Size and Effects

Earthquakes are generally assessed in terms of their magnitude and intensity.

- (a) The magnitude of an earthquake is a measure of the amount of energy released, and it is most commonly quantified in terms of the Richter Scale. Earthquakes of magnitude less than four are minor and unlikely to cause damage, whereas those with magnitude six or greater are major events, capable of causing catastrophic damage. As magnitude increases by one unit, the energy released increases by about 30 times.
- (b) The intensity of an earthquake is an assessment of its surface effects, and in Hong Kong this is quantified by using the 12-point Modified Mercalli Intensity Scale. To give an idea of the degree of shaking experienced under different intensities: stationary people can feel an intensity III tremor; for intensity VI, many people are frightened and run outdoors; some buildings suffer from cracking under an intensity VII event; tremors causing landslides are classed as intensity VIII; intensities of IX and above are significantly destructive events. Unlike the magnitude of an earthquake, which quantifies the energy released at the source within the earth, intensity varies with surface distance in any direction from the source of the earthquake. Hence, maps of intensity distribution related to a specific earthquake will show crude concentric zoning

around the source of the earthquake.

Global Distribution and Generation of Earthquakes

The point on the earth's surface vertically above the source of an earthquake is its epicentre. The actual location of fault movements which generate most earthquakes felt at the earth's surface, however, is at variable depths of up to several hundred kilometres. Most major earthquakes occur in well established seismic zones which also contain very large fault systems. Most, but not all, of these zones are situated along the boundaries of the earth's crustal plates. These plates, which are up to 200 km thick and thousands of kilometres across, are in constant relative motion. Movements along their boundary fault zones are therefore inevitable. The relative movement of the plates ultimately determines the frequency and magnitude of earthquakes occurring along individual faults. Although far fewer earthquakes occur along faults far from plate boundaries, they can be of large magnitude.

The Tectonic Setting of Hong Kong

Hong Kong lies within the Eurasian Plate. It is located about 600 km from the nearest boundary which underlies Taiwan and trends south to the Philippines and northeast to Japan. This boundary is mainly convergent, with the Pacific Plate to the east descending relatively slowly (about 7 cm per year) beneath (subducting) the Eurasian Plate to the west. This plate boundary is associated with both frequent and large magnitude earthquakes whose epicentres are concentrated in a zone up to 200 km wide along the eastern boundary of the Eurasian Plate. Active volcanoes also occur in this zone, as in Japan and the Philippines. Historical data indicate that the frequency of large magnitude earthquakes declines rapidly at distances greater than about 200 km from the plate boundary.

Historic Earthquakes in the Vicinity of Hong Kong

Historical records indicate that Hong Kong does not experience frequent, large magnitude earthquakes, as a result of its favourable location far removed from plate boundaries (see below). However, occasional earthquakes are

recorded at locations almost throughout the Eurasian Plate.

The biggest earthquake recorded this century in the vicinity of Hong Kong occurred 300 km away in the Shantou area of neighbouring Guangdong Province in 1918. This earthquake was classed as Magnitude 7.4, but in spite of its classified VI to VII intensity in Hong Kong, the damage caused was minor. Cracks appeared in several buildings and tremors were felt by some people, but there were no injuries. Other notable earthquakes have occurred near Hong Kong at Macao in 1905 (Magnitude 5.5), at Heyuan in 1962 (Magnitude 5.8) and at Yangjiang in 1969 (Magnitude 6.2). No damage was reported in Hong Kong due to these earthquakes.

Every year, about three or four earthquake tremors are felt in Hong Kong. Most of these tremors are small and are due to earthquakes with epicentres near Taiwan. Bigger tremors are occasionally experienced when earthquake epicentres are nearer to Hong Kong; for example, the Magnitude 6.5 earthquake which occurred on 16 September 1994 and aroused some public concern in Hong Kong. The epicentre of this earthquake was located offshore near Shantou and its intensity in Hong Kong was classed as V to VI.

To put the local earthquake risk in its context, it should be noted that small earthquakes are commonplace throughout the world, but the vast majority are of magnitudes so small that they are only detectable by very sensitive equipment, and their intensities are below the threshold felt by people. Of most concern to the public are the strong earthquakes that can cause damage to property and injury to people. Although the earthquake hazard in Hong Kong is considered to be very much less than in areas such as Japan and the western United States which are located along highly active plate boundaries, this does not mean that the risk is negligible. Large earthquakes can occur at locations far from plate boundaries. For example, the city of Newcastle, located on the east coast of Australia, and more than 1 000 km from the nearest plate boundary, was struck by an earthquake of Magnitude 5.6 in December, 1989. The earthquake caused considerable damage and the city of 400 000 people faces reconstruction costs in the order of 1 billion Australian dollars (about \$6 billion). This extensive damage was primarily the result of the limited anti-earthquake measures incorporated into the design of buildings.

In view of Hong Kong's dense population and high level of development, the Government sees the need to have a good understanding of the seismic risk to Hong Kong. The International Conference on Seismicity in Eastern Asia, held in Hong Kong in October 1991, contributed to this understanding with discussions on the seismic risk in Hong Kong and the region. In Hong Kong, earthquake studies have in the past concentrated on data from two main sources:

- (a) Collecting historic records from Hong Kong and the neighbouring region — The GEO, in collaboration with the Royal Observatory and seismologists in the United Kingdom and Guangdong Province, has reviewed information on earthquakes within a distance of about 350 km of Hong Kong. The information has been published in GCO Publication No. 1/91 (GCO, 1991). This review revealed that, although earthquakes have occurred in Guangdong Province, seismicity in the region is "low to moderate" and is lower in Hong Kong than elsewhere in the region;
- (b) Locating faults and shear zones as part of Territory-wide geological mapping by the Hong Kong Geological Survey, and examining them for evidence of recent activity — Onland faults have been recorded during detailed field geological surveying. Offshore faults have been located mainly using seismic reflection surveys. There is little evidence to suggest significant recent activity on the faults which have been recognized either onshore or offshore.

In parallel with the general review of seismicity and geological structure, a number of specific studies on the effects of earthquakes on different types of engineering structures in Hong Kong have been completed:

- (a) The GEO have looked at the effects of seismic loading on slopes, retaining walls and reclamations. A Buildings Department chaired Working Group is currently considering buildings. Regarding slopes and retaining walls, there are no records of earthquake-induced landslides or wall collapses in Hong Kong. GEO's studies also indicate that seismic loading is generally not critical for man-made slopes and walls designed to current geotechnical safety

standards. Similar findings for slopes were reported by Pappin and Bowden (1997). As for reclamations, the possibility of earthquake-induced liquefaction has been shown to be low in Hong Kong. Sites with a long fundamental period have not been found. Therefore, it is unlikely that there will be significant amplification of seismic ground motions associated with far-field earthquakes, such as those observed in the 1985 Mexico City event.

- (b) As part of studies carried out by the GEO, the Earthquake Resistant Design Code of China has been examined and discussions have been held with seismic experts in Guangdong Province. According to the seismic intensity zoning map of China, Shenzhen and Hong Kong are within a region of moderate design seismic intensity (intensity VII).
- (c) The GEO has engaged the University of Hong Kong to carry out a detailed study of the seismic hazard in Hong Kong. The University collaborated with seismologists from Guangdong and took into account the wealth of information gathered by Chinese seismologists in recent years. The results of the study (Lee et al, 1996) are consistent with those from earlier studies in the early 1990s. A design seismic intensity of VII is found appropriate for Hong Kong where seismic design is required.
- (d) With the assistance of seismologists from the United Kingdom, the Government has upgraded the local seismic monitoring network, and additional seismological stations have been established. It is now possible to record even very small-scale earthquakes in the vicinity of Hong Kong and locate the earthquakes more accurately. The information will be very useful for further assessing the likelihood of large earthquakes in the vicinity of Hong Kong and the attenuation of seismic ground motions, for a better understanding of the local seismic hazard.
- (e) Although there are no known cases of landslides caused by

earthquakes in Hong Kong, the GEO has carried out a study to compare the risk of man-made slope failures induced by earthquakes to those induced by rainfall. The results of the study show that the risk of failure of man-made slopes due to earthquakes is much smaller than that due to heavy rainfall.

Earthquake Provisions in Hong Kong

The GEO has published a guidance document on the design of retaining walls (GEO, 1993) which provides for earthquake loading. For slopes, earthquake provision is an item being considered as part of the on-going review of slope design. The current design practice for buildings and other structures in Hong Kong is such that provision for earthquake loading is not made routinely, except for highway structures. Nevertheless, some large buildings and civil engineering projects have been designed against earthquakes, at the discretion of the owners.

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September 1997

Regulating the Use of Containers for Conveyance of Used Vehicles

13. **MR LEE KAI-MING** (in Chinese): *On 25 May this year, an explosion occurred when a container carrying used motorcycles and spare parts was being lifted onto a barge in the cargo handling area off Stonecutters Island, causing a number of casualties; there had also been incidents in the past two years in which containers exploded while carrying used motorcycles. In this connection, will the Government inform this Council:*

- (a) after its investigation into the causes of these incidents, of the measures it has taken to prevent the recurrence of similar incidents; and*
- (b) whether it has any plan to introduce legislative amendments to regulate the use of containers for the conveyance of used vehicles; if not, the reasons for that?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) The Marine Department is conducting an investigation into the explosion of a container off Stonecutters Island on 25 May 1999. The report should be completed by August 1999.
An inter-departmental working group comprising the Transport Department, the Fire Services Department, the Marine Department and the police has looked into ways to enhance the safe conveyance of used motorcycles and spare parts in containers. As a result, a set of safety guidelines has been agreed and promulgated widely among the motorcycle importers, second-hand motorcycle dealers and the container transportation groups. The guidelines are simple to follow: Residue fuel in tanks should be drained prior to loading, motorcycles should be properly secured and carried in "open" or ventilated containers.

Furthermore, members of the inter-departmental working group have, in special briefing sessions or at their liaison meetings with the trade and operators, reiterated the importance to adhere to the guidelines to ensure the safe loading of used motorcycles. The Transport Department has also issued advisory letters to the trade.

The Transport Department is working to formally incorporate the safety guidelines into the Department's Code of Practice for Loading of Vehicles issued under the Road Traffic Ordinance, Cap. 374. The Department exercises control over conveyance of goods on roads under the Road Traffic Ordinance and its subsidiary legislation, with the police acting as the enforcement agent against offences. Transport operators are required to ensure that loads (which include used vehicles) are properly secured to, contained on or inside the conveyance vehicles. Otherwise, operators may be prosecuted for insecure loading which is a summonsed offence under the Ordinance.

The Marine Department has also promulgated a Marine Department Notice to remind owners, operator agents, shippers, consignees, masters and persons-in-charge of the shipment of containers carrying motorcycles and spare parts of the need to observe the safety guidelines.

The Government will further step up public education and publicity among the trade and relevant groups.

- (b) As explained above, the Transport Department will codify the safety requirements into the Code of Practice for Loading of Vehicles issued under the Road Traffic Ordinance. Subject to the outcome of its on-going investigation into the incident on 25 May 1999, the Marine Department will also consider possible legislative measures to give legal effect to the requirements for safe carriage of used motorcycles in containers on board vessels. In the interim, the Government is researching overseas experience and requirements governing conveyance of vehicles or spare parts.

Subject to the research findings, the Government would consider

the need and scope for stipulating further control measures governing the transportation of fuelled motorcycles and spare parts.

Publishing Tourist Information in Different Languages

14. **MR HOWARD YOUNG:** *Will the Government inform this Council whether it is aware:*

- (a) of the languages in which the Hong Kong Tourist Association (HKTA) publishes tourist information and handles tourists' complaints; and*
- (b) if the Association has adequate resources to publish tourist information in more languages and recruit persons who know these languages to handle tourists' complaints, or to train up its staff to do so?*

SECRETARY FOR ECONOMIC SERVICES: Madam President, my reply to Mr YOUNG's question is as follows:

- (a) The HKTA mainly publishes tourist information through printed media or via the Internet. The printed publications can be divided into two broad categories: ad hoc publications that serve the needs of particular markets, and for a limited time; and general, regular publications which serve to promote Hong Kong year round, and for disseminating information to visitors upon their arrival in Hong Kong.
For the former category, the languages used will depend on the markets being targetted. As for the latter, two publications are for overseas promotion and are published in 10 different written languages, namely, Traditional Chinese, Simplified Chinese, English, Japanese, French, German, Italian, Thai, Spanish and Korean. There is no immediate plan to add new languages but the need for such will be kept under review. There are also some market specific publications which are produced in their respective languages such as Arabic, Russian and Turkish.

As for the HKTA's website, information is provided in seven written languages, namely, Traditional Chinese, Simplified Chinese, English, Japanese, German, Spanish and French. Pages in Russian and Korean will be added this summer, with pages in Thai and Italian to follow later on.

Apart from the above major medium, tourist information is also provided through other channels such as interactive phones and website kiosks in Hong Kong. Information available through these outlets is in Traditional Chinese and English. As explained above, there are plans to add languages to the HKTA's website which will be automatically made available on the interactive website kiosks.

As regards the Information Hotline operated by the HKTA, it normally provides services in eight languages/dialects, namely, Putonghua, Cantonese, English, French, Japanese, German, Norwegian and Spanish. The HKTA also has information staff who speak Chiuchow, Fujianese, Hakka and Taishanese dialects and can render their assistance if required.

- (b) The HKTA considers that the current service is adequate in terms of language capabilities. It has adequate resources to seek further improvement if the situation warrants and has had no problem in recruiting adequate, competent staff to handle tourists' complaints in the aforementioned languages. The HKTA will keep in view the need for language training for their staff.

Development of Low Cost Diesel Particulate Trap

15. **MRS MIRIAM LAU:** *In his reply to a question raised during the examination of draft Estimates of Expenditure 1999-2000 by the Finance Committee of this Council, the Director of Environmental Protection said that his department is participating in a project with the Hong Kong Polytechnic University (HKPU) for the development of a low cost diesel particulate trap which is suitable for local operating conditions. In this connection, will the Administration inform this Council of:*

- (a) *the details and present progress of the project;*
- (b) *the expected time for the diesel particulate trap to be marketed and its estimated unit price;*
- (c) *the types of vehicles that can make use of the particulate trap;*
- (d) *the effectiveness of the particulate trap in reducing the quantities of suspended particles in diesel emissions; and*
- (e) *the plans it has to encourage owners of diesel vehicles to install the particulate trap?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Madam President,

- (a) The HKPU has researched into the development of a low cost particulate trap for light duty vehicles since 1996. An officer of the Environmental Protection Department (EPD) has been appointed as a project adviser.

In November 1998, a prototype was developed with reasonably satisfactory performance results although some refinement on the design was still necessary.

To further study the feasibility of retrofitting the trap to in-use light duty diesel vehicles, the EPD is working with the HKPU to launch in August 1999 a trial of the particulate trap on about 60 diesel light duty vehicles including taxis, public light buses and light goods vehicles.

- (b) The trial is expected to last for about a year. Subject to the findings of the trial, the trap could be available in the market in a relatively short period because it is designed to be simple in

construction. The HKPU believes that the unit cost will be around \$1,000 or even lower.

- (c) The trap is designed for diesel vehicles below four tonnes such as taxis and public light buses and light goods vehicles.
- (d) The initial results show that the trap has a potential to reduce the emissions of smoke and suspended particles from individual diesel vehicles by up to 50% and 20% respectively. Further evaluation will be made in the forthcoming trial.
- (e) If the trial confirms the effectiveness and viability of the trap in reducing smoke and particulate emissions from diesel vehicles, we will work out a programme with the transport trades for introduction on a larger scale.

Courses Offered by Technical Institutes

16. **MRS SOPHIE LEUNG** (in Chinese): *Will the Government inform this Council:*

- (a) *of the respective numbers of full-time (FT), mixed full-time (MFT), part-time day-release and part-time evening (PTE) courses offered to Secondary Three and Secondary Five school leavers by various Technical Institutes (TI) of the Vocational Training Council (VTC) in each of the past three years, with a breakdown of applications and enrolments in each of the courses;*
- (b) *whether it knows the employment situation of the graduates from these courses in the past three years and their average monthly salaries in the first year of their employment; and*
- (c) *whether it has conducted any survey to find out if the employers concerned consider the knowledge and skills which the graduates learned from the courses can meet the requirements at work; if it has, the findings of the survey; if not, the reasons for that?*

SECRETARY FOR EDUCATION AND MANPOWER (in Chinese): Madam President,

- (a) The TI of the VTC offer FT, MFT (mainly craft foundation courses jointly run by TIs and industry training centres of the Council), part-time day (PTD) and PTE courses at post Secondary Five (PS5) level and post Secondary Three (PS3) level. The numbers of courses offered in the past three years are as follows:

		1996-97	1997-98	1998-99
PS5 courses	FT	55	58	68
	MFT	1	1	1
	PTD	44	43	42
	PTE	78	76	76
	Total	178	178	187
PS3 courses	FT	14	12	13
	MFT	25	19	20
	PTD	46	46	39
	PTE	31	28	26
	Total	116	105	98

Applicants have more than one course choice. The numbers of first-choice year one applicants for each mode of these courses in the past three years are as follows:

		1996-97	1997-98	1998-99
PS5 courses	FT	16 196	20 310	27 257
	MFT	215	172	264
	PTD	3 097	3 094	3 191
	PTE	27 944	26 869	25 604
	Total	47 452	50 445	56 316

PS3 courses	FT	6 833	5 465	9 252
	MFT	9 150	8 179	8 669
	PTD	5 206	5 327	5 143
	PTE	8 395	8 187	9 355
	Total	29 584	27 158	32 419

The numbers of year one new students admitted to each mode of these courses in the past three years are as follows:

		1996-97	1997-98	1998-99
PS5 courses	FT	4 959	5 059	6 532
	MFT	26	20	21
	PTD	2 119	2 089	1 884
	PTE	8 631	9 015	7 695
	Total	15 735	16	16
			183	132
PS3 courses	FT	1 670	1 508	1 591
	MFT	3 943	3 697	3 452
	PTD	3 508	3 592	3 459
	PTE	4 001	3 837	3 583
	Total	13 122	12	12
			634	085

The detailed breakdown of applications and enrolments in each of the courses is attached as Appendices 1 to 6.

- (b) The VTC conducts employment surveys every year on the FT and MFT course graduates. The results of the surveys for the graduates of 1996-97 and 1997-98 are as follows:

		1996-97	1997-98
PS5 FT and MFT Courses (Only 1 MFT course)	% of graduates pursuing further full-time studies	26%	24%
	% of graduates in employment	66%	54%

		1996-97	1997-98
	% of employed graduates in relevant jobs	83%	73%
	% of employed graduates took up employment by end of August in their graduation year	60%	37%
	Average monthly income of employed graduates	\$9,261	\$8,206
PS3 MFT Courses (Craft Foundation Courses)	% of graduates pursuing further full-time studies	36%	36%
	% of graduates in employment	53%	49%
	% of employed graduates in relevant jobs	80%	84%
	% of employed graduates took up employment by end of August in their graduation year	77%	75%
	Average monthly income of employed graduates	\$6,138	\$5,803
PS3 FT courses	% of graduates pursuing further full-time studies	43%	55%
	% of graduates in employment	44%	26%

	1996-97	1997-98
% of employed graduates in relevant jobs	80%	65%
% of employed graduates took up employment by end of August in their graduation year	53%	40%
Average monthly income of employed graduates	\$7,374	\$6,373

Relevant data for 1998-99 are not yet available.

- (c) A survey on employers' views on the course curricula of full-time, mixed full-time and part-time day courses run by the TI and the performance of TI graduates was conducted in the summer of 1997. Employers employing TI graduates of the previous year (that is, 1996) in relevant jobs constituted the target of the survey. The majority of the employers (about 75%) considered that the performance of TI graduates (ability to handle the job, ability to acquire practical skills, ability to solve problems, attitude towards the job, interpersonal skills and whether they follow safety measures properly) was satisfactory. The majority of them (about 62%) also considered that the course curricula with regard to technical knowledge and practical skills were adequate. Some 28% felt that the curricula should be improved. A similar survey was conducted in the summer of 1994 and the findings were similar.

Appendix 1

List of Post S.5 Full-time Courses Offered by the Technical Institutes

1996-97

1997-98

1998-99

<i>Course Title</i>	<i>Duration (Year)</i>	<i>No. of 1st- choice Applicants</i>	<i>No. of Yr 1 New Students Admitted</i>	<i>No. of 1st- choice Applicants</i>	<i>No. of Yr 1 New Students Admitted</i>	<i>No. of 1st- choice Applicants</i>	<i>No. of Yr 1 New Students Admitted</i>
Dip. in Chemical Technology	2	40	84	77	81	106	83
Dip. in Environmental Studies (Pollution)	2	158	39	167	41	212	41
Dip. in Clothing (DE & Pattern Making)	2	80	42	90	40	180	82
Dip. in Clothing (Mgt. & Tech.)	2	9	41	9	40	27	42
Dip. in Clothing (Merchandising)	2	43	84	54	80	76	41
Dip. in Business Studies (Gen. Insurance)	2	21	41	27	38	59	41
Cert. in Secretarial Studies	1	192	122	252	120	503	161
Dip. in Business Studies	2	895	125	992	122	925	204
Dip. in Accountancy	2	1 916	413	2 204	404	2 557	447
Dip. in Executive Secretarial Studies	2	812	289	828	200	889	204
Dip. in Supervisory Management	2	124	42	131	40	106	42
Dip. in Import/Export Studies	2	213	80	197	81	212	95
Cert. in Office Studies	1	0	0	0	0	1 040	321
Dip. in Secretarial and Office Administration	2	0	0	381	80	367	81
Dip. in Freight Transport Studies	2	90	42	54	40	70	44
Dip. in Company Secretaryship and Administration	2	639	124	579	119	577	123
Dip. in Marketing	2	230	83	351	80	272	82
Dip. in Purchasing & Supply	2	119	42	113	40	119	40
Dip. in China Business Studies	2	0	0	229	78	220	125
Cert. in Eng. & Chinese Secretarial Work	1	0	0	73	80	135	167
Dip. in Computer Stu. (Commercial Applications)	2	1 067	327	1 269	320	1 254	324
Dip. in Computer Studies (Communications)	2	405	124	516	129	609	122
Dip. in Computer Studies (Technical Applications)	2	307	40	304	41	262	80
Cert. in Office Computing	1	1 246	124	1 108	88	1 958	244
Dip. in Bldg Studies	2	230	80	299	118	285	161
Dip. in Civil Engg	2	301	121	413	160	450	199
Cert. in Bldg Mea & Pract.	1	0	0	0	0	136	80

<i>Course Title</i>	<i>Duration (Year)</i>	<i>1996-97</i>		<i>1997-98</i>		<i>1998-99</i>	
		<i>No. of 1st-</i>	<i>No. of Yr</i>	<i>No. of 1st-</i>	<i>No. of Yr</i>	<i>No. of 1st-</i>	<i>No. of Yr</i>
		<i>choice</i>	<i>1 New</i>	<i>choice</i>	<i>1 New</i>	<i>choice</i>	<i>1 New</i>
		<i>Applicants</i>	<i>Students Admitted</i>	<i>Applicants</i>	<i>Students Admitted</i>	<i>Applicants</i>	<i>Students Admitted</i>
Dip. in Design (Visual Communication)	2	82	38	111	45	113	42
Dip. in Design (Product)	2	57	41	49	42	113	42
Dip. in Design (Fashion)	2	195	39	283	39	268	41
Dip. in Design (Toy, Jewellery)	2	65	44	91	43	149	41
Dip. in Design (Interior Design)	2	293	40	414	40	275	41
Dip. in Design (Interior Space & Furniture)	2	107	42	156	39	161	40
Dip. in Design (Packaging/Advertising)	2	376	42	407	41	418	40
Dip. in Design (Graphics Illustration)	2	338	43	366	43	353	40
Dip. in Electrical Engg	2	355	166	477	164	557	164
Dip. in Electronics & Communications Engg	2	500	370	688	361	902	358
Dip. in Computer & Communications Engg	2	353	165	487	160	645	162
Cert. in Basic Electrical & Electronic Engg	1	0	0	0	0	302	80
Cert. in Electronic Servicing	1	0	0	0	0	295	82
Cert. In Child Care	1	1 132	120	1 629	150	2 728	180
Dip. in Rest. & Catering Operations (Ch)	2	195	42	248	42	270	40
Cert. in Tour Co-ordination	1	107	40	194	41	179	38
Dip. in Hotel, Catering & Inst Operations	2	491	82	950	84	349	80
Cert. in Outbound Travel Operations	1	375	42	499	42	619	40
Cert. in Hotel Reception & Control	1	753	42	837	42	606	37
Cert. in Accommodation Operations Admin.	1	53	40	83	40	82	41
Cert. in Kitchen Operations (Western)	1	195	40	255	40	335	41
Cert. in Food & Beverage Service (Operations)	1	27	42	71	40	47	40
Cert. in Bakery & Flour Confectionery Operations	1	72	40	98	40	108	39
Dip. in Leisure and Tourism	2	0	0	0	0	249	38
Dip. in Marine Engineering &	2	34	42	33	41	35	32

Course Title	Duration (Year)	1996-97		1997-98		1998-99	
		No. of 1st-	No. of Yr	No. of 1st-	No. of Yr	No. of 1st-	No. of Yr
		choice	1 New	choice	1 New	choice	1 New
		Applicants	Students Admitted	Applicants	Students Admitted	Applicants	Students Admitted
Fabrication							
Dip. in Mechanical Engg. (Mechatronics)	2	112	40	118	41	119	39
Cert. in Basic Building Services Engineering	1	0	0	0	0	151	40
Dip. in Mech. Engg. (Plant & Bldg. Services)	2	18	20	90	41	101	41
Dip. in Mechanical Engg. (Air-Con. & Refri.)	2	156	123	184	121	527	113
Cert. in Engineering (CAD)	1	0	0	0	0	537	123
Dip. in Mech. Engg. (Comp. Control & Auto.)	2	82	82	123	82	162	81
Dip. in Mech. Engg. (Computer Aided Engg.)	2	196	194	156	167	641	163
Dip. in Manu. Eng. (Eng. Design & Tech.)	2	77	123	85	83	195	77
Dip. in Manu. Eng. (Quality & Sup. Mgt.)	2	26	80	27	41	0	0
Dip. in Manu. Eng. (Watch Ind. & Trade)	2	0	0	0	0	16	40
Dip. in Maritime Studies (Mixed Full Time Course)	2	215	26	172	20	264	21
Dip. in Automotive Engineering	2	117	40	132	39	173	34
Cert. In Auto. Tech. (Heavy & Pub. Serv. Vehicle)	1	0	0	0	0	76	36
Dip. in Printing (Computer Imaging)	2	69	65	185	82	343	84
Cert. in Creative Media Studies	1	0	0	0	0	379	82
Dip. in Textiles (Merchandising)	2	41	40	51	42	55	41
Dip. in Textiles (Technology)	2	10	41	16	41	18	43
All disciplines total :		16 411	4 985	20 482	5 079	27 521	6 553

Appendix 2

List of Post S.5 Part-time Day Courses Offered by the Technical Institutes

<i>Course Title</i>	<i>Duration (Year)</i>	<i>1996-97</i>		<i>1997-98</i>		<i>1998-99</i>	
		<i>No. of 1st-</i>	<i>No. of Yr</i>	<i>No. of 1st-</i>	<i>No. of Yr</i>	<i>No. of 1st-</i>	<i>No. of Yr</i>
		<i>choice</i>	<i>1 New</i>	<i>choice</i>	<i>1 New</i>	<i>choice</i>	<i>1 New</i>
		<i>Applicants</i>	<i>Students Admitted</i>	<i>Applicants</i>	<i>Students Admitted</i>	<i>Applicants</i>	<i>Students Admitted</i>
Cert. for Laboratory Technicians	2	95	71	105	63	76	53
Cert. in Dispensing Studies	2	87	55	90	38	68	31
Cert. in Fashion and Clothing Studies	2	9	0	3	0	0	0
Certificate in Marketing	2	45	16	30	0	18	0
Cert. in Administrative & Accounting Staff	2	43	30	60	31	69	40
Cert. in Freight Transport Operations (Shipping Prac.)	2	0	0	0	0	35	0
Cert. in Basic Insurance Studies	1	15	11	14	0	0	0
Cert. in Stores Supervision	2	26	19	16	13	25	20
Cert. in Supervisory Management	2	42	32	31	17	22	0
Cert. in Insurance Studies	1	16	13	0	0	0	0
Cert. in Insurance Studies (Gen Branch)	2	64	59	55	53	39	34
Cert. for Accounting Technicians	2	134	101	112	88	147	109
Cert. in Sea Freight	2	25	19	29	16	0	0
Cert. in Computing Studies	2	175	58	162	64	139	31
Cert. in Bldg Studies	2	396	273	429	290	484	328
Cert. in Civil Engg	2	288	203	320	211	295	186
Cert. In Building Services	2	162	118	161	143	213	161
Cert. in Town Planning	2	33	26	24	21	26	24
Cert. in Qty Survey	2	110	83	212	166	212	165
Cert. in Prop Mgt & Val/Hse Serv	2	109	79	38	25	27	0
Cert. in Bldg Studies (Arch)	2	45	23	35	19	24	0
Cert. in Applied Photography	2	51	27	40	28	53	28
Cert. in Design (Fashion)	2	46	24	60	21	45	0
Cert. in Electrical Engg	2	183	122	168	99	183	121
Cert. in Electronics	2	184	143	160	125	107	70
Cert. in Computer & Communications Engg	2	94	49	82	46	64	24
Cert. in Child Care	2	36	12	0	0	127	20
Cert. in Special Child Care Work	1	78	71	69	66	133	63
Cert. in Basic Child Care	1	100	93	80	79	123	80
Cert. in Adv Food Production (Western)	1	43	20	31	19	36	21

Course Title	Duration (Year)	1996-97		1997-98		1998-99	
		No. of 1st-	No. of Yr	No. of 1st-	No. of Yr	No. of 1st-	No. of Yr
		choice	1 New	choice	1 New	choice	1 New
		Applicants	Students Admitted	Applicants	Students Admitted	Applicants	Students Admitted
Cert. in Food & Beverage Service	1	26	17	38	20	29	18
Cert. in Advanced Food & Beverage Service	1	10	0	12	0	7	0
Cert. in Hotel, Catering & Inst Operations	2	50	38	54	35	47	35
Cert. in Hospitality Facilities Supervision (Level 1)	1	0	0	36	27	17	0
Cert. in Hospitality Facilities Supervision (Level 2)	1	0	0	0	0	13	13
Cert. in Mech. Engg. (Plant & Bldg. Services)	2	35	30	52	37	35	27
Cert. in Mechanical Engg. (Air-Con. & Refri.)	2	37	28	51	35	33	24
Cert. in Mech. Engg. (Comp. Control & Auto.)	2	21	15	16	10	10	0
Cert. in Aircraft Engineering	2	4	0	21	15	10	0
Cert. in Manufacturing Engineering	2	15	9	19	15	21	17
Cert. in Footwear Technology	2	17	9	0	0	23	19
Cert. in Footwear Merchandising	2	0	0	0	0	0	0
Cert. in Ophthalmic Dispensing	2	16	13	27	13	32	22
Higher Cert. in Ophthalmic Dispensing	2	0	0	6	8	0	0
Cert. in Marine Engineering & Fabrication	2	16	11	16	15	2	0
Cert. in Motor Vehicle Engineering	2	26	20	30	21	28	21
Higher Cert. in Motor Vehicle Engineering	2	30	23	42	42	29	27
Cert. in Printing	2	37	36	33	32	30	24
Cert. in Knitwear Pro. & Merchand.	2	23	20	25	23	4	0
Cert. For Basic Textile Technicians (Fabric Prod.)	1	0	0	0	0	31	28
All disciplines total :		3 097	2 119	3 094	2 089	3 191	1 884

Appendix 3

List of Post S.5 Part-time Evening Courses Offered by the Technical Institutes

<i>Course Title</i>	<i>Duration (Year)</i>	<i>1996-97</i>		<i>1997-98</i>		<i>1998-99</i>	
		<i>No. of 1st- choice</i>	<i>No. of Yr 1 New</i>	<i>No. of 1st- choice</i>	<i>No. of Yr 1 New</i>	<i>No. of 1st- choice</i>	<i>No. of Yr 1 New</i>
		<i>Applicants</i>	<i>Students Admitted</i>	<i>Applicants</i>	<i>Students Admitted</i>	<i>Applicants</i>	<i>Students Admitted</i>
Cert. in Chemical Technology	3	51	25	49	22	66	23
Cert. in Environmental Technology	3	80	25	75	23	97	28
Cert. in Dispensing Studies	3	184	39	167	33	226	37
Cert. in Clothing (Light Clothing)	3	70	42	56	31	35	0
Cert. in Clothing (Merchandising)	3	216	123	168	79	177	68
Cert. in China Business Practices	2	0	0	392	80	337	82
Cert. in Pitman's Shorthand (Th-60 wpm)	1	86	37	70	36	77	31
Cert. in Pitman's Shorthand (70-90 wpm)	1	33	16	20	11	28	14
Cert. in Business Studies	2	1 376	373	1 271	419	1 082	343
Cert. in Transport & Logistics Studies	2	0	0	0	0	121	41
Cert. in Business Studies (Banking)	2	724	297	949	333	989	356
Cert. in Higher Accounting	1	1 456	616	1 135	649	1 063	529
Cert. in Secretarial Studies	2	646	82	761	152	803	194
Cert. in Typewriting and Audio Typing	1	71	26	54	21	29	7
Cert. in Import/Export Studies	2	478	156	371	115	341	113
Cert. in Company Sec. & Adm.	2	2 167	779	1 965	732	1 690	535
Cert. in Marketing	2	887	208	633	193	517	173
Cert. in Cost Accounting	1	308	125	239	112	209	119
Cert. in Business Accounting & Finance	2	367	79	312	81	288	81
Cert. in Pitman's Shorthand (100-120 wpm)	1	31	20	17	0	0	0
Cert. in Advanced Typewriting and Audio Typing	1	53	26	54	28	31	10
Cert. for Adm. & Accounting Staff	2	907	251	818	281	943	291
Cert. in Business Studies (Gen. Ins.)	2	0	0	0	0	89	35
Cert. in Retail Supervision	2	42	19	45	20	22	0
Cert. in Stores Supervision	2	127	40	93	31	69	28
Cert. in Purchasing & Supply	2	268	90	320	70	271	85
Cert. in Supervisory Management	2	340	123	251	119	199	71
Cert. for Legal Clerks	1	93	35	179	40	158	44
Cert. for Accounting Technicians	3	2 545	823	2 493	829	2 290	706
Cert. of Proficiency in Air Freight	2	80	40	72	41	126	39
Cert. of Proficiency in Sea Freight	2	220	41	157	40	101	42
Cert. of Profi. in Road Freight &	2	50	35	38	34	0	0

Course Title	Duration (Year)	1996-97		1997-98		1998-99	
		No. of 1st-	No. of Yr	No. of 1st-	No. of Yr	No. of 1st-	No. of Yr
		choice	1 New	choice	1 New	choice	1 New
		Applicants	Students Admitted	Applicants	Students Admitted	Applicants	Students Admitted
Warehousing							
Cert. in Computing Studies	3	1 947	470	1 576	407	1 546	322
Cert. in Use of Office Comp. Software	1	2 988	520	2 971	758	2 509	630
Cert. in Bldg Studies	3	611	204	833	331	988	245
Cert. in Civil Engg	3	584	198	803	229	635	172
Cert. in Qty Survey	3	0	0	126	41	134	40
Cert. in Prop Mgt & Hse Serv	3	129	40	163	44	187	39
Cert. in Val & Prop Mgt	3	113	40	122	41	115	61
Cert. in Bldg Studies (Arch)	3	168	43	203	75	248	74
Cert. in Engg Survey	1	179	79	140	83	238	78
Cert. in Bldg. Const. For Student	1	89	34	0	0	0	0
Health Inspectors							
Cert. in Civil Engg Lab Tech	1	145	44	119	77	52	35
Cert. in Bldg Mea	1	161	77	177	66	198	70
Cert. in Visual Communication	3	190	40	231	37	237	32
Cert. in Three Dimensional Design	3	211	40	375	75	390	73
Cert. in Design (Fashion)	3	190	36	232	44	294	42
Cert. in Jewellery	3	196	40	157	40	166	38
Cert. in Design Packaging & Advertising	3	330	40	303	39	233	39
H. Cert. in Design (Visual Communications)	2	0	0	0	0	0	0
H. Cert. in Design (Interior)	2	196	37	0	0	0	0
Cert. in Electrical Engg	3	977	324	916	337	1 005	316
Cert. for Electrical Installation Technicians	3	142	96	175	113	256	115
Cert. in Electronics	3	684	247	511	205	543	117
Cert. in Computer & Communications Engg	3	758	273	715	257	792	182
Cert. in Applied Statistics	2	172	61	127	63	143	64
Cert. in Food & Beverage Service	1	100	17	83	29	56	27
Cert. in Professional Cookery (Western)	2	145	42	173	45	218	42
Cert. in Supervisory Studies for Hosp	1	228	72	222	85	111	47
Adv Cert. in Supervisory Studies	1	87	40	80	36	60	31
Cert. in Travel & Tourism Studies	1	390	82	330	88	213	74

Course Title	Duration (Year)	1996-97		1997-98		1998-99	
		No. of 1st-	No. of Yr	No. of 1st-	No. of Yr	No. of 1st-	No. of Yr
		choice	1 New	choice	1 New	choice	1 New
		Applicants	Students Admitted	Applicants	Students Admitted	Applicants	Students Admitted
Adv Cert. in Travel & Tourism St.	1	43	28	43	19	28	14
Cert. in Mechanical Engg. (Mechatronics)	3	70	29	80	33	60	25
Cert. in Mech. Engg. (Plant & Bldg. Services)	3	79	39	233	78	194	75
Cert. in Mechanical Engg. (Air-Con. & Refri.)	3	301	96	222	90	226	53
Cert. in Mech. Engg. (Comp. Control & Auto.)	3	70	21	81	30	66	0
Cert. in Mech. Engg. (Computer Aided Engg.)	3	219	100	144	52	158	63
Cert. in Aircraft Engineering	3	74	20	62	19	72	23
Cert. in Manufacturing Engineering	3	100	21	85	16	56	24
Cert. in Elementary Supervisory Studies	1	79	39	76	38	74	37
Cert. in Footwear Technology	3	22	0	25	0	0	0
Cert. in Footwear Merchandising	3	36	30	28	22	33	0
Cert. in Marine Engineering & Fabrication	3	38	22	43	25	37	23
Cert. in Motor Vehicle Engineering	3	177	63	137	54	165	61
Higher Cert. in Motor Vehicle Engineering	3	42	25	39	22	47	26
Endors. Cert. in Motor Vehicle Management	1	27	17	16	12	16	0
Cert. in Desktop Publishing	2	208	114	189	83	119	39
Cert. in Estimating for Printers	2	30	17	24	23	36	0
Cert. in Printing	3	39	18	44	0	0	0
Higher Cert. in Printing	3	44	21	24	16	40	23
Cert. in TX (TX Tech. & Mercha.)	3	96	43	99	43	56	39
Cert. in TX (Knitting Tech. & Mercha.)	3	84	41	88	40	80	40
All disciplines total :		27 944	8 631	26 869	9 015	25 604	7 695

List of Craft/Post S.3 Full-time Courses Offered by the Technical Institutes

Course Title	Duration (Year)	1996-97		1997-98		1998-99	
		No. of Yr		No. of Yr		No. of Yr	
		No. of 1st-	1 New	No. of 1st-	1 New	No. of 1st-	1 New
		choice	Students	choice	Students	choice	Students
		Applicants	Admitted	Applicants	Admitted	Applicants	Admitted
<i>(a) Courses whose entry requirement is completion of S.3</i>							
Craft Cert. in Basic Metal Finishing	1	28	23	59	24	0	0
CFC in Gas Utilisation Fitting	1	123	44	77	42	87	37
Cert. in Basic Commercial Studies	1	0	0	0	0	3 065	285
CFC in K-Gold GoldSmithing	1	634	88	565	96	184	94
CFC in Fine-Gold GoldSmithing	1	368	28	302	34	108	29
CFC in Precious Stone Setting	1	123	57	113	65	65	46
CFC in Electrical Engineering	1	1 735	472	1 549	464	2 019	436
Craft Foundation Course in Lift Engg	1	175	97	155	90	233	93
CFC in Electronics	1	1 236	373	1 282	371	1 209	271
Craft Cert. in Basic Clock & Watch Studies	1	38	20	35	20	49	20
Craft Cert. in Basic Optics	1	126	40	121	40	137	42
Cert. in Basic Marine & Fabrication Craft	1	74	86	0	0	0	0
CFC in Air-Conditioning and Refrig.	1	480	246	430	220	665	250
CFC in Mechanical Engineering	1	1 874	1 336	1 761	1 259	2 183	1 122
CFC in Building Service Mechanics	1	0	0	0	0	224	103
CFC in Plastics Mould Making	1	73	67	44	56	35	49
CFC in Pattern & Model Making	1	77	69	54	22	42	33
CFC in Manufacturing Engineering	1	29	32	13	29	14	30
Craft Foundation Course in Welding	1	47	49	57	39	35	46
Craft Found. Course in Light Veh. Maintenance	1	522	197	450	0	0	0
Craft Found. Course in Heavy Veh. Maintenance	1	159	78	88	0	0	0
Craft Foundation Course in Veh. Electrical Work	1	70	20	108	0	0	0
Craft Foundation Course in Vehicle Body Repairs	1	96	76	69	0	0	0

Course Title	Duration (Year)	1996-97		1997-98		1998-99	
		No. of Yr		No. of Yr		No. of Yr	
		No. of 1st-	1 New	No. of 1st-	1 New	No. of 1st-	1 New
		choice	Students	choice	Students	choice	Students
		Applicants	Admitted	Applicants	Admitted	Applicants	Admitted
Craft Foundation Course in Vehicle Painting	1	36	39	43	0	0	0
Craft Foundation Course in Vehicle Servicing	1	0	0	0	414	778	420
Craft Foundation Course in Bookbinding	1	38	17	0	0	0	0
CFC in Computerized Prepress Techniques	1	575	92	506	199	395	166
Craft Foundation Course in Graphic Reproduction	1	165	132	0	0	0	0
CFC in Computer-aided Printing & Finish. Techni.	1	147	112	268	111	173	102
Craft Foundation Course in Textiles	1	139	73	89	70	46	26
Craft Foundation Course in Textile Mechanics	1	29	41	19	31	30	26
All disciplines total : (for courses in group (a))		9 216	4 004	8 257	3 696	1 1776	3 726

(b) Courses whose entry requirement is completion of S.4

Cert. in Clothing Studies	1	83	40	85	41	86	42
Cert. in Clerical Studies	1	1 556	452	1 404	404	954	204
Cert. in Retail Studies	1	113	42	96	40	56	41
Cert. in Word Processing & Office Practice	1	2 823	446	1 898	445	2 974	404
Cert. in Hairdressing	1	133	71	90	58	232	80
Cert. in Textile Studies	1	200	108	137	85	144	73
All disciplines total : (for courses in group (b))		4 908	1 159	3 710	1 073	4 446	844

(c) Courses whose entry requirement is completion of a relevant full-time technical institute course

<i>Course Title</i>	<i>Duration (Year)</i>	<i>1996-97</i>		<i>1997-98</i>		<i>1998-99</i>	
		<i>No. of Yr</i>		<i>No. of Yr</i>		<i>No. of Yr</i>	
		<i>No. of 1st-</i>	<i>1 New</i>	<i>No. of 1st-</i>	<i>1 New</i>	<i>No. of 1st-</i>	<i>1 New</i>
		<i>choice</i>	<i>Students</i>	<i>choice</i>	<i>Students</i>	<i>choice</i>	<i>Students</i>
		<i>Applicants</i>	<i>Admitted</i>	<i>Applicants</i>	<i>Admitted</i>	<i>Applicants</i>	<i>Admitted</i>
Adv. Craft Cert. For AV and Telecom. Mechanics	1	0	0	0	0	112	40
Technician Preparatory Cert. in Motor Veh. Eng.	1	185	33	70	33	98	40
Technician Preparatory Cert. in Mechanical Eng.	1	922	240	827	244	741	233
Technician Preparatory Cert. in Electrical Eng.	1	542	119	557	119	529	121
Technician Preparatory Cert. in Printing	1	168	40	223	40	219	39
Technician Preparatory Cert. in Textile	1	42	18	0	0	0	0
All disciplines total : (for courses in group (c))		1 859	450	1 677	436	1 699	473
Grand total for courses in (a), (b) and (c) :		15 983	5 613	13 644	5 205	17 921	5 043

Appendix 5

List of Post S.3 Part-time Day Courses Offered by the Technical Institutes

<i>Course Title</i>	<i>Duration (Year)</i>	<i>1996-97</i>		<i>1997-98</i>		<i>1998-99</i>	
		<i>No. of Yr</i>		<i>No. of Yr</i>		<i>No. of Yr</i>	
		<i>No. of 1st-</i>	<i>1 New</i>	<i>No. of 1st-</i>	<i>1 New</i>	<i>No. of 1st-</i>	<i>1 New</i>
		<i>choice</i>	<i>Students</i>	<i>choice</i>	<i>Students</i>	<i>choice</i>	<i>Students</i>
		<i>Applicants</i>	<i>Admitted</i>	<i>Applicants</i>	<i>Admitted</i>	<i>Applicants</i>	<i>Admitted</i>
Craft Cert. in Clothing Manufacture	3	62	54	56	55	36	27
Craft Cert. in Wood Furniture Making	3	9	9	0	0	0	0
Craft Cert. in Plumbing & Pipefitting	3	235	209	236	219	254	227
Craft Cert. for Gas Uti. Fitters (Town Gas & LPG)	3	44	19	42	8	53	18
Craft Cert. in Wood Trade	1	333	323	290	282	316	297

<i>Course Title</i>	<i>Duration (Year)</i>	<i>1996-97</i>		<i>1997-98</i>		<i>1998-99</i>	
		<i>No. of Yr</i>		<i>No. of Yr</i>		<i>No. of Yr</i>	
		<i>No. of 1st-</i>	<i>1 New</i>	<i>No. of 1st-</i>	<i>1 New</i>	<i>No. of 1st-</i>	<i>1 New</i>
		<i>choice</i>	<i>Students</i>	<i>choice</i>	<i>Students</i>	<i>choice</i>	<i>Students</i>
		<i>Applicants</i>	<i>Admitted</i>	<i>Applicants</i>	<i>Admitted</i>	<i>Applicants</i>	<i>Admitted</i>
Craft Cert. in Trowel Trade	1	386	366	350	336	398	363
Craft Cert. in Painting Trade	1	193	186	195	191	217	205
Craft Cert. in Scaffolding	1	37	33	38	37	50	49
Craft Cert. in Marble-laying and Masonry	1	56	53	63	63	72	71
Craft Cert. In Jewellery	3	91	25	106	30	55	0
Cert. in Electrical Craft	3	576	254	755	321	800	361
Craft Cert. in Electrical Fitting & Installations	3	123	37	103	34	121	34
Craft Cert. in Basic Elect Studies for Const. Ind.	1	151	148	179	175	192	180
Cert. for Lift Maint. & Repair Mechanics	3	242	154	203	112	205	112
Cert. in Electrical Craft (B-Stream)	3	13	0	0	0	0	0
Cert. for Audio-Visual & Telecom Mechanics	3	30	11	32	13	29	0
Cert. in Electronic Craft	3	135	33	96	22	48	0
Preparatory Cert. in Engineering	1	578	384	700	514	645	530
Remedial Course Cert. for Apprentices	1	112	112	82	67	83	69
Bridging Course Cert. for Craft Graduates	2	39	41	22	0	34	38
Cert. in Hotel Cookery (Western)	3	107	52	84	40	88	40
Cert. In Hotel Cookery (Chinese Style)	3	28	16	0	0	0	0
Cert. in Hotel & Rest. Cookery (Chinese)	2	0	0	33	24	37	23
Craft Cert. in Fabrication and Pipework	3	10	0	0	0	0	0
Craft Cert. in Marine Plant	3	24	17	20	15	34	27
Engineering Craft (Block-release)	1	42	42	2	0	0	0
Craft Cert. in Machining and Fitting	3	139	35	129	43	104	30
Craft Cert. in Air-Conditioning and Refrigeration	3	358	194	393	214	335	189
Craft Cert. in Tool and Die Making	3	3	0	0	0	0	0

Course Title	Duration (Year)	1996-97		1997-98		1998-99	
		No. of Yr		No. of Yr		No. of Yr	
		No. of 1st-	1 New	No. of 1st-	1 New	No. of 1st-	1 New
		choice	Students	choice	Students	choice	Students
		Applicants	Admitted	Applicants	Admitted	Applicants	Admitted
Craft Cert. in Metal Works for Construction Ind.	1	45	45	43	43	46	45
Cra. Cert. for Plant Maint. Mechanics for Const. Ind.	3	109	17	91	20	58	11
Craft Cert. in Basic Construction Plant Maintenance	1	199	196	211	210	269	256
Craft Cert. in Clock & Watch Studies	3	33	20	21	9	22	0
Craft Cert. in Footwear Manuf. & Design	2	0	0	16	12	0	0
Craft Cert. in Plastic Mould Making	3	81	38	46	20	50	15
Craft Cert. in Optics	3	22	0	25	0	18	0
Craft Cert. in Plastic Mould Making (B-Stream)	3	1	0	0	0	0	0
Craft Cert. for Motor Vehicle Mechanics	3	288	192	369	251	291	162
Craft Cert. in Vehicle Body Repairs	3	43	25	44	25	20	8
Craft Cert. in Vehicle Body Painting	3	44	36	47	41	13	6
Craft Cert. for Motor Vehicle Electricians	3	52	33	79	56	51	32
Craft Cert. in Motor Vehicle Fundamentals	3	26	24	2	0	1	0
Cert. in Vehicle Construction & Management Reg.	1	41	37	43	40	42	20
Craft Cert. in Print Origination	3	10	0	27	13	15	0
Craft Cert. in Machine Printing	3	33	18	33	18	25	0
Craft Cert. for Textile Mechanics	3	23	20	21	19	16	14
All disciplines total :		5 206	3 508	5 327	3 592	5 143	3 459

List of Post S.3 Part-time Evening Courses Offered by the Technical Institutes

Course Title	Duration (Year)	1996-97		1997-98		1998-99	
		No. of Yr		No. of Yr		No. of Yr	
		No. of 1st-	1 New	No. of 1st-	1 New	No. of 1st-	1 New
		choice	Students	choice	Students	choice	Students
		Applicants	Admitted	Applicants	Admitted	Applicants	Admitted
Cert. in Fundamental Dispensing Techniques	2	251	82	229	83	328	83
Craft Cert. in Clothing Manufacture	3	26	0	0	0	0	0
Cert. in Basic Factory Acc. & Organ.	2	281	112	167	89	208	80
Cert. in Data Processors	1	1 290	472	850	332	882	337
Craft Cert. in Capentry, Joinery & Cabinetmaking	3	47	26	60	32	53	35
Craft Cert. in Plumbing & Pipefitting	3	228	101	208	104	181	74
Craft Cert. in House Redeco. & Furn. Polishing	1	85	43	51	25	69	40
Craft Cert. in Site Foreman	1	57	37	132	42	85	40
Craft Cert. in Basic Graphic Artwork	1	105	39	92	40	114	41
Craft Cert. in Basic Drawing	1	161	74	117	77	133	43
Craft Cert. in Window Display	2	196	43	110	38	142	39
Craft Cert. for Electricians	2	1 282	660	1 710	664	2 673	756
Adv. Cert. in Colour TV & VCR Servicing	2	26	16	0	0	0	0
Craft Cert. in Electronic Servicing	2	794	408	558	355	610	319
Adv. Craft Cert. in Electronic Servicing	2	35	24	25	26	35	29
Adv. Cert. in Vid & Telecom Equip Serv.	2	26	16	52	32	32	0
General Course Cert. (Eng. Stream)	2	1 444	843	1 626	846	1 664	767
General Course Cert. (Commercial Stream)	2	940	443	1 155	481	1 100	426
Pre.Technician Cert. in Mechanical Eng.	1	85	60	112	76	51	34
Cert. in Hairdressing	2	156	78	120	67	101	40
Cert. in Food Prep for the HC Industry	2	154	44	215	82	189	40
Craft Cert. in Fabrication and Plant Fitting	2	36	25	14	0	20	19
Craft Cert. in Machining and Fitting	3	35	23	52	27	44	30

Course Title	Duration (Year)	1996-97		1997-98		1998-99	
		No. of Yr		No. of Yr		No. of Yr	
		No. of 1st-	1 New	No. of 1st-	1 New	No. of 1st-	1 New
		choice	Students	choice	Students	choice	Students
		Applicants	Admitted	Applicants	Admitted	Applicants	Admitted
Craft Cert. for Aircraft Mechanics	3	166	78	128	83	155	82
Craft Cert. in Air-Conditioning and Refrigeration	3	217	144	181	125	245	117
Craft Cert. in Clock & Watch Studies	3	39	23	43	29	40	31
Craft Cert. in Plastics Mould Making	3	12	0	0	0	0	0
Craft Cert. for Motor Vehicle Mechanics	3	154	66	135	64	139	43
Craft Cert. Basic Print Production	1	44	21	39	18	62	38
Craft Cert. in Knitwear Manufacture	3	13	0	0	0	0	0
Craft Cert. in Dyeing and Finishing	2	10	0	6	0	0	0
All disciplines total :		8 395	4 001	8 187	3 837	9 355	3 583

Chinese Characters Commonly Used in Hong Kong

17. **MR YEUNG YIU-CHUNG** (in Chinese): *It is reported that the Government has proposed to the International Organization for Standardization the inclusion of a set of Chinese characters commonly used in Hong Kong (the set) in the ISO 10646 international coding standard. In this connection, will the Government inform this Council:*

- (a) *of the current progress of the proposal;*
- (b) *of the Chinese characters included in the set and their total number;*
- (c) *whether it knows the views of the academic sector and the industrial and commercial organizations on the Chinese characters that should be included in the set;*
- (d) *of the measures in place to encourage various organizations to adopt the international coding standard;*
- (e) *given that changing over to a new coding standard will involve an*

enormous amount of data conversion work, whether the Government knows the attitude towards the adoption of the new coding standard of other countries and territories where Chinese characters are used; and

- (f) *whether consideration will be given to setting up a body similar to the State Language Work Committee in the Mainland to standardize the characters commonly used in Hong Kong?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Chinese): Madam President,

- (a) In May 1998, the Government submitted to the Ideographic Rapporteur Group (IRG) under the International Organization for Standardization (ISO) a set of Chinese characters commonly used in Hong Kong which had not been included in the BIG-5 Chinese computer coding standard for the Group's consideration as whether those characters should be included in the extensions to the ISO 10646 international coding standard. Subsequently, the Government further consolidated those characters in accordance with the principles set by the IRG and submitted them to the IRG in May this year for consideration.
- (b) This set of Chinese characters which are commonly used in Hong Kong but have not yet been assigned with standard codes encompass altogether 2 064 characters outside the BIG-5 coding standard. They are mostly characters originating from the Cantonese dialect and characters used in names of people, place names, company names as well as proper names (such as nomenclature for flora and fauna).
- (c) The Information Technology Services Department and the Official Languages Agency are responsible for collating this set of supplementary Chinese characters. In the process, the two departments have taken into account the views put forward by key concerned parties, including government departments, the academic

sector, Chinese language bodies, the information technology sector, the publishing industry and the newspaper industry.

- (d) The Government has announced that in the long run, Hong Kong should adopt ISO 10646 in line with global developments. The Government takes a lead in this regard as the systems for the implementation of the Electronic Service Delivery (ESD) scheme next year will be able to handle information encoded in ISO 10646. As the platform developed under the ESD scheme will be open for use by private organizations as well, the adoption of ISO 10646 by the ESD system will facilitate the wider adoption of ISO 10646 in Hong Kong. In addition, the Government established the Chinese Language Interface Advisory Committee in May this year with participation from the industry. The Committee is tasked to study issues concerning the adoption of ISO 10646, such as the practical arrangements relating to the migration from the BIG-5 coding system to ISO 10646. The Government has also organized a number of seminars and talks for the industry to promote ISO 10646 and to highlight the importance of using a unitary internal coding system.
- (e) Various countries and territories currently using ideographic characters (including China, Japan, Korea, Vietnam, Taiwan and Hong Kong) are members of the IRG under the ISO. They all participate actively in the development of ISO 10646 and agree that in the long run ISO 10646 should be adopted so as to resolve the problems encountered in electronic transmission of information (in particular information containing ideographic characters) on computer networks as a result of the use of incompatible coding standards.
- (f) One of the areas of work of the Chinese Language Interface Advisory Committee is to consult relevant sectors on whether Chinese characters not yet assigned with standard codes should be included in ISO 10646 and to discuss whether there is a need to draw up guidelines for deciding which characters should be assigned standard codes.

Handling of Claims for Dependent Parent or Grandparent Allowance

18. **MISS CHRISTINE LOH:** *In relation to the handling of claims for the dependent parent or grandparent allowance under the Inland Revenue Ordinance (the Ordinance) (Cap. 112), will the Administration inform this Council:*

- (a) how the Inland Revenue Department (IRD) verifies such claims;*
- (b) whether the IRD will consider providing assistance to contending claimants in resolving who should claim such allowance in respect of the same dependent person; and*
- (c) whether the IRD will consider enacting rules to require dependent persons to confirm who maintain them?*

SECRETARY FOR THE TREASURY: President,

- (a) Under the Ordinance, the dependent parent or grandparent allowance in respect of a parent or grandparent claimed by a taxpayer for a year of assessment will only be granted if the following criteria are met:
 - (i) the parent or grandparent ordinarily resides in Hong Kong;
 - (ii) the parent or grandparent is of the age of 60 or more or, being under the age of 60, is eligible to claim an allowance under the Government Disability Allowance system; and
 - (iii) the parent or grandparent resides, otherwise than for full valuable consideration, with the taxpayer or the spouse of the taxpayer for a continuous period of not less than six months in that year of assessment, or the taxpayer or the spouse of the taxpayer contributes not less than \$12,000 towards the maintenance of the parent or grandparent in that year of assessment.

Taxpayers who wish to claim the dependent parent or grandparent allowance are required to provide relevant particulars in their tax

returns. When examining such tax returns, the IRD will examine whether the criteria set out above are met. If so, the claims will be accepted in good faith. Because of the large number of tax returns processed each year, it is necessary for the IRD to adopt an honour system. However, inquiries will be raised if there are doubts in any claim. The Ordinance provides heavy penalties for false claims. There have been instances where taxpayers were prosecuted or penalized for making false claims in respect of dependent parent or grandparent allowance. In addition, the IRD uses computers to screen claims in order to identify multiple claims. Section 33(2) of the Ordinance requires that if there are two or more persons who have claimed the same allowance for the same dependent person in the same year of assessment, the claims will not be considered until the claimants concerned have agreed which of them should be entitled to claim in that year of assessment. As such, the claimants will have to reach an agreement among themselves before the allowance in question is granted.

- (b) The IRD is only in a position to verify whether a claim meets all the criteria set out under the Ordinance and hence is eligible for the dependent parent or grandparent allowance. Under section 33(1) of the Ordinance, the dependent parent or grandparent allowance shall not be given to more than one person in any year of assessment in respect of the same parent or grandparent. If two or more taxpayers satisfy the qualifying criteria for claiming an allowance in respect of the same dependent parent or grandparent, it should be up to the claimants to resolve who should claim the allowance. The IRD has no objective means to determine whose claim is more justified, nor is it appropriate for the IRD to make such a judgment.
- (c) We do not consider that enacting rules to require dependent persons to confirm who maintains them would be an effective means to address the issue of multiple claims. The proposal will not resolve the dispute between contending claimants as the dependent parent or grandparent may make a declaration in favour of two or more taxpayers. Such a requirement may also be a nuisance to the dependants concerned. We consider that the matter should be left to the claimants to resolve.

Octopus Processors Suspended from Use on Buses

19. **MR LAU KONG-WAH** (in Chinese): *The Octopus processors installed on franchised buses are quite often suspended from use, thereby causing inconvenience to passengers who only know that they cannot pay the bus fare by Octopus card after they have boarded the bus. In this connection, will the Government inform this Council if it knows:*

- (a) *the percentage of scheduled trips served by buses installed with Octopus processors not in use in the past year against the total number of scheduled trips served by buses installed with such processors;*
- (b) *the reasons for these processors being suspended from use;*
- (c) *the formula for calculating the fees payable by the franchised bus companies to the company responsible for managing the Octopus system; whether it has assessed the correlation between the formula and the franchised bus companies not using Octopus processors; and*
- (d) *whether paying bus fares by Octopus cards or by cash will make any difference to the net proceeds of the franchised bus companies; if there is such a difference, the details of it?*

SECRETARY FOR TRANSPORT (in Chinese): Madam President, the proportion of buses with Octopus processors suspended from use against the total number of buses equipped with Octopus processors is about 3% to 5% daily. The bus companies do not have similar information in terms of the number of scheduled trips.

There are several reasons why Octopus processors are suspended from use:

- (a) after the buses have been equipped with the Octopus machine, it normally takes a few days for the processors to be installed and tested and during this period, the machine is not in use;

- (b) teething problems on the software programming system in the initial period; and
- (c) occasional failures associated with the hardware, such as LCD display and electricity cables.

The charging formula comprises two components viz a volume-related component which is a fixed amount to be charged on each transaction and a value-related component which is a per dollar charge on each transaction. The same formula applies to each franchised bus company using the Octopus system.

Of the five franchised bus companies, only New Lantao Bus (NLB) Company is not using Octopus processors yet. This is due to technical and operational difficulties of using the Octopus processors given NLB's fare structure involves two-way section fares.

At present, all those bus companies which accept payment by Octopus card also accept payment by cash. Therefore whilst bus companies have to incur capital costs for the Octopus equipment, maintenance costs and transaction costs, they also need to maintain certain level of staffing support for coin-counting purposes. Although there could be some savings in coin-counting costs if more passengers pay by Octopus card, the savings would not be able to offset the costs of installing and operating the Octopus system.

Notwithstanding the above, there are intangible advantages of using the Octopus system. The computerized fare collection arrangement under the Octopus system could enable the bus companies to improve their accounting and information systems. Moreover, the use of Octopus processors would increase passenger convenience and hence improve the overall service quality.

BILLS

First Reading of Bills

PRESIDENT (in Cantonese): Bills: First Reading.

IMPORT AND EXPORT (AMENDMENT) BILL 1999**PROTECTION OF NON-GOVERNMENT CERTIFICATES OF ORIGIN
(AMENDMENT) BILL 1999****ADAPTATION OF LAWS (NO. 16) BILL 1999****OCCUPATIONAL RETIREMENT SCHEMES (AMENDMENT) BILL
1999**

CLERK (in Cantonese): Import and Export (Amendment) Bill 1999

Protection of Non-Government Certificates of Origin
(Amendment) Bill 1999

Adaptation of Laws (No. 16) Bill 1999

Occupational Retirement Schemes (Amendment) Bill
1999.

Bills read the First time and ordered to be set down for Second Reading pursuant to Rule 53(3) of the Rules of Procedure.

Second Reading of Bills

PRESIDENT (in Cantonese): Bills: Second Reading.

IMPORT AND EXPORT (AMENDMENT) BILL 1999

SECRETARY FOR TRADE AND INDUSTRY (in Cantonese): Madam President, I move that the Import and Export (Amendment) Bill 1999 be read the Second time.

The Bill seeks to make statutory provisions for the implementation of the Production Notification (PN) system in order to strengthen the legal status of the system. This will enhance the power of Customs and Excise Department (C&ED) officers in enforcing export controls on textiles and garments and maintain the integrity and effectiveness of our export control system.

In July 1996, the Government revised Hong Kong's origin rules for garments cut and sewn locally in the light of the changes to origin rules made by our major trading partners. Under the revised origin rules, it is necessary to conduct real-time checks on the manufacturing process of the cut and sewn garments in order to ascertain the Hong Kong origin status of the final products. According to the current PN system, manufacturers who intend to export cut and sewn garments to the restrained markets are required, by way of their factory registration undertakings, to notify the Trade Department of the production details through the lodging of PN within three working days prior to the commencement of the production. Such requirement enables C&ED officers to conduct real-time checks on the manufacturing process so as to ensure the manufacturers' compliance with the Hong Kong origin rules.

At present, the legal basis for the PN system is derived from the general powers of the Director-General of Trade under the Import and Export Ordinance and its relevant subsidiary legislation. This is not entirely satisfactory from the enforcement angle. Therefore, it is necessary to amend the Import and Export Ordinance and its Import and Export (General) Regulations in order to strengthen the legal basis of the PN system. Such amendments will enhance the enforcement power of C&ED officers and facilitate prosecution.

Another main purpose of the Bill is to allow for the submission of PNs to the Trade Department through Electronic Data Interchange (EDI). To improve the efficiency and competitiveness of our trading community, the Government has entered into an agreement with the Tradelink Electronic Commerce Limited for the latter to provide EDI services for key government trade-related documents. Such services have already been introduced for Restrained Textiles Export Licences and Import and Export Declarations. In prescribing PN as a statutory document, we also need to extend EDI services to the submission of PNs so as to provide traders with a more convenient way for submitting trade documents.

I hope that Members will support the Import and Export (Amendment) Bill 1999.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Import and Export (Amendment) Bill 1999 be read the Second time.

In accordance with the Rules of Procedure, the debate is now adjourned and the Bill referred to the House Committee.

PROTECTION OF NON-GOVERNMENT CERTIFICATES OF ORIGIN (AMENDMENT) BILL 1999

SECRETARY FOR TRADE AND INDUSTRY: Madam President, I move that the Protection of Non-Government Certificates of Origin (Amendment) Bill 1999 be read the Second time.

The purpose of this Bill is to provide for the processing of the applications for certificates of origin (COs) by the five Government Approved Certification Organizations (GACOs) through the Electronic Data Interchange (EDI). Traders normally apply for COs to facilitate customs clearance of consignments in the importing countries. Licence applications for the export of restrained textiles to certain countries are required to be supported by COs.

Apart from the Trade Department, there are five GACOs authorized by the Government for issuing COs. These are the Hong Kong General Chamber of Commerce, the Indian Chamber of Commerce, Hong Kong, The Federation of Hong Kong Industries, The Chinese Manufacturers' Association of Hong Kong and The Chinese General Chamber of Commerce. Detailed provisions are set out in the Protection of Non-Government Certificates of Origin Ordinance. It is necessary to make technical amendments to this Ordinance so as to allow traders a choice in submitting their applications for COs to the GACOs either through EDI or in paper form.

The introduction of EDI services provides convenience to the trader and enables Hong Kong to keep pace with other leading trading centres in the world in the use of electronic commerce. I hope that Members will support the Protection of Non-Government Certificates of Origin (Amendment) Bill 1999.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Protection of Non-Government Certificates of Origin (Amendment) Bill 1999 be read the Second time.

In accordance with the Rules of Procedure, the debate is now adjourned and the Bill referred to the House Committee.

ADAPTATION OF LAWS (NO. 16) BILL 1999

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, I move that the Adaptation of Laws (No. 16) Bill 1999 be read the Second time.

The Bill seeks to effect adaptations to 13 Ordinances and their subsidiary legislation to bring them into conformity with the Basic Law and with the status of Hong Kong as a Special Administrative Region (SAR) of the People's Republic of China. These Ordinances and subsidiary legislation include those on hospitals, clinics, mental health and other medical and health matters, such as those on antibiotics, pharmacy and poisons, smoking and quarantine.

The proposed amendments of this Bill are mainly terminological. For example, references to "the Colony" and "立法局" are replaced by "Hong Kong" and "立法會". References to "Governor" and "Governor in Council" are replaced by "Chief Executive" and "Chief Executive in Council". Where it is provided that the "Governor" is empowered to make subsidiary legislation, the proposed amendment seeks to replace all references to "Governor" by "Chief Executive". Although the requirement in Article 56 of the Basic Law where the Chief Executive shall consult the Executive Council before making subordinate legislation has not been stated in the provisions concerned, the Chief Executive shall consult the Executive Council before he exercises this legislative function.

The Bill also provides that, subject to Article 12 of the Hong Kong Bill of Rights, most of the proposed adaptations when passed into law will take effect retrospectively, as from the date of the establishment of the Hong Kong SAR.

I urge Honourable Members to support the passage of this Bill.

Madam President, I beg to move.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Adaptation of Laws (No. 16) Bill 1999 be read the Second time.

In accordance with the Rules of Procedure, the debate is now adjourned and the Bill referred to the House Committee.

OCCUPATIONAL RETIREMENT SCHEMES (AMENDMENT) BILL 1999

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, I move that the Occupational Retirement Schemes (Amendment) Bill 1999 be read the Second time. As Honourable Members may be aware, the Government is actively making preparations for the mandatory provident fund (MPF) system which will be coming into force very soon. According to the timetable set by the Mandatory Provident Fund Authority, the vetting of applications of occupational retirement schemes for exemption under the Mandatory Provident Fund Schemes Ordinance will start from the beginning of next year. However, there is legal advice which doubts whether on existing occupational retirement scheme, which have been subject to changes, will still qualify for exemption.

The purpose of the Occupational Retirement Schemes (Amendment) Bill 1999 is to clarify the eligibility for application for exemption of an occupational retirement scheme so as to remove possible doubts on the part of some of those in the legal profession and the employers, thus enabling the employers to get prepared for the implementation of the MPF system promptly. When laying down the details of the MPF system, our policy intent is to enable those

occupational retirement schemes which qualify for exemption under the time limit specified by the MPF Schemes (Exemption) Regulation, that is, those established on or before 15 October 1995 under insurance arrangements, to be converted into schemes governed by trust and to be eligible to apply for exemption under the Occupational Retirement Schemes Ordinance. For those occupational retirement schemes which are participating schemes of a pooling agreement, when the above-mentioned changes are made to the schemes, the pooling agreement must be changed accordingly. Therefore, they have to be registered again as per the requirements of the Occupational Retirement Schemes Ordinance. Some people from the legal profession are worried that this re-registration process will affect the eligibility of an occupational retirement scheme to apply for exemption under the Mandatory Provident Fund Schemes Ordinance.

As a matter of fact, provided that the changes to a scheme are not those prohibited by the Occupational Retirement Schemes Ordinance and that the scheme is not terminated and that benefits are being paid to the members of the scheme, such changes will not affect the application for exemption of the scheme as a MPF scheme. To clarify our policy intent and to remove the doubts of some members of the legal profession, the Bill proposes to add three clauses into the part on Interpretation in the Occupational Retirement Schemes Ordinance to further set out the eligibility for application for exemption under the Mandatory Provident Fund Schemes Ordinance. The Bill will help the employers participating in the registration of occupational retirement schemes apply for exemption under the MPF schemes system which is coming into force soon. I therefore call upon Honourable Members to support the Bill. Thank you, Madam President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Occupational Retirement Schemes (Amendment) Bill 1999 be read the Second time.

In accordance with the Rules of Procedure, the debate is now adjourned and the Bill referred to the House Committee.

Resumption of Second Reading Debate on Bill

PRESIDENT (in Cantonese): We will resume the Second Reading debate on the Labour Tribunal (Amendment) Bill 1999.

LABOUR TRIBUNAL (AMENDMENT) BILL 1999**Resumption of debate on Second Reading which was moved on 21 April 1999**

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Labour Tribunal (Amendment) Bill 1999 be read the Second time. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Labour Tribunal (Amendment) Bill 1999.

Council went into Committee.

Committee Stage

CHAIRMAN (in Cantonese): Committee stage. Council is now in Committee.

LABOUR TRIBUNAL (AMENDMENT) BILL 1999

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of the Labour Tribunal (Amendment) Bill 1999.

CLERK (in Cantonese): Clauses 1 to 19.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Schedule.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CHAIRMAN (in Cantonese): Council will now resume.

Council then resumed.

Third Reading of Bill

PRESIDENT (in Cantonese): Bill: Third Reading.

LABOUR TRIBUNAL (AMENDMENT) BILL 1999

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President, the

Labour Tribunal (Amendment) Bill 1999

has passed through Committee without amendment. I move that this Bill be read the Third time and do pass.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Labour Tribunal (Amendment) Bill 1999 be read the Third time and do pass.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Labour Tribunal (Amendment) Bill 1999.

Resumption of Second Reading Debate on Bill

PRESIDENT (in Cantonese): We will resume the Second Reading debate on the Adaptation of Laws (No. 13) Bill 1998.

ADAPTATION OF LAWS (NO. 13) BILL 1998

Resumption of debate on Second Reading which was moved on 6 January 1999

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Adaptation of Laws (No. 13) Bill 1998 be read the Second time. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Adaptation of Laws (No. 13) Bill 1998.

Council went into Committee.

Committee Stage

CHAIRMAN (in Cantonese): Committee stage. Council is now in Committee.

ADAPTATION OF LAWS (NO. 13) BILL 1998

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of the Adaptation of Laws (No. 13) Bill 1998.

CLERK (in Cantonese): Clauses 1, 2 and 3.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Schedules 1, 2, 4, 5 and 6.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Schedule 3.

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam Chairman, I move that section 1 of Schedule 3 be amended. Under Article 56 para 2 of the Basic Law, the Chief Executive shall consult the Executive Council before making subordinate legislation. Given that, the original proposal of the Bill sets out that for any principal ordinance, all references to "Governor" in any provision empowering the Governor to make subordinate legislation shall be amended to "Chief Executive in Council". However, whether or not an instrument is subordinate legislation cannot be clearly defined and in order to avoid any unnecessary controversy, the Bills Committee concerned after

deliberating on the Adaptation of Laws Bill 1998 and the Adaptation of Laws (Amendment) (No. 2) Bill 1998 suggested that all references to "Governor" should be adapted as "Chief Executive", irrespective of a making of subordinate legislation is involved. When the Chief Executive exercises his power to make subordinate legislation, it will be clearly stated in the title of the subordinate legislation so enacted that the Executive Council has been consulted in compliance with Article 56 para 2 of the Basic Law.

Proposed amendment

Schedule 3 (see Annex IV)

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

(No Member indicated a wish to speak)

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendment moved by the Chief Secretary for Administration be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Schedule 3 as amended.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CHAIRMAN (in Cantonese): Council will now resume.

Council then resumed.

Third Reading of Bill

PRESIDENT (in Cantonese): Bill: Third Reading.

ADAPTATION OF LAWS (NO. 13) BILL 1998

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President, the

Adaptation of Laws (No. 13) Bill 1998

has passed through Committee with amendment. I move that this Bill be read the Third time and do pass.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Adaptation of Laws (No. 13) Bill 1998 be read the Third time and do pass.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Adaptation of Laws (No. 13) Bill 1998.

Resumption of Second Reading Debate on Bill

PRESIDENT (in Cantonese): We will resume the Second Reading debate on the Adaptation of Laws (No. 15) Bill 1998.

ADAPTATION OF LAWS (NO. 15) BILL 1998

Resumption of debate on Second Reading which was moved on 6 January 1999

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Adaptation of Laws (No. 15) Bill 1998 be read the Second time. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Adaptation of Laws (No. 15) Bill 1998.

Council went into Committee.

Committee Stage

CHAIRMAN (in Cantonese): Committee stage. Council is now in Committee.

ADAPTATION OF LAWS (NO. 15) BILL 1998

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of the Adaptation of Laws (No. 15) Bill 1998.

CLERK (in Cantonese): Clauses 1, 2 and 3.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Schedules 1 and 2.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Schedules 3 and 4.

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam Chairman, I move that Schedules 3 and 4 be amended, as set out in the paper circularized to Members.

Proposed amendments

Schedule 3 (see Annex IV)

Schedule 4 (see Annex IV)

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

(No Member indicated a wish to speak)

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendments moved by the Chief Secretary for Administration be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Schedules 3 and 4 as amended.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CHAIRMAN (in Cantonese): Council will now resume.

Council then resumed.

Third Reading of Bill

PRESIDENT (in Cantonese): Bill: Third Reading.

ADAPTATION OF LAWS (NO. 15) BILL 1998

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President, the

Adaptation of Laws (No. 15) Bill 1998

has passed through Committee with amendments. I move that this Bill be read the Third time and do pass.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Adaptation of Laws (No. 15) Bill 1998 be read the Third time and do pass.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Adaptation of Laws (No. 15) Bill 1998.

Resumption of Second Reading Debate on Bill

PRESIDENT (in Cantonese): We will resume the Second Reading debate on the Small Claims Tribunal (Amendment) Bill 1999.

SMALL CLAIMS TRIBUNAL (AMENDMENT) BILL 1999

Resumption of debate on Second Reading which was moved on 21 April 1999

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Small Claims Tribunal (Amendment) Bill 1999 be read the Second time. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Small Claims Tribunal (Amendment) Bill 1999.

Council went into Committee.

Committee Stage

CHAIRMAN (in Cantonese): Committee stage. Council is now in Committee.

SMALL CLAIMS TRIBUNAL (AMENDMENT) BILL 1999

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of the Small Claims Tribunal (Amendment) Bill 1999.

CLERK (in Cantonese): Clauses 1 to 18.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Schedule.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CHAIRMAN (in Cantonese): Council will now resume.

Council then resumed.

Third Reading of Bill

PRESIDENT (in Cantonese): Bill: Third reading.

SMALL CLAIMS TRIBUNAL (AMENDMENT) BILL 1999

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President, the

Small Claims Tribunal (Amendment) Bill 1999

has passed through Committee without amendment. I move that this Bill be read the Third time and do pass.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Small Claims Tribunal (Amendment) Bill 1999 be read the Third time and do pass.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Small Claims Tribunal (Amendment) Bill 1999.

Resumption of Second Reading Debate on Bill

PRESIDENT (in Cantonese): We will resume the Second Reading debate on the Roads and Tunnels Legislation (Miscellaneous Amendment) Bill 1999.

ROADS AND TUNNELS LEGISLATION (MISCELLANEOUS AMENDMENTS) BILL 1999

Resumption of debate on Second Reading which was moved on 26 May 1999

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Roads and Tunnels Legislation (Miscellaneous Amendment) Bill 1999 be read the Second time. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Roads and Tunnels Legislation (Miscellaneous Amendment) Bill 1999.

Council went into Committee.

Committee Stage

CHAIRMAN (in Cantonese): Committee stage. Council is now in Committee.

ROADS AND TUNNELS LEGISLATION (MISCELLANEOUS AMENDMENTS) BILL 1999

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of the Roads and Tunnels Legislation (Miscellaneous Amendment) Bill 1999.

CLERK (in Cantonese): Clauses 1 and 2.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Schedules 1 to 7.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CHAIRMAN (in Cantonese): Council will now resume.

Council then resumed.

Third Reading of Bill

PRESIDENT (in Cantonese): Bill: Third reading.

ROADS AND TUNNELS LEGISLATION (MISCELLANEOUS AMENDMENTS) BILL 1999

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, the

Roads and Tunnels Legislation (Miscellaneous Amendment) Bill 1999

has passed through Committee without amendment. I move that this Bill be read the Third time and do pass.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Roads and Tunnels Legislation (Miscellaneous Amendment) Bill 1999 be read the Third time and do pass.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Roads and Tunnels Legislation (Miscellaneous Amendment) Bill 1999.

MOTION

PRESIDENT (in Cantonese): Motion. Proposed resolution under the Road Traffic Ordinance.

PROPOSED RESOLUTION UNDER THE ROAD TRAFFIC ORDINANCE

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, I move the motion which has been printed on the Agenda.

Since 1976, the total number of vehicles which may be registered as Public Light Buses (PLBs) has been contained at 4 350. The period during which such number was contained was extended by the former Legislative Council by way of resolution. In June 1997, the period was extended to 20 June 1999 by the then Legislative Council. The Government now moves that the effective period be further extended by two years to 20 June 2001.

It has been the Government's long-standing policy that mass carriers (for example, railways and franchised buses) with a big capacity should be used as far as possible to meet passenger demand. As a supplement to mass transit, PLBs are an important part of our public transport network. In addition, green minibuses also play an important role in providing shuttling service for railway stations.

At present, PLBs carry an average of 1.75 million passenger trips daily, accounting for 16.4% of the total public transport patronage. Despite a slight drop in total public transport patronage in 1998 as a result of the economic downturn, the number of PLB passengers remained largely the same. We

therefore consider it appropriate to maintain the total number of vehicles which may be registered as PLBs at the 4 350.

To ensure that PLBs will continue to effectively perform their function as a supplementary mode of public transport and to improve the operation of PLBs, the Transport Department (TD) has begun a series of consultancy studies on the operation of PLBs. The Department will complete two regional studies by 1999 in order to review the operation and financial situation of green minibuses on Hong Kong Island, Kowloon and New Territory East. We will provide green minibus operators with arrangements for improving their operation in the light of the consultancy findings. For example, the consultancy study on the operation of minibuses on Hong Kong Island recommended among other things that the routes and locations of terminus for some green minibuses be altered in response to passenger needs, with some routes being extended to increase patronage. The TD has held discussions with the relevant green minibus operators and provisional district boards and the new arrangements will be implemented progressively within the year. In addition, the TD is studying the provision of new green minibus service for some large scale residential developments expected to be completed in the next several years.

Apart from the above-mentioned measures, the TD will continue to identify new routes for green minibus service with a view to encouraging the conversion of more red minibuses to green minibuses. Furthermore, the Department will join hands with PLB operators to explore some feasible measures for improving the quality of PLB service, in order to enhance their appeal and competitiveness. The purpose of all these measures is to ensure that PLBs will continue to provide satisfactory service for the public while, at the same time, maintaining the stability of PLB operation.

Madam President, I beg to move.

The Secretary for Transport moved the following motion:

"That the period for which there remains in force the limit on the number of vehicles which may be registered as public light buses specified in the Public Light Buses (Limitation on Number) Notice (Cap. 374 sub. leg.) and extended to 20 June 1999 by Legal Notice No. 306 of 1997, be further extended to 20 June 2001."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the resolution moved by the Secretary for Transport, as set out on the Agenda, be passed.

MRS MIRIAM LAU (in Cantonese): Madam President, I support the Government's proposal to maintain the total number of Public Light Buses (PLBs) at the existing limit of 4 350 for two reasons. Firstly, the environment for the operation of PLBs has become less than favourable with some PLB operators running at a loss. Secondly, the Government has failed to adjust the role of PLBs in line with the changes in the pattern of public transport as a whole, which has not only failed to expand the room for PLB operation or at least maintain it at the existing level, but also contributed to a shrinkage in PLB service due to competition from other modes of public transport.

As a matter of fact, the number of PLBs has been frozen since 1976. The Government pointed out in the White Paper on Transport Policy published in 1990 that the primary function of green minibuses was to supplement the mass carriers while red minibuses provided a service for people who were prepared to pay higher fares in return for a more flexible and relatively more comfortable service than buses. However, the pattern of public transport has changed a lot since 1976 to date, during which we saw the completion of the Mass Transit Railway, the electrification of the Kowloon Canton Railway, and the commissioning of more and more spacious and comfortable air-conditioned buses. All these have changed the distribution of passengers using public transport.

Although PLBs carry an average of 1.74 million passenger trips daily, accounting for nearly one sixth of the total public transport patronage, the Government has failed to adjust the role played by PLBs in line with the changes in the pattern of public transport despite its recognition that PLBs form an important part of the public transport system.

The role for PLBs has become vague due to the Government's failure to adjust it, giving rise to several phenomena. The first one is the so-called "taking everything regardless of its size" whereby the Government, in response to the need of passengers, requests franchised bus companies to deploy buses to run on routes which are being served by green minibuses. While this move

should be understandable, it has resulted in franchised buses snatching nearly all passengers while PLBs are left with very few to carry. Another phenomena is "the Government having operators of PLBs at its beck and call" whereby it did not see the need to introduce franchised buses on routes in some remote and scarcely populated areas at the beginning, but after green minibuses had established a stable patronage, the Government then introduced franchised buses to serve routes parallel to those of green minibuses, resulting in some operators of PLBs running at a loss because of insufficient patronage. Those operators who cannot sustain the loss are forced to close down while other operators who can still support their operation are forced to become pioneers in remote areas. Another phenomena can be described as "running everywhere in the struggle for survival" where operators of red minibuses are forced to run everywhere to look for new room for survival in the business because of the disappearance of red minibuses' advantages over buses in terms of flexibility and air-conditioned comfort as a result of the introduction of air-conditioned buses and a bigger area that they serve.

In fact, the Government knows more about the operation of PLBs than me because the TD has commissioned a series of consultancy studies on this subject. The Department will complete the studies covering two regions by 1999 in order to review the operation of green minibuses on Hong Kong Island, Kowloon and the New Territory East and their financial situation.

Although the Government has shown concern about the operation of PLBs, it has adopted the tactic of "treating the symptoms rather than the disease" in tackling the problems faced by PLB operators. For example, it just adjusted and extended the routes and the location of terminus of some PLBs, in order to increase the number of PLB passengers.

The Secretary for Transport recently told the media that railways would play a dominant role in the future transport network in Hong Kong. In other words, all other modes of public transport will play the feeder role of connecting with railways in the future. Given that the Government has formulated such a transport policy, it should define the specific function for each mode of public transport to avoid overlapping. For example, buses should mainly be deployed to carry residents of large public and private residential estates where there is a higher concentration of residents, while PLBs should mainly provide shuttling service between railway stations and smaller residential areas where residents

scatter over a relatively large area. In short, different modes of public transport should avoid overlapping as far as possible in clientele and areas, in order to perform their respective functions.

If the Government can clearly define the role of PLBs and ensures that they will continue to perform their specific function, the operation of PLBs will be improved, which in turn will encourage PLB operators to improve their quality of service and enhance their appeal and competitiveness. In addition, it will also encourage the conversion of more red minibuses into green minibuses. Several goals can therefore be achieved with such a single effort.

With these remarks, Madam President, I support the motion.

MR LAU KONG-WAH (in Cantonese): Madam President, the purpose of the motion tabled by the Government to this Council today is to further extend the period for which the limit is imposed on the number of vehicles which may be registered as PLBs to 20 June 2001. The Government has been tabling such a motion to this Council regularly in recent years. In view of the economic downturn in this year, which has also affected the operation of PLBs, we urge the Government to show concern about the business and daily operation of PLBs.

Recently, some organizations of green minibus operators have expressed concern to us and pointed to a worrying situation where a large number of green minibuses has been gradually reverted back to red minibuses, contrary to the Government's established policy of "encouraging the conversion of red minibuses, whose routes are not controlled, to green minibuses which are subject to government supervision". Therefore, the Government must find out the causes for this.

It is obvious that the franchises for most green minibus routes have in effect become non-existent. In the past, new routes of green minibuses were profitable because the operators were given the franchise to operate on those routes, which meant a lack of strong competition. Operators of green

minibuses therefore enjoyed a stable source of income. But the situation has taken a complete turnaround, which has indirectly increased the burden on passengers.

First of all, franchised bus companies are reluctant to provide service in some remote areas where a service is not profitable. Operators of green minibuses usually are the pioneers in those areas. When they have established a stable patronage through their hard work, franchised bus companies will swoop down to take a share of the profits by deploying buses to run on routes parallel to those being served by green minibus, thereby posing direct competition. Green minibuses will gradually lose passengers because they cannot compare to buses in terms of frequency and capacity.

Moreover, a high degree of freedom and a lack of supervision in the operation of red minibuses are another principal factor contributing to a reduced patronage of green minibuses. It is not rare to see red minibuses ply green minibus routes. Some operators of red minibuses are in direct competition with their green minibus counterparts by setting up floating stops near green minibus stops to compete for passengers while some engage in indirect competition with green minibuses in some districts through which some routes are run. But it is unfair to operators of green minibuses no matter what form the competition posed by red minibuses takes. The franchise for green minibuses should be protected to a certain extent. But in reality, once a green minibus route is established, it will be served by both green and red minibuses. Is this healthy competition?

Madam President, the above examples which I have cited have pointed to inadequate government supervision of various modes of public transport, resulting in a failure to co-ordinate the overall transport framework to provide service for the public. We can see long queues of buses and serious traffic congestion in many places. If the situation is allowed to continue, the room for survival for green minibuses will diminish with the public made the ultimate victims. It is especially important for the Government to closely monitor the operation of various modes of public transport in respect of the development of transport network in new towns, in order to safeguard public interest.

Apart from the above-mentioned problems, I think it is time to gradually

integrate the policy on green minibuses with that on franchised buses. As operators of green minibuses are willing to shoulder social responsibility and operate on fixed routes at fixed frequencies, they have become part of the bus service in Hong Kong despite the fact that they are still inferior in comparison to the four franchised bus companies in respect of vehicle types, scale of operation and fleet maintenance capability.

Madam President, Mr Nicholas NG, the Secretary for Transport, talked about how to improve PLB service just now. In my opinion, the most effective measure is for the Government to reduce the fuel duty for PLBs. We also support a recent demand put forward to the Government by a group of green minibus operators that, like franchised bus companies, they should also be exempted from the payment of fuel duty not because the operation of green minibuses needs special help but because the nature of their service is becoming closer to that of franchised buses. The Government should therefore give positive consideration to this demand.

Of course, such a demand may pose technical problems as, unlike bus companies, operators of green minibuses do not have their own refueling facilities. But we believe that, by making accounting arrangements with oil companies, it is technically feasible for the Government to exempt green minibuses from the payment of fuel duty when refueling.

Madam President, I so submit and support the Government's motion. I also urge the Government to consider exempting green minibuses from fuel duty. Thank you.

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, I wish to thank the two Members who have expressed their views on PLB service. The keynotes of their views seem to be different. Mrs Miriam LAU basically asked the Government to take into account the unique role played by PLBs and the difference between PLBs and buses, and to define clearly their respective functions and the way that their services are co-ordinated. But Mr LAU Kong-wah suggested that the operations and functions of PLBs and franchised buses should be gradually integrated as far as possible. Their emphases seem

to be different. Nevertheless, both Members were united in calling on the Government to actively improve PLB service and to ensure the stability of their operation. I believe that we share the same view on this.

The Transport Department has been in close contact with PLB operators and made every effort to learn more about their operation and to study various feasible ways for improving the operation of PLBs. Those specific consultancy studies I mentioned earlier aimed to enable the Government to know more about the overall operation of existing green minibuses and to explore ways under existing policies on how to help operators of both green minibuses and other PLBs to overcome their difficulties in operation.

Mr LAU Kong-wah mentioned the conversion of red minibuses to green minibuses. In fact, we have seen the conversion of a certain number of red minibuses to green minibuses in the past several years. The number of green minibuses increases every year. Anyway, the Government will continue to explore new ways and improvement measures aimed at assisting PLB operation in the future. We will continue to listen to Members' views on this.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by the Secretary for Transport, as set out on the Agenda, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions. Proposed resolution under

the Interpretation and General Clauses Ordinance.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

DR RAYMOND HO (in Cantonese): Madam President, I move the motion which has been printed on the Agenda.

At the House Committee meeting held on 28 May 1999, Members agreed to form a Subcommittee to study the Estate Agents Practice (General Duties and Hong Kong Residential Properties) Regulation and the Estate Agents (Determination of Commission Disputes) Regulation. To allow time for the Subcommittee to study the two items of subsidiary legislation concerned, Members agreed at the House Committee meeting held on 11 June 1999 to extend the period for scrutinizing these two items of subsidiary legislation to 30 June 1999.

With these remarks, Madam President, I beg Members' support for the motion. Thank you.

Dr Raymond HO moved the following motion:

"That in relation to the —

- (a) Estate Agents Practice (General Duties and Hong Kong Residential Properties) Regulation, published as Legal Notice No. 124 of 1999; and
- (b) Estate Agents (Determination of Commission Disputes) Regulation, published as Legal Notice No. 125 of 1999,

and laid on the table of the Legislative Council on 26 May 1999, the period referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) for amending subsidiary legislation be extended under section 34(4) of that Ordinance to the meeting of 30 June 1999."

PRESIDENT (in Cantonese): I now propose the question to you and that is:

That the motion moved by Dr Raymond HO, as set out on the Agenda, be passed.
Does any Member wish to speak?

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Dr Raymond HO, as set out on the Agenda, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections and by the Election Committee, who are present. I declare the motion passed.

PRESIDENT (in Cantonese): Two motions with no legislative effect. Honourable Members, as you may recall, it was after taking into consideration the recommendations of the House Committee that I decided to waive the required notice period and permitted Mr LEE Cheuk-yan to move today a motion on "Privatization of government departments".

Mr LEE's original motion was on "Excess tariffs collected by the CLP". As already explained by the Clerk in the notice issued to inform Members of this motion, pursuant to the Rules of Procedure, the President had no power to not allow Mr LEE to move the motion, but the Council could decide on how the motion should be treated. Moreover, the Clerk has also informed Members of my intention to invite the Committee on Rules of Procedure to consider the relevant issues.

I noted that some Members had commented on the President's ruling at the House Committee meeting held on 4 June. I should like to point out here that it is an established tradition of this Council for Members not to comment on the President's rulings in this Council, committees of the Council, or on any other public occasions. In particular, it is a breach of the principle of fairness if the comments on the President's rulings are made in the absence of the President. I trust this Council will attach great importance to and respect the principle of fairness. In order to uphold the dignity of this Council and that of the President, I hope Members can respect this tradition. I have said it before and I am going to repeat it now, if Members have any dissenting views regarding the rulings made by the President, they are most welcomed to discuss that with me directly.

I have accepted the recommendations of the House Committee as to the time limits on speeches for the motion debates. The movers of the motions will each have up to 15 minutes for their speeches including their replies, and another five minutes to speak on the amendments. The movers of amendments will each have up to 10 minutes to speak. Other Members will each have up to seven minutes for their speeches.

In accordance with the Rules of Procedure, I am obliged to direct any Member speaking in excess of the specified time to discontinue.

First motion: Privatization of government departments.

PRIVATIZATION OF GOVERNMENT DEPARTMENTS

MR LEE CHEUK-YAN (in Cantonese): Madam President, I move the motion printed on the Agenda.

Today I bring up this motion debate on privatization in a bid to brake the Hong Kong community so as to ponder upon the pros and cons of privatization by the Government, and not to let the Government drive the community around at full speed before thorough discussions are held and a conclusion drawn.

With a history of two years, the Government of the Special Administrative

Region (SAR), led by Mr TUNG Chee-hwa in businessman style, has degenerated into the SAR Company Limited. Mr TUNG is generally known among members of the public as the Chairman of the Board of Directors, which clearly reflects such a change. The latest masterpiece by Chairman TUNG is the erection of an advertisement board which, intended for the business sector, reads: "Government for Sale". The SAR assets and services are being "chopped up" for sale. First, Mrs CHAN, the Managing Director, speaking at the British Chamber of Commerce, said that the Government was to switch over to the role of a service purchaser from that of a service provider. At the same time, the Business and Services Promotion Unit under the "Chief Cashier" is actively taking steps to make arrangements for the corporatization and privatization of government departments so as to contract out government services. Next comes the "Junior Cashier", who, risking universal condemnation, brought up the proposal to raise the charges of 3 000 government services on the pretext of the need to pay civil servants their salaries, thus directly throwing the pointer at their employees' salaries. Then there is the Human Resources Manager, who put forward a civil service reform proposal, which includes measures streamlining redundancy procedures and providing for appointment on agreement terms, all paying the way for privatization. Thus there is the worry that "all civil servants will ultimately be replaced". Perhaps Chairman TUNG might say that his business plan is meant for the benefit of the 6 million shareholders. But who are to benefit from privatization? The answer is clearly stated in the papers presented to the Legislative Council by the Business and Services Promotion Unit. Privatization seeks to create more business opportunities. In other words, the SAR Company Limited's consideration in carrying out privatization is a policy to facilitate business operations, not the cost-effectiveness of the public sector. To privatize government services so as to let consortiums have the rights of operation is precisely the unique way in which the SAR Company Limited distributes dividends.

Madam President, let it not be misunderstood that I oppose creating more business opportunities. I oppose sacrificing the interests of the whole society for the sake of creating more business opportunities. I oppose the blind belief in privatization, looking upon it as the sole prescription or a cure-all for the improvement of efficiency while ignoring the five big evils accompanying the privatization of government services, namely, a drop in service quality because of loss of control on the monitoring of service quality; heavier burden for the people as a result of loss of control on the monitoring of charges; retrogression

in democracy due to dwindling accountability; adverse effects on the overall effectiveness in society arising from piecemeal implementation of government policies; and the smashing of the "rice bowls" of staff that might lead to unemployment, social unrest and suppressed wages.

I am not crying wolf. Private companies and public organizations monitored by the Government are riddled with ills and troubles. Cases of failure abound.

1. *Loss of control on the monitoring of service quality*

The opening of the new airport ended in great chaos even though it was under the supervision of the topmost echelon of the Government. The management of the Hong Kong Stadium was briefed out to a major international firm, resulting in having a desert in town, a strange agonizing sight. The Mass Transit Railway (MTR) cut down services during off-peak hours and managed to keep that from the knowledge of the Government, its major shareholder. What corporatization has created are unruly independent kingdoms one after another. There is just no room for the public to have any say.

2. *Loss of control on the monitoring of charges*

The corporatized MTR Corporation enjoys full autonomy in fixing fares, thus pushing up inflation over the years by increasing fares annually as a matter of course. But it refused to cut fares so as to ride out the storm with the people during recession. It went further to have the flexitime discount cancelled with effect from 2 July. Apparently, it is hardly possible for the public to have it monitored. Privatized electricity supply even guarantees profits. Because of an overestimate of power consumption, the China Light and Power Company Limited over-invested in generator installations, resulting in the over-collection of electricity charges amounting to billions of dollars. That is the consequence of losing monitoring power. If the MTR Corporation is demutualized, greater emphasis will be placed on profits in fixing its fares, in which case the public can hardly avoid taking "expensive train rides".

3. *Retrogression in democracy due to dwindling accountability*

Corporatization and privatization are bound to shift the target of accountability, with shareholders taking over from the people as the receiving end of accountability, and the public opinion mechanism deprived of its monitoring role. This is retrogression in democracy. Democracy should leave room for debate and monitoring by the public and bring in the people's thinking and views reflecting overall public interest in respect of service provision. An excellent case of accountability running into problem can be found in the Hong Kong and Yaumati Ferry Company, the services of which have very much disgruntled the people while the Government can play no monitoring role.

4. *Overall public interests to be considered*

It is the basic rule of market operation to pursue profits. Privatization may solve the problems of cost-efficiency. However, it cannot deal with policy consideration related to overall public interests. For instance, the new airport, which is financially autonomous, has set aircraft parking fees at excessively high levels, adversely affecting the air transport industry as a result. Hong Kong's development into an international conference centre is affected by high rentals charged by the Hong Kong Exhibition and Convention Centre. If we look at it from the public interest point of view, then corporatization and privatization will be bound to be hurdles, and everybody will have a price to pay.

5. *Job security and terms of employment*

The Government plans to press on with privatization with full force, leaving its employees on tenterhooks, worrying about their jobs and terms of employment as well as about prospects of "tough living" and even unemployment. Just the Housing Department and the Water Supplies Department alone can affect 20 000 "rice bowls", that is, 20 000 families. No wonder people are seething with fury. These employees have devoted their careers to public service. Yet, for the sake of creating more business opportunities, they will be sacked by the Government and mercilessly forced into the unemployed ranks. Is this fair? I have to advise the Government to treasure social stability and not to set itself on fire.

Madam President, my concern for employees is not confined to serving civil servants. The point is that under the premise of privatization, what the employees are entitled to are being transferred to shareholders' pockets. A

report on privatization issued by the Exchequer of England in 1986 clearly points out that the reason why expenses can be cut by contracting out services is that private organizations offer employees poorer terms of employment. I call this "appreciation by exploitation". Is this a choice that society ought to make?

The aforesaid five major evils are also inter-related. In today's *Ming Pao* forum, an office-bearer of Green Peace writes about privatization of water supply and spells out the inter-relationship of monitoring, charges and overall public interests. The article reads, "The privatization of water supply will further complicate the monitoring of water quality. People's legitimate request for improvement in water quality will be used as an excuse for commercial operators to raise charges." "In the past, when formulating development strategies for public utilities, the Hong Kong Government only considered financial factors in disregard of environmental effects."

I call upon the Government and Honourable Members to consider this carefully. The Government should, above all, apply the brake to privatization, and stop pressing on hurriedly. It especially has to be so because in the past, the Government, when effecting privatization or corporatization, often set the direction first through consultants and later imposed that on employees or members of the public to force them into submission. Such a tactic is totally not desirable. The Housing Department is like that; so is the Water Supplies Department. The Housing Department consulted the staff side only after the release of the consultancy report. Recently the Alliance of Housing Department Staff Unions sought to join a Housing Authority task force, but only to be shut out of the doors. This reflects the falsehood of the consultation as well as the mentality of the Department, which, instead of treating employees as partners, looks upon them as subverters. Regarding staff matters, Mr LAU Chin-shek is going to speak a little more on behalf of the Confederation of Trade Unions.

Let me remind the Government that according to Article 151 of the International Labour Convention, to which the Government is a signatory, the Government should hold discussions on terms of employment with members of the staff and their trade unions instead of holding false consultation. Obviously, the Government has breached its obligation under the Convention. Madam President, privatization is not an issue that concerns just the employees. It is an issue involving members of the public. I hope that today's debate can help promote public discussions on the matter. Members of the public can ill-afford

to treat lightly the privatization of government services, otherwise it is society and the people who will be victimized in the end. With these remarks, I urge for Members' support.

Thank you, Madam President.

Mr LEE Cheuk-yan moved the following motion:

"That, in view of the Government's plans to corporatize, privatize or demutualize a considerable number of government departments and public organizations, this Council urges the Government not to blindly believe in the effectiveness of privatization, and to face up to the impacts of such plans on the job security of the staff concerned and on the quality of service; this Council also urges the Government, before deciding whether privatization programmes should be implemented, to fully consult the staff concerned and the public and to gain their acceptance and support, as well as to formulate in detail mechanisms for the executive authority, the legislature and the public to monitor the quality of service and the charging of fees."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr LEE Cheuk-yan as set out on the Agenda be passed.

Mr LAU Kong-wah will move an amendment to this motion as set out on the Agenda. In accordance with the Rules of Procedure, the motion and the amendment will be debated together in a joint debate.

I now call upon Mr LAU Kong-wah to speak and move his amendment.

MR LAU KONG-WAH (in Cantonese): Madam President, I move that Mr LEE Cheuk-yan's motion be amended as set out on the Agenda.

I put forward this amendment on behalf of the Democratic Alliance for the

Betterment of Hong Kong (DAB). When we first looked at Mr LEE Cheuk-yan's motion urging the Government not to blindly believe in privatization, we took it to mean that Mr LEE did accept privatization and he was only urging the Government not to blindly believe in it. However, after an exchange of views between us, we realized that our viewpoints are quite close. That is to say, we both have reservations about the direction of privatization. So on this point we nearly see eye to eye.

On the other hand, we single out in the amendment several points for thorough discussions by Honourable colleagues. Firstly, should privatization be implemented? This point must be discussed very very carefully as the scope involved is very broad. Besides affecting the well-being of employees and charges levied on the public, it also has much to do with the Government's philosophy of financial management. I trust that privatization cannot be implemented at "the Commander's will" or under "strict military orders". Secondly, we are of the view that should the Government make any change, it must be made according to certain criteria. However, at present there are no criteria for privatization. The Government should also take every aspect into consideration to determine the pros and cons and let the public discuss the matter. In my opinion, it is totally unacceptable to have no criteria and to effect implementation by bits and pieces. Thirdly, we stress that the Government should assume ultimate responsibility. There must be commitment from the Government, regardless of the method used or extent reached. A recent common saying in the Mainland goes like this, "A child must be taken care of by the family to whom he belongs." That is to say, every family must take care of its own children. Government departments are equivalent to children of the Government. The Government should be responsible for their upbringing. Even if they are to be entrusted with the care of other people, they still should not be "weaned off", and there still must be commitment. Of course, to bring them up by oneself is the best arrangement.

Madam president, it has been a common feeling in the community recently that government reforms appear to be coming one after the other. And it now comes to institutional reforms. Balloons released by the Government give people a false impression that privatization stands for efficiency and running by the government is equal to a lack of responsibility. If privatization indeed stood for efficiency, there would not have been so many collapses of private enterprises and the China Motor Bus would not have "folded up". So, it is a myth to equate privatization with efficiency. The Government has

suffered a crushing defeat in respect of sewage treatment and trading fund operations, with one such fund having to go back to square one. Is running by the Government equal to a lack of responsibility? The Director of Audit has cited many so-called cases of "loafing" and laziness. However, in auditing, we all put emphasis on one point, and that is, the consideration on whether or not there is malpractice on the part of the management apart from staff conduct. This is a very important point. It is, therefore, totally groundless to equate running by the Government with a lack of responsibility. Similarly, privatization is not a cure-all. It is not omnipotent. It is not a sure-win. Dereliction of duty can also happen with privatization. Similarly, efficiency and effectiveness can come with running by the Government. The pivotal issue is how to make improvement. When I held discussions with some workers and civil servants, I suggested that they and various government departments should put forward some counter-proposals so as to advise on ways to improve their departments' effectiveness and efficiency, because members of the staff must be most familiar with departmental operations. So, Madam President, whether a department is good or bad is not determined by its mode of operation. It is determined more by improvement in administration and rejuvenation of culture.

Madam President, should the Government now implement privatization without criteria or to carry it out department by department "on a piecemeal basis", then staff of all government departments will have no way to know "the results of the lot", and thus be driven into great fear. This is not going to do any good to governance. Therefore, we have proposed a few criteria for consideration by the Government as well as for discussion in the community. The first criterion is effect. In considering this so-called privatization issue, its effect ought to be taken into account. The simplest effect lies with the people's demand for inexpensive cost and good quality. However, if we look back to the situations of trading funds and sewage treatment over the years, we can notice that high price and poor quality underscore the effect. The experience is indeed like that. When holding discussions with us lately, staff members of the Water Supplies Department gave us some data which in my opinion are very convincing. The experience from England's privatized water supplies is that during the period between 1990 and 1996, water charges in England went up by 150% whilst cases of pollution went up by 50%. Also revealed by the data is the experience of Macau. Why must people there still drink fresh water that is salty? The reason is that there has been no investment from the Government and it is impossible for private companies to make the investment. I think all such experiences merit our due attention. Employees of the Water Supplies

Department further told me about a saying among them that should privatization indeed go ahead, it might give rise to a situation in which "water (which also means "money") brings supply; no water, no supply". I believe this can be the case.

The second criterion is public interests. Will service quality rise or drop after privatization? The Government must consider this. Is monitoring by the public sufficient? If the MTR Corporation eventually becomes a listed company, there will still be objection from us so long as the role of monitoring by the public is weakened.

The third criterion is caring for members of the staff, which is very important. Petitioners just gave me a letter, an exceptionally touching petition. Petition letters are usually very impassive. However, on this occasion, the petitioners are staff members of the Water Supplies Department. They are probably each sending one letter to the Chief Executive. Let me read out one paragraph from the letter: "Is the Water Supplies Department, in which we have all along taken pride and which is about to celebrate its 150th anniversary, really that bad? Can a profit-orientated and untested privately-run department make still further progress with Hong Kong's water supply service? My home is an apartment, for which mortgage I have yet to make many instalments of repayment. There are my little baby and school-age children. There are also old folks in their declining years. My wife is muttering anxiously right beside me. I am at my wits' end. Can I still shoulder this heavy burden of livelihood upon termination of service?" Madam President, I think this letter voices the present minds of many civil servants, especially those shouldering heavy burdens. In view of the current economic hardship, I think the Government should heed such voices and listen to their calls.

Madam President, members of the staff are worrying; members of the public are concerned. Will the Government be happy? There are only slogans from the Government. Neither criteria nor details are available. There is neither assessment nor discussion. Where is privatization going to take us? Therefore, we are in favour of going back to the most basic question. That is, why is there a need for privatization? What are the criteria? All these must be fully discussed in the community.

Madam President, finally I want to present some of my views. It seems

that Mr Donald TSANG, the Financial Secretary, has been gradually turning on the implementation engine ever since he brought up this privatization issue in his budget. In fact, the philosophy embodied in the current year's Budget appears to me to be one modelled on measures taken by the former British Prime Minister Margaret THATCHER in the 1980s, namely, privatization, cut in welfare, deficit budget, and introduction of new taxes and so on. All these are derived from her measures. The British experience tells us that there is room for them to turn back. There can be privatization after nationalization. There can still be nationalization after privatization. However, it is impossible for such a situation to appear in Hong Kong. As Hong Kong has not got much room for changes, we cannot use shock treatment; nor can we afford to vacillate now to the left and next to the right. Once the direction is set, public support counts very much. There is really no way to rush.

Madam President, I want to say two things: "The direction for the Government should be one of gradual changes and gradual progress towards a streamlined structure". I was so told by members of the Civil Service. This is the direction we should take now. I earnestly hope to be the voice of the Legislative Council. Please support my amendment. Thank you, Madam President.

Mr LAU Kong-wah moved the following amendment:

"To delete "not to blindly believe in the effectiveness of privatization" and substitute with "to retain its responsibility for providing public services while striving to enhance cost effectiveness, introduce mechanism for competition, improve service quality and reduce its financial burden; at the same time, this Council requests the Government to clearly specify the criteria for determining which departments and organizations are suitable for corporatization, privatization or demutualization"; to delete "and on" from "job security of the staff concerned and on" and substitute with ","; and to add "and the charging of fees" after "the quality of service"."

PRESIDENT (in Cantonese): I now propose the question to you and that is:

That Mr LAU Kong-wah's amendment be made to Mr LEE Cheuk-yan's motion. Now proceed to the debate.

MR HUI CHEUNG-CHING (in Cantonese): Madam President, the main reason for a small city like Hong Kong initially to gain international fame is the practice of market economy by a small government blessed with a streamlined structure. However, over the last 10-odd years, the Hong Kong Government has been making every effort to avoid interfering with market operations, yet, on the other hand, it has not put in efforts to suppress the expansion of government departments and public organizations. As a result, the establishment and the actual size of the Civil Service have grown as a whole. The Government has to shoulder both directly and indirectly the heavy burden of paying off some 500 000 workers. The administrative expenses of the Government and public organizations are becoming far too cumbersome. With structural expansion, it more or less means that the Government's tangible hand has become larger. Furthermore, the Government still retains some unreasonable rules tainted with colonial colour, pernicious to economic effectiveness, or allowing unworthy members of the force to stick to old ways. All these factors gradually tarnish Hong Kong's reputation as a small Government, and undermine the effectiveness of the services offered by the Government and public organizations.

In view of these, the Government is considering implementing corporatization, privatization, or demutualization in some departments and public organizations in order to streamline structures, cut expenses, bring in more revenue for the Treasury, improve cost-effectiveness, and encourage investment by the private sector. This is in the right direction. As a matter of fact, the Hong Kong economy is still wavering at the bottom. The Government's revenue from taxes and land sales is not stable yet. But meanwhile it has to cope with social welfare, public housing, medical and health services, items of public expenses easy to inflate but difficult to curb. In view of such a predicament, it is not altogether inexcusable for the Government to "trim down" itself first by way of privatization so as to ease the financial pressure.

The problem is: Privatization is a rather complex task. It involves the exposition of market competition and business principles, and affects the protection of public interests. In the case of corporatization of the Housing Department, a project which the Government has been trying hard to implement, the living conditions of some 2 million public housing estate residents and the jobs and livelihood of some 14 000 civil servants are involved. Typical examples of public organizations in privatized mode are the Kowloon-Canton Railway Corporation (KCRC) and Mass Transit Railway Corporation (MTRC). Although the number of employees directly affected is not too numerous, the number of users they serve are in the millions. The most controversial question about privatization is how to balance the personal interests of shareholders with public needs in the future. What role can the Government play in the future, while acknowledging that private organizations are in a better position to provide certain services and respecting the operation of private organizations? How can the Government ensure that taxpayers' supervision will not be weakened when it contracts out some of its services on behalf of taxpayers?

Madam President, so far, the Government appears to be unwilling to disclose the details of privatization. Furthermore, piling up with the privatization proposal are numerous reform programmes. With details not forthcoming and priority not set, the privatization programme has left departmental administration, ordinary civil servants, the business sector and members of the public at loose ends. Even if privatization programmes may help improve public services, enhance staff members' zeal and bring in more returns, many civil servants so affected would rather have no changes at all, or even put up resistance at a time when economic and employment prospects are uncertain and people in general are still very weak in confidence. The Government must address squarely civil servants' sentiments and morale, otherwise its efforts might backfire and the Government might be doing harm while acting on good faith.

Madam President, privatization is a lengthy uphill task. It took England 20 years to carry out the programmes. The Hong Kong Progressive Alliance holds that before carrying out reforms in the direction of privatization, the SAR Government should carefully sum up past experiences gained in contracting out or corporatizing public services, expound the positive and negative aspects of the reform experiences, and encourage members of the public and civil servants to participate in the discussions of such a policy matter, one affecting major areas like the future structural reshuffle of public bodies, civil service reform,

and even business markets.

With these remarks, Madam President, I support the amendment.

THE PRESIDENT'S DEPUTY, DR LEONG CHE-HUNG, took the Chair.

DR RAYMOND HO (in Cantonese): Mr Deputy, I remember that in March this year, the Financial Secretary, Mr Donald TSANG, devoted a large part of his Budget speech entitled Onward With New Strength to deliberate on the issue of privatization in respect of government departments and public organizations, mentioning, among other things, the point that the Government is considering bringing in private sector participation in the area of water supply service. At the same time, he also made mention of the Government's intention to apply the managerial mode of private organizations to conventional government activities with a view to going further by privatizing some government departments at the right time.

In privatizing or corporatizing some departments, the Government takes as primary consideration the enhancement of cost-effectiveness and the proper use of public funds. However, I am of the view that the structural change of any government department must set the upholding of high-quality public services as its foremost premise, and, at the same time, take into consideration the plight of employees serving departments affected by privatization or corporatization as well as the effects of such measures on other civil servants and members of the public. So, the considerations for privatization or corporatization of government departments should not be confined to cost-effectiveness or economic considerations. It should be an issue concerning the interests of everybody in Hong Kong. The Government, therefore, must carefully consider the pros and cons of the arrangements concerned and be liberal in the overall approach.

In recent years, the Government has been stressing the merits of privatization, especially in respect of enhancement of cost-effectiveness. I am not sure if that is for the purpose of promoting the idea of privatizing or corporatizing some of the government departments. Seldom mentioned by the Government are the possible demerits of privatization and corporatization. For instance, there might be a need on the part of the Government for a perfect

monitoring system to ensure service quality. With gains in one area offset by losses in another, it might not be able to achieve the desired results. Generally speaking, the operation of private organizations is not as transparent as that of government departments. Furthermore, private companies often withhold operational information from monitoring bodies on the ground of business secrets, which renders monitoring even more difficult. On the other hand, private organizations usually put corporate profits in the first place, possibly neglecting long-term capital investment. This can adversely affect service quality.

With regard to plans of privatization and corporatization, the Government puts too much emphasis on the consideration of financial factors. It is beyond dispute that it has long been the public's aspiration to improve the cost-effectiveness of the Government and reduce public expenses. However, no change should lower the standards of public services now available or jeopardize Hong Kong people's quality of living. This warrants consideration by all. Take as an example the plan to bring in private-sector participation for water supplies. Here the Government has got to be careful. The reason is that a hygienic and reliable supply of water is very important to people's health and quality of living. Besides, water is equally important to the local manufacturing industries and the service industry. We definitely should not take hasty actions simply on the strength of the findings of consultancy reports. With regard to the privatization plans of other departments, conclusions should be drawn only after careful consideration, too.

As a matter of fact, privatization and corporatization of government departments have been implemented in some countries, with results varying from place to place. If privatization of the water supply service in foreign countries is to be taken as reference, it is not difficult to discover some undesirable aspects of the implementation. In the case of England, over the six years following privatization of the water supply service, water charges went up by 150% and pollution cases went up by 50%, with investment in water works, however, reduced by one fifth. There is another case that is more well-known to the people of Hong Kong. During the period between July and September last year, a lot of parasites were found in the drinking water supplied by the long-privatized Sydney Water Supplies Company of Australia. These two examples show that privatization and corporatization may not necessarily bring to the people the benefits expected. It is, therefore, necessary for the Government to refer to the experiences of other countries or places in

implementing such plans so as not to take the road where carts have overturned.

As the biggest employer in Hong Kong, the Government should also take into consideration the effects of privatization and corporatization on the employees of the departments concerned. Privatization by the Government might cost many civil servants their jobs, drive many families into financial difficulty, further aggravate the already-weakened Hong Kong economy, and upset social stability. Furthermore, the reorganization of one government department might adversely affect the morale of civil servants working in other departments. This is the last thing that the people of Hong Kong wish to see.

Mr Deputy, it is understandable that, to enhance cost-effectiveness, the Government is thinking of privatizing government departments. However, given their nature of work, not all departments are suitable for such a mode of change. Though most people in general want the Government to improve efficiency and cut public expenses, it does not mean that they support the privatization or corporatization of government departments. As a matter of fact, privatization and corporatization are not miraculous cures; they also have deficiencies. The public should be given more information to study the possible effects of these plans on them in the future. Before implementing any reform or change on the part of the Government, it is also necessary to gain support from the majority of the people and, above all, win the acceptance of members of the Civil Service who are likely to be affected, otherwise the implementation of the relevant measures might run into considerable difficulty.

Mr Deputy, I so submit in support of Mr LEE Cheuk-yan's motion.

MR SIN CHUNG-KAI (in Cantonese): Mr Deputy, over the past 10 years, privatization has been very active all over the world, with some 2 600 transactions selling government assets amounting to US\$271 billion in 95 countries between 1988 and 1993. Activities of privatization continued between 1996 and 1997 even though there was the Mexican financial crisis, with Europe selling government assets amounting to US\$53 billion; Latin America, the United States and Canada selling assets amounting to more than US\$17 billion; and Asia selling assets amounting to US\$9 billion. As a matter of fact, in countries of various income levels during the period between 1980 and 1997, the Gross Domestic Product (GDP) shares of state-owned enterprises were shrinking: in the case of low income countries, it went down from 15% of the

GDP share in 1980 to 3% in 1997; in the case of countries of medium low income level, it went down from 11% in 1980 to 5%; in the case of countries of medium high income level, it went down from 10.5% to 5%; in the case of high income countries, it went down from 6% to 5%.

England is one of the countries actively carrying out privatization. Selling assets since early 1980, the British Government has sold more than 150 state-owned enterprises and brought in proceeds amounting to US\$100 billion. These assets include British Telecommunication, British Airways, British Rail, British Water and British Energy.

The enhancement of economic benefits by privatization mainly involves two aspects: firstly, improving the allocation efficiency of resources (more production and lower cost); secondly, increasing productivity.

The theory of privatization has a long history, dating back to Adam SMITH who held that social assets privately owned and utilized had higher efficiency than those owned or controlled by the government.

Has this theoretical analysis been tested? Let us refer to some international study reports.

"Privatization and Its Benefits: Theory and Evidence", an article released by the Harvard Institute for International Development in April 1999, points out that according to studies transcending countries and trades, profits and efficiency of enterprises after privatization are higher than those preceding their privatization, regardless of the presence or absence of competition in the environment; however, privatized enterprises in a competition-free environment and those in a competitive environment vary in their performances, with higher growth in profits and lower growth in efficiency shown by those in a competition-free environment.

An Organization for Economic Co-operation and Development (OECD) article entitled "1996 Privatization Trends in OECD Countries" points out that though it is generally held that private enterprises are more efficient than public enterprises, academic studies from the 1970s to the early 1980s indicate that the difference in efficiency between the two is mainly due to the absence of competition, not for reason of the structure of shares ownership. The article, however, further explains that at that time, those studies mainly compared the

costs of public enterprises and those of private enterprises and that recent studies are on the differences between enterprises before privatization and enterprises after privatization. The latter have shown that those enterprises tend to improve markedly in efficiency after privatization. All the reports are here for reference for Honourable Members who are interested.

A group under the International Labour Organization (ILO) also holds that privately-run public utilities are not necessarily more efficient than government-run public utilities. It cited a 1995 research report released by M. POLITT, a British scholar. The said scholar made a 14-country comparison of the production costs of private and public enterprises in generating, transmitting and distributing electricity. The finding is that the operations of private enterprises and those of public enterprises are equally efficient.

The above study shows that to test and verify the methodology for enhancement of efficiency might give rise to a lot of arguments. However, what is certain is that the efficiency of private enterprises is definitely not lower, but probably higher than that of public enterprises.

The mechanism of competition is very important in ensuring enhancement of efficiency after the privatization of enterprises. It is also the most effective mode of monitoring. If there is only a change in the ownership of shares, then it means the monopoly is only being converted from government control into private control which might not be able to achieve the goal of enhancing efficiency.

So, while carrying out privatization, the Government should attach weight to the consideration of bringing in competition so as to ensure the breaking of monopoly in the course of privatization, such as the contracting out of services and transfer to private ownership. Only by promoting fair competition in this way can the economic efficiency of enterprises be enhanced.

The report of the Harvard Institute for International Development further points out that although some low income nations probably have not been active in carrying out privatization, their financial deficits have generally shown marked improvement during the period. Privatization helps to reduce the government's financial burden by, for instance, cutting down government expenses and reducing the demand for taxes and loans. Thus, on the one hand, it improves the government's financial position, and, on the other hand, allows

the government to allocate resources to other areas having more pressing needs.

I want to point out one thing. According to these research reports, privatization usually brings in expected revenue for the government through selling government assets. But revenue from privatization might not affect the government's financial position in the long run. That is to say, the result is neutral. The reason is that after selling the assets, the government might receive less dividends in the future. In other words, revenue gained by selling assets now gives the government an one-off income, but cuts its long-term earning.

For this reason, the pricing of assets by the government and the timing for listing are very important. If they cannot be sold at good prices, the government will lose more than it can gain.

Privatization helps the development of Hong Kong's capital market. The development of the financial market can also benefit from it, with higher market value for the stock market, greater variety for listed companies, and greater depth and width for the stocks market.

The MTRC will be the first corporatized item in Hong Kong to have its shares offered publicly. There are a few points that warrant our attention. First, the MTRC, operating as a corporation, has shown commendable efficiency. Can it further enhance its efficiency after listing? Second, the MTRC is monopolistic by nature. Apart from setting up a monitoring mechanism for fares, consideration should also be given to the question of how to bring in competition.

Here is my final point. The Stock Exchange of Hong Kong recently issued a study report on privatization. However, I put a question to a British specialist in privatization and this question merits Mr LEE Cheuk-yan's attention. I asked him had the Labour Party, on assuming political power, reversed the privatization trend of the 1980s when Mrs THATCHER was in power. He replied in the negative, saying that, on the contrary, the BLAIR government had adhered to privatization. I hope Mr LEE Cheuk-yan will take an in-depth look of the policy of the Labour Party to see why there has been such a change.

MR HOWARD YOUNG (in Cantonese): Mr Deputy, Mr LEE Cheuk-yan's original motion basically repudiates privatization, alleging that people's livelihood would suffer, the job market would be dealt a heavy blow, and the accountability of the departments or organizations concerned would be reduced. The Liberal Party holds that such a sweeping statement will only serve to simplify and polarize the issue on privatization, and tend to please the public with claptrap or alarm them with frightening words.

First of all, the Liberal Party endorses the concept of privatization, which is designed to reduce the financial burden of the government, give private sector greater participation, and, through market mechanisms, improve the efficiency of departments and strengthen competition for innovation. As a matter of fact, over the past 20 years, privatization has spread all over Europe, one of the reasons being that the Gross National Product share of every government's tax revenue is ever growing, which means that each government's financial burden is going up gradually.

Although Hong Kong has a strong reserve, the burden of public expenditure is very heavy too. Earlier on, the Secretary for the Treasury clearly pointed out that the reason why the Government has to raise 3 000 government fees at a time when the economy still has not recovered and there is no increase in costs is that employees' wages take up a portion as big as 60% of the service cost. If the Government does not increase the charges, then the only alternative is to increase taxes. The Liberal Party is of the view that at a time when the burden of public expenditure is heavy and the overall economy down, it is right to look into privatization plans. However, we must stress that privatization is only a means rather than an end in itself. We should not privatize just for the sake of privatization. Similarly, we should not deny in toto the merits of privatization.

There are no standardized and prescribed methods in privatization. All in all, they can be classified into the following three main categories:

- (1) Privatization of Ownership — that is, a government "sells out" to the private sector an entire department or a public organization. During the time of Mrs THATCHER, England carried out privatization plans to sell many state enterprises. They belong to this category, the British Airways being one example. Privatization of ownership is suitable for a competitive

environment.

- (2) Privatization of Operation — the government retains ownership while contracting out to a private company the operation and management authorities. In the past, this method was once applied as in the case of the Cross-Harbour Tunnel.
- (3) Privatization of Service — when the department or the public organization is not suitable for complete privatization, part of its work or service can be contracted out.

In recent days, staff members of the Water Supplies Department have been vigorously opposing the privatization plan of the department, holding that it is likely to bring about sharp rises in water charges and lead to problems in control of water quality. We are of the view that the privatization of the Water Supplies Department does not necessarily mean "selling out" the entire department. In fact the Government may merely contract out some duties of the department which are not performed very effectively in economic terms, such as that of meter-reading, a duty that has recently aroused a lot of controversies, or the maintenance work of water pipes. As a matter of fact, government departments still have many tasks which, for the sake of improving effectiveness, are suitable for contracting out, for example, the management of cultural and recreational facilities of the two Municipal Councils and the cleaning of streets.

Therefore, the Liberal Party considers that it is not appropriate to see the privatization issue with a sweeping view. A suitable mode of privatization should be adopted in accordance with the actual situation. There is also no need for privatization to jump all the way up in one leap. In the past, the Government set up trading funds in various departments and corporatized services of railway transport, running them on prudent commercial principles. The results have proved to be satisfactory. To give private sector and members of the public greater participation, the Government should further demutualize or privatize the organizations concerned at the right moment.

The Liberal Party agrees that when implementing privatization plans, the Government should adequately consider the question of how effective monitoring can be exercised to ensure improvement in service quality and keep charges at reasonable levels. It must also ensure that there is a smooth

transition and win support by explaining the relevant plans to employees and members of the public so affected. Anyway, privatization will inevitably have adverse effects on employees' interests. Everybody knows this. According to Mr LEE Cheuk-yan's original motion, employees' acceptance should be a prerequisite for the implementation of privatization. The Liberal Party considers it to be inappropriate. Mr LAU Kong-wah's amendment makes considerable improvement in respect of what I said above, and also deletes the point of total rejection. However, we notice that he still retains such a prerequisite. If employees' acceptance is made a prerequisite, it can only render privatization plans abortive, or change them beyond recognition. Therefore, we have come to the view that his additions and deletions are well done. But what he deletes is still not enough. So, the Liberal Party is going to support neither the original motion nor the amendment. I so submit.

MR CHAN KWOK-KEUNG (in Cantonese): Mr Deputy, last week we discussed the issue of civil service reform, but we still have a lot to say. Today's topic appears to be the sequel to that, the emphasis being on the issue of "privatization by the Government". It is hoped that soon after the first and second episodes, the SAR Government, the Civil Service and members of the public can come to a consensus on the reforms of public administration and public services and bring about a "happy ending".

Mr Deputy, we in the Federation of Trade Unions are of the view that it is not appropriate for the SAR to implement privatization or to contract out services now. It is especially so now because the economy of Hong Kong still has not recovered, the unemployment rate is still high, the people's consumption power and desire to spend are weak, and every trade has yet to be revived. If the Government resolutely carries out privatization of departments to separate from the main body of the Government some public services by way of contracting out, there might be destabilizing factors for the Civil Service. Furthermore, in the course of privatization, a lot of people will inevitably be laid off, thus unnecessarily enlarging the unemployed ranks. Therefore, we think that the Government should shelve all privatization plans in order to avoid unsettling society.

Privatization is not just an issue on the reform of public administration; nor is it just an issue on reducing public expenses. The most important point is that it changes the mode in which the Government delivers public services.

That is to say, the people are being offered public services, such as medical care, housing, and social services and so on, in ways approximating those used by the private sector. In recent years, the Government has been incessantly injecting into the system of public services the concepts of "user pays" and "financial autonomy" and has thus in fact slowly changed the idea of responsibility and value due from a government towards its people. Must the relationship between the people and the Government move in the direction of "customers and supplier"? We should have deep thoughts on this issue.

In fact, even if some departments are privatized or adopt a contracting out system, the Government must still fully consider the interests of the public and those of serving civil servants. The premise is that, on the one hand, there should be no additional financial burden to the people, and, on the other, proper arrangements should be made for serving civil servants to switch over to the new system so as to safeguard their right to choose. In particular, the Government should take civil servants of every rank as co-operating partners of reforms. Every step of the reform ought to be able to enhance their zeal, develop their potentials, and improve efficiency in order to achieve reasonable reduction in service costs while providing the people with quality services. Departments should not be wholly privatized arbitrarily without first considering ways to improve the efficiency and operation of the original structures in total disregard of employers' reasonable suggestions.

Mr Deputy, let me again speak on the expansion of the privatization plan by the Housing Department. To strive for a "great leap forward" in the department's privatization, the Government first made use of public opinion warfare and individual incidents concerning undesirable members of the staff to intensify the contradiction between the people and the entire Housing Department staff in a bid to put the blame of structural unwieldiness and poor cost-efficiency in housing management on front-line workers. As a matter of fact, the Housing Department spends as much as \$850 million on its headquarters senior bureaucrats annually. These expenses obviously have no direct connection with the maintenance of public estates. The cost-efficiency of the Housing Department's management and maintenance work can definitely be improved by deleting or reducing all those expenses. There will be even greater benefits to the residents if money thus saved is utilized suitably to improve the management and maintenance of public estates.

Staff members of the Housing Department offered a "Sixth Proposal" on

top of the five proposals listed in the consultancy report. It is also known as the "Self-strengthening Proposal", with which members of the Housing Department call upon every fellow member "to incessantly seek self-strengthening and bring in competition". Its main contents are: first, improvement in the operational flow and delegation of authority so as to bring into fuller play the vitality of staff members in the middle and lower echelons; second, separate auditing for costs directly associated with the management and maintenance of public estates; third, selecting a few nearby spots for testing so as to have fair competition between the Housing Department and private management agencies within a prescribed time-limit of two years in order to review and measure cost-effectiveness and collect residents' opinions before assessing and formulating the future development of the privatization plan in question. In my opinion, this is going to get the support of both the employees and members of the public, and will not hurt public interests.

Mr Deputy, privatization by the Government is not a unitary issue. It affects the livelihood of the whole society. We must be particularly careful in dealing with it. On this, not wishing to see society sustaining irreparable damage, I prefer a more conservative approach from the Government to a radical one to these matters.

We in the Federation of Trade Unions support the amendment as well as the original motion. Mr Deputy, I so submit.

MR ANDREW WONG (in Cantonese): Mr Deputy, I originally had no intention to speak on this topic as I had already made my view clear in the Budget debate. I support private ownership. I even fully support privatization, a fairly abstract concept. That includes contracting out services; allowing services previously provided by departments directly to be provided by public corporations; and the sale of shares of certain corporatized government services after demutualization. There is nothing wrong even in selling out the whole corporation. Surely, the Government has to set up separately some monitoring systems, just like what we now have for monitoring power companies, bus companies and ferry services. It is necessary for such mechanism to be made available. I must state my views as I have to attend a radio programme shortly and must leave at around six o'clock. So I cannot stay here. By the time I come back, a vote might have already been taken. Therefore, I now state that I support neither the original motion nor the

amendment.

In my opinion, the problem now is that we seem to lump many problems together, and, in particular, we are bringing in last week's question for discussion. However, the question of last week and that of this week are two different issues. Today's question is on the mode of service delivery by the Government. Conventional ways of doing that are not necessarily correct. If they are not correct, then they must be changed. Issues involved can be, among other things, efficiency, accountability and numerous other reasons. Even going the other way round is not necessarily unacceptable. That is to say, it may be all right to convert one totally private-run organization into one run by the Government. Why cannot government-run bus companies provide privately-run bus services, as in the case of London Transport? This is a question once raised. Surely, London Transport was a failure. However, we ought to consider all these similar issues. I think each case has to be viewed separately. If we were to make today's discussion meaningful, we had better talk about the questions concerning the Water Supplies Department as a discussion on the issues of the Housing Department is far more involving. The reason is that they have already put forward some specific proposals, for instance, the Housing Department wants to implement corporatization. In fact, that is not corporatization. The Housing Department asks employees to set up companies themselves, or is telling them that it is a question of cutting staff size by way of natural wastage. However, some people who do not wish to be drained away will still get drained away although efforts will be made to persuade the new companies to take them in. In so doing, the Housing Department is probably bracing up for a future, or imminent, situation. The reason is that, with the implementation of the Tenant Purchase Scheme, and the consequential drop in the demand for housing management staff, the Housing Department is bound to deal with the problem of layoff.

Then what is the problem with the Water Supplies Department? Let us put the cards on the deck and talk it out. What is wrong with having some activities contracted out (not privatized) to others? We have already contracted out a lot of activities. If results are good and existing posts of employees are not jeopardized, we should support it so long as it is good for departmental operations — surely, fewer recruits will be needed in the future, and there will be fewer vacancies open to outsiders.

The whole issue on privatization is being presented in an abstract way.

However, what is being involved is not that small. In fact it is necessary to specify the departments and services requiring privatization. However, at present no specification can be given for the way to go about privatization. So this discussion is meaningless. This is what I want to state clearly. Hong Kong was the first to talk about hiving off, that is, entrusting to some other organizations services directly under the care of certain departments. The establishment of the Kowloon-Canton Railway Corporation is an example. In fact the McKinsey Report of 1975 already made such recommendations. However, to date, many recommendations still remain in the stage of trading funds. The former General Post Office was already on the list at that time, so were the Printing Department and the Water Supplies Department. The matter does not crop up just today. Let us be practical and realistic, and do not discuss an abstract topic. We should see, on the basis of the Government's specific proposals, what the Commissioner of Inland Revenue is going to do and what the Housing Department is now up to, and then call for discussions. Only by so doing can we make the motion debate more meaningful.

For this reason, I cannot support motion topics linking itself with civil servants' rice bowls for discussions. Such a motion topic only serves to let some political groups put up performances for their voters. I do not think they are very meaningful. Sorry, Mr Deputy, even if I were to stay on to cast my vote, I would vote against both the amendment and the original motion.

MR LAU CHIN-SHEK (in Cantonese): Mr Deputy, in recent days the "privatization of public corporations" has suddenly become a main policy that the Government is to implement with top priority. It includes making arrangements to get the MTRC listed in a year or two for private ownership, and privatization of various services of the Housing Department and the Water Supplies Department. The Government has even created a special post to get various departments to privatize their services as far as possible.

We cannot help asking: Why is the Government implementing privatization in such haste? Why force all departments to privatize their services no matter there is justification or not?

According to Mr LEE Cheuk-yan, the Government blindly believes in the effectiveness of privatization. I believe that the behind-the-scene reason for

putting in great efforts to implement privatization at a time when the economic environment is bad and the unemployment rate high is merely to push the lower and middle rank civil servants into the market so that they may compete with employees of the private sector and thereby have the wages of all "wage earners" further pressed down.

In briefing us on the economic situation of Hong Kong at a meeting of our Financial Affairs Panel last Friday, the Financial Secretary emphatically stated that although rent in the operating costs has markedly dropped over the past one and a half years, wages have not gone down very much. I want to get an honest reply from the Financial Secretary. The market is now very depressed, and yet privatization is to be implemented. Is that designed to press down wages? Is the working class not to be "given a push when they are already having a slip"?

Mr Deputy, Mr LEE Cheuk-yan has just pointed out the shortcomings of "privatization" from different angles. They include the lack of guarantee for service quality, the difficulty in exercising effective control over charges and the services provided, and the smashing of the rice-bowls of those working in the original departments. Regarding problems associated with the listing of the MTRC, I raised a lot of criticism in the Budget debate last March. To prove our concern about privatization, I am going to focus on problems likely to be resulted from the privatization of the Water Supplies Department, and also to discuss them.

The first merit cited in support of the proposal urging the Government to privatize services of various departments is cost saving. The privatization study now conducted by the Water Supplies Department also uses this as a "selling point". However, this has ignored the cost structure of the water supply service. In reality, expenses on the water supply service are mainly on the purchase of water from the Dong Jiang River as well as on capital investment. With salaries taking up less than one fifth of the total expenditure, not much can be saved by way of privatization unless wages are to be cut sharply or the staff establishment is to be greatly reduced.

At present, the water supply service costs some \$5.2 billion a year in all. Revenue from water charges amounts to some \$2.6 billion. A large portion of the remaining sum comes from rates. However, it is most likely that if the water supply service is indeed privatized later, the Government will no longer set aside any rates income as revenue from the water supply service. Ultimately, water charges will have to bear the brunt of the blow as they will

have to be increased drastically in order to balance incomes and expenditure.

This is the first demerit of privatization of the water supply service.

Secondly, it is going to be even more difficult for the Legislative Council and the public to keep a watch on the service provider following privatization. At present, the expenses and charges of the Water Supplies Department, the provider of water supply service, are effectively regulated by the Legislative Council as it is a government department. For instance, before the department can create new posts or launch capital investment, approval from the Legislative Council has to be sought first. As for raising water charges, the Legislative Council also has the final say. There has been no increase over the past few years primarily because the legislature voted down the Government's proposal for raising charges.

By nature, the water supply service is similar to other monopolistic public utilities. There cannot be real competition. So, if the water supply service is really privatized, there is bound to be great problems in monitoring. To earn profits, a private enterprise is likely to focus on short-term investment while ignoring that the water supply service often requires heavy capital investment.

In fact, Macau, Hong Kong's neighbour, has such a problem. The private corporation in Macau supplies water to some 400 000 Macau residents. The water comes from the Xi Jiang River. However, the water supplies company in Macau has not put in resources to solve the problem that Xi Jiang River water tends to be too salty during the dry season. In fact, a way to overcome the problem is to build reservoirs and rain water collection systems to dilute the salt. However, Macau's privately-run water supplies company holds that it requires heavy investments to build reservoirs and rain water collection systems, but it is going to take a long time to have due returns. So the said water supplies company has not adopted the aforesaid solution. As a result, the 400 000 Macau residents for long have to drink "salty water".

Apart from Macau, there are the cases of England and Australia. Following the privatization of their water supply service, parasites are commonly found in the drinking water there because private corporations, striving for faster returns, are unwilling to make long-term investment to improve water quality.

Water quality very much determines people's health. Not even the slightest error should be allowed. It is the Government's unshirkable duty to ensure proper water supplies and good water quality.

Finally, I want to speak on the effect which privatization of the water supply service might have on serving employees. Two weeks ago, the great march of staff members of the Water Supplies Department already sent the Government a strong message that privatization poses a direct threat to the rice bowls of those employees, and might even smash their rice bowls.

The civil service reform has already given rise to a "big mess", and has thus disgruntled them. To implement privatization at a time when the economic condition is poor to drive employees onto "the path of hopelessness". There is bound to be strong resistance from them.

I call upon the Government to reconsider the matter carefully again and again!

With these remarks, Mr Deputy, I support Mr LEE Cheuk-yan's motion.

DR TANG SIU-TONG (in Cantonese): Mr Deputy, over the past few months, the Government has put forth a series of proposals on civil service reform, which include putting a freeze on civil service pay, suspending the recruitment of pensionable staff, and the release of the Consultation Document on Civil Service Reform. These have drawn extensive attention. While members of the Civil Service are harbouring wariness and uneasiness regarding these, the Government, on the pretext of reform, proposes to gradually privatize government services. No wonder there is worry that this might be another blow to civil servants' morale and, consequently, adversely affects the Government's public services.

Mr Deputy, basically the principle of privatizing public services should warrant our consideration and support, the reason being that privatization can indeed cut the Government's spending on services, reduce squandering, and improve the effectiveness of services so long as suitable cure is applied to address the ills of government departments in providing public services.

Moreover, the introduction of market competition can force the public sector to change its archaic modes of management and service attitude, improve the efficiency and quality of services, and provide services to people's satisfaction.

However, I think that in privatizing departments, the Government must pay attention to the following points:

Firstly, the Government must clearly define the problems that "privatization" seeks to solve, and present sufficient justifications to substantiate the point that "privatization" is the best solution to the problems concerned. Several years ago, the Government brought in a management concept and mode of operation close to "privatization" for the sewage disposal service in the form of "trading fund", by setting up a Sewage Services Trading Fund and claiming that it was able to improve the effectiveness of sewage disposal. However, because of various mistakes on the part of the Government in its sewage disposal policy, including serious over-spending and delay in sewage works due to an underestimation of the difficulty of the works; the need for sewage charges to go up year after year due to a very radical timeframe fixed for the recovery of costs; and the consequential strong resentment among the public and members of the trade, the trading fund ultimately "folded up" and came to an end amidst much boo and hoot from all quarters without achieving the expected service effects. It can therefore be noted that privatization may not necessarily bring in the benefits described above. In fact, "privatization" can only change the "service provider" and the "management culture". It is not capable of turning something rotten into something wonderful. So, if the people are not happy with the policy of certain government service, or if the quality of certain service is being affected because of policy restrictions, "privatization", quite naturally, is going to be futile in result, and it might deal a severe blow to people's confidence in the privatization of public services.

Secondly, even if the Government decides to "privatize" a certain service, consultation must not be hasty and the pace of reform ought not to be too rapid, otherwise both the morale and stability of the Civil Service might be dealt a heavy blow. In my opinion, before carrying out privatization, the Government should do an assessment from the angles of cost, efficiency, service quality and charges, and list out services warranting privatization and then launch in-depth studies. To get the civil servants' acceptance and support, the relevant departments should, throughout the process, set up certain mechanisms and allow sufficient time for civil servants' organizations to take part in setting the

policy and implementation schedule for "privatization". Once put into effect, proposals for privatization should proceed in an orderly way step by step. For civil servants so affected, the Government should offer comprehensive assistance in job transfer, job placement, retraining and personal counselling.

Finally, the Government must pay attention to the effects of privatization on the public to ensure that no reform will jeopardize the quality of public services, thus maintaining the Government's commitment to public services. Moreover, the Government should set up a monitoring mechanism to let members of the public control effectively the quality and charges of public services once they are privatized. In formulating the smash-up policy for the abolition of the two Municipal Councils, the Government is going to take away from the people the right to take part in setting municipal service policies and charges. That is actually another way to withdraw from the people the right to monitor public organizations. If this is indeed the direction in which the Government is heading, then, in my opinion, nothing in respect of monitoring privatized services should be allowed to go wrong in order to prevent the services from becoming "privately owned" once they have been privatized: charges and service quality falling into "a state of lawlessness".

Mr Deputy, I so submit in support of Mr LAU Kong-wah's amendment.

MR CHAN WING-CHAN (in Cantonese): Mr Deputy, the privatization of government departments must be proceeded with care because, in the first place, members of the public will be affected, and, in the second place, the jobs and rice bowls of the employees in the departments concerned will be at risk.

To members of the staff, privatization often means compulsory termination of employment and the smashing of their rice bowls. The privatization proposals recently put forward by the Housing Department are clearly designed to kick out members of the staff, especially those belonging to the middle and lower ranks. Mr CHAN Kwok-keung has just spoken on this. I want to add a point: when the Housing Department contracted out jobs in the past, there were different cases of exploitation. For instance, after going through companies that took up the contracts, cleansing workers and security guards had their wages cut by over 50%, and were required to work 30 days a month at a monthly rate of \$4,000 to \$5,000.

To members of the public, there are bound to be increases in charges from privatized departments. Take the Sewage Services Trading Fund as an example. Because of the need for heavy capital investment in the case of sewage disposal services, there was pressure to increase charges. Every increase was a big jump, not a small one. It weighed heavily on the people as well as on restaurants and eating establishments. The "short life-span" and eventual death of the Sewage Services Trading Fund tell us a lot. This has just been pointed out by Dr TANG Siu-tong. I do not want to deliberate on it further.

However, the Government refuses to learn from the past, and is actively making preparations for private sector participation in the water supply service, which also requires a lot of capital investment. Maintenance works and expansion of the water supply network, for instance, require a lot of capital. The sole target of the private sector is to make profits. How can there be a huge input of capital for improvement in the water supply service when this service is provided by the private sector? It is our worry that charges will go up when water is supplied by the private sector. Businessmen will pocket the money without improving the water supply service. Let me quote one example. Currently, the Water Supplies Department supplies water to those living in remote areas and is still expanding its services. Some areas do not have many residents. Once the private sector takes over the water supply service, the operators might be unwilling to carry out maintenance works for, or extend the water supply service to, these small colonies of consumers.

Besides, the market development in Hong Kong is not yet mature. There are probably few corporations that are in a position to bid for the water supply service. If there is private sector participation in the water supply service, only a corporation or two will be able to participate. The water supply service will definitely be monopolized. There will be much worry about the charges. Water is indispensable. It is a daily necessity. We worry that by then the public will be "busy scrambling for water" every day.

Mr Deputy, members of the Water Supplies Department recently staged a demonstration. What they wanted to say was not merely the point that private sector participation in water supplies poses a threat to their jobs and livelihood; they also called into question the need for private sector participation in water

supplies. Over the years, the Government's water supply service has been very satisfactory, with water quality always meeting international health requirements. Water quality is under very strict scrutiny from catchment areas to reservoirs as well as from treatment works to pumping stations. The Water Supplies Department staff have been working very competently too. The quality of Hong Kong's drinking water ranks among the top ones in Asia. There has never been any problem. Why should we bring in private sector participation?

Private sector participation is not equivalent to improved water quality. On the other hand, it means no assurance for pricing. In Australia, water is supplied by private enterprise. Because of insufficient investment in the maintenance works of catchment areas, water quality at the source is poor, which directly affects the quality of water supplied and results in having bacteria counts many times above standard. This proves that private sector participation in water supplies does not necessarily mean improvement in water quality. Mr LAU Kong-wah has earlier mentioned the poor quality of drinking water in England and Macau.

Furthermore, the consultancy report on private sector participation in water supplies has yet to be released. However, several officials are already saying in the same tone that private sector participation should be brought in for water supplies. In his Budget speech of the current year, the Financial Secretary even put forward the concept of private sector participation in water supplies. The Government in fact wants to privatize water supplies. According to some workers, they suspect that the Government is just putting up a show in asking a consultant firm to conduct studies, and that a decision has already been made.

Members of the staff are not given the chance to take part in the discussions concerning private sector participation. In order to have a smooth sail, the Government, as the employer, ought to sufficiently consult the staff in the course of a department's reform and try to get their acceptance and support.

Mr Deputy, to push members of the Civil Service into the market at a time when the economic environment is poor and the unemployment rate is high will only enlarge the ranks of the unemployed, and bring no benefit to the civil servants or members of the public. The surging "reforms" bring the flames of

war to all places. Members of the Civil Service are in panic. The Federation of Trade Unions holds that, in a situation like this, the Government should stop carrying out reforms and privatization for the time being. Thank you, Mr Deputy.

DR YEUNG SUM (in Cantonese): Mr Deputy, the Democratic Party supports Mr LEE Cheuk-yan's original motion as well as Mr LAU Kong-wah's amendment. Mr LEE Cheuk-yan warned against blind belief in privatization while Mr LAU Kong-wah mentioned points to be noted regarding privatization. The Liberal Party is against both motions and holds that Mr LEE Cheuk-yan is not in favour of privatization. We have held meetings within our party to carefully consider the original motion and the amendment. However, I do not find Mr LEE Cheuk-yan to be against privatization in principle. So when Mr TIEN, their party chairman, is here, they may have further discussions and even try to find out from Mr LEE Cheuk-yan if he is against that in principle. Anyway, as far as I understand it, he is not against privatization in principle. As a vote has yet to be taken, it is hoped that the Liberal Party can have further discussions with Mr LEE Cheuk-yan.

Mr Andrew WONG opposes both the original motion and the amendment as he in fact is in favour of full-scale privatization. In principle, the Democratic Party finds privatization feasible, but the Democratic Party at this point of time is clearly against a full-scale implementation of privatization or implementation of comprehensively extended privatization.

According to most scholars, the Government's roles in privatization are three-fold. The first is provision of services; services originally provided by the Government are entrusted to private or quasi-private corporations. This is one form of privatization. Another role of the Government is to finance various services; services once financed by the Government might have to switch to a user-pay basis or might get listed for equity financing so as to reduce government financing. This is also one form of privatization. The third is in the area of regulation; formerly many services were regulated by the Government but now there is deregulation from the Government. Again, this is a form of privatization.

Generally speaking, the merit of privatization is that it can bring in competition, which, I believe, explains why the Liberal Party supports privatization. Because of privatization, the Government is no longer wholly responsible for certain services. On the contrary, some of them will be

provided by the Government whilst some others will be provided by private corporations. Some are subsidized schools; some are private schools. In this way, consumers may make their choices. On the one hand, more options are open to consumers. On the other hand, it also brings in competition, which, being able to bring about improvement, is capable of enhancing service quality. It can be said that privatization is totally market-regulated and free from the influences of politics or government policies. However, the Democratic Party holds that privatization also has some shortcomings. In the first place, complete privatization of services easily leads people to the belief that the Government is evading all responsibilities. According to what the Chief Secretary for Administration said, the Government's role might switch over to that of service purchaser from that of service provider. So the people might easily come to the misunderstanding that the role of the Government has undergone total degeneration and major changes.

Monitoring is also a major problem. Take the MTR and the KCR as examples. Many fare increases require no approval from the Legislative Council. Now many corporations have become smart. I remember that when Mr YEUNG Kai-yin was still with the Government, whenever he had to put pressure on legislators, he invariably said that if those corporations had to seek the Legislative Council's approval for price increases, their credit standings would be lowered, and it would then be very difficult for them to raise loans. So they have grown smarter now. They will be free from the monitoring of the Legislative Council once they are privatized. It is also the case with government fees. Another example is the Government's recent plan to "scrap the Municipal Councils" so that they need not seek the Legislative Council's approval for municipal council fees in the future. That must be the case. Hence, a situation will arise to the effect that monitoring by the people or society will be weakened. The MTR is an example. This warrants our attention.

Thirdly, at present, the unemployment rate is high and the economy is depressed. Not long ago the Financial Secretary said that of the four small dragons, Hong Kong would be the first to rebound. Yet it has become the last one now. We cannot even be sure as to when it is to bounce back. Full-scale privatization is likely to lead to a lot of concern among members of the staff. Their worry is that it might enlarge the ranks of the unemployed. This warrants our attention as, after all, the 180 000 civil servants do contribute much to social stability. In fact, we basically have a good Civil Service. Of course, there are some unworthy members in the team, but this can be rectified. The

Democratic Party holds that the stability of the Civil Service deserves much attention. Their interests and stability have much to do with social stability.

The Democratic Party is of the view that the Government cannot evade responsibility regarding certain services. Take a few examples. More than 40% of the Hong Kong residents are living in public housing estates, 90% of them receive public medical care, and all school children aged below 15 enjoy free education. All these are designed to let all Hong Kong residents have more equitable social opportunities. Surely, they still have to work hard themselves. However, chances to get these services are open to them. Their dreams may come true if they do put in efforts. If all social services are privatized, many people will be deprived of better opportunities in society as service providers need only be accountable to shareholders and look in the direction of "money". For instance, I came from a poor family. If all schools were private schools, how could I have the opportunity to receive education? So we think that some of the roles and responsibilities taken up by the Government are inalienable. It is certainly possible to enhance competition in respect of some services. However, if the Government does make a complete retreat and entrust the services to private operators, then Hong Kong people, I believe, will be deprived of every reasonable opportunity. What a pity! I call upon the Financial Secretary to note this in particular. Furthermore, should the Government fully privatize many services, there is going to be a lot of externality issues, for example, pollution problems, environmental problems, and problems in connection with unemployment and occupational diseases and so on. All these are not matters likely to be considered by corporations bent on making profits. The Government should note this particularly.

Finally, it is about consumers' interest. To privatize some services for improvement in efficiency is worth trying. However, these services will be free from monitoring once there is full-scale privatization, in which case the interests of consumers in Hong Kong will be jeopardized. To this Democratic Party objects. Besides, we put emphasis on staff participation. For instance, Mr LEE Wing-tat waged a struggle for Housing Department staff to get the Government to consider their proposal. The Housing Department has acceded to their request. It is our hope that in the course of privatization of the Water Supplies Department or other departments, the Government can conduct sufficient consultation with members of the staff so as to give them opportunities of fair participation and take proper care of their interests.

Mr SIN Chung-kai has just cited various academic studies to point out that privatization does not necessarily mean efficiency and that much is determined by the presence or absence of competition and the size of the corporation concerned. If the corporation is so big that no competition is possible, then privatization will not necessarily improve efficiency or turn out to be effective. Thank you, Mr Deputy.

MISS CHOY SO-YUK (in Cantonese): Mr Deputy, trade unions of civil servants organized marches and demonstrations on three consecutive Sundays, thus reflecting civil servants' objection to, and worries about, the civil service reforms. The privatization of departments by the Government, in particular, draws the strongest reaction from civil servants. However, for the privatization issue, a very involving matter, the Government so far has not yet conducted any public consultation. There was not even any specific exposition. No wonder members of the Civil Service are so scared.

As a matter of fact, there is nothing new with the privatization of government departments. England actively carried out reforms by way of privatization as early as the 1980s. Even the European countries and the United States also brought in private sector investment for some public enterprises years ago. Many facts show that there can be marked improvement in the efficiency and service quality of public services following privatization. Even costs can be reduced effectively. Being an arrangement beneficial to the allocation of resources as well as to the people, it ought to merit our support.

I support the spirit behind privatization of government departments. However, it seems that in implementing privatization now, the Government has not planned specifically and comprehensively. Too many reforms are mingled with privatization for implementation at one go with no order of priority. Furthermore, there has been insufficient consultation before implementation, which gives people the impression of excessive hastiness, and also easily leads people to the misunderstanding that the Government is speeding up privatization in a bid to beat financial deficits, and that it is "operating on" department randomly while bent on cutting costs.

Mr Deputy, the privatization issue of government departments appears to be simple, but it is in fact very complicated, especially in areas involving public services and public interests. For example, the Water Supplies Department,

the KCR, the MTR, the Hospital Authority (HA) and the Airport Authority all differ in composition, mode of operation, financial arrangement, and staff establishment. It matters whether it is wholly government-owned, whether the operation is on a commercial basis and whether staff establishment is in line with that of the Civil Service. Take the Housing Department as an example. Issues involved include aspects like management, maintenance, servicing, and security. It also differs from private housing in nature. Now take the Water Supplies Department as another example. The water supply service involves heavy investment and is very monopolistic in nature. Moreover, over 80% of the drinking water has to be bought from the Mainland. Thus the problems involved are rather complicated and sensitive. Public services offered by the HA also differ from commercial services of the private sector. The background issue of public interest must be considered.

Once these departments are privatized, the roles originally played by the Government as "service provider" and "monitor" will have to change completely. What is going to be the Government's role then? Who is to monitor the provision and quality of privately-run services? How can effective protection of public interests be ensured? These questions are highly controversial, and definitely require solutions. It is especially so in the case of monitoring. Public services can stay out of the surveillance of the Legislative Council upon privatization. By then, what channel will be open to those wishing to express dissatisfaction with the services? How can we, legislators, exercise the power to monitor and control?

Therefore, I am of the view that the Government should address the privatization issue with care, and must not attend to trifles to the neglect of essentials and imagine that all problems can be readily solved by the privatization or commercialization of public services. The Government must be practical and realistic, and provide a set of clear indicators to let civil servants and members of the public know clearly which departments are suitable for the implementation of privatization, corporatization or demutualization and when exactly to do so. In-depth studies should be conducted and practicable proposals made for aspects like monitoring, management, jurisdiction, and public interest before the actual implementation of the plans. At the same time, full-scale public consultation should be conducted so as to let members of the public participate in the discussions of this policy matter, an issue affecting the

future restructuring of public organizations, changes in the Civil Service as well as the business market, and to draw on collective wisdom and absorb all useful ideas.

In addition, I suggest that the Government consider setting up an ad hoc group to comprehensively follow up on the issue concerning employees' job placement resulted from the privatization of departments. The ad hoc group should be given the duty to strengthen assistance to affected employees in areas like job transfer, retraining, and personal counselling by ways other than natural wastage and redundancy so as to help affected employees adjust as fast as possible, or find new jobs to develop their talents. In this way, affected employees can enjoy more warmth and experience less uncertainty when put under the pressure of unemployment or job changes.

Mr Deputy, I so submit.

MR LEUNG YIU-CHUNG (in Cantonese): Mr Deputy, with regard to the issue of privatization or corporatization by the Government, I remain perplexed over one point despite much thought. It has always been stressed by the SAR Government that our civil servants are highly competent, very efficient, and extremely adept in handling problems. However, whenever the Government wants to have certain services contracted out or privatized, its attitude changes completely, and claims that its ability to operate those services is far lower than that of the private sector. It has been especially so in the case of reform for the Housing Department, which shows a high degree of self-debasement. So I want to put a question to the Government. Why do you sometimes say that the civil servants are brilliant and competent, and sometimes say that they are exceptionally incompetent? I hope government officials will give me an answer later on.

Mr Deputy, some government departments are in the process of corporatization. Therefore, I want to cite a few examples for illustration.

The first example is the MTRC, one already running as a corporation, whose shares are being considered by the Government for sale. It is noted that

for almost a year, the service quality of the MTR has been going downhill, or running counter to public interest. Some cases are worth mentioning. Firstly, the frequency of train service for off-peak hours has been reduced from one train every four minutes to one every five minutes without giving prior notice to the Government, not to mention the legislature or the people. Secondly, the flexitime discount has been cancelled, which is in fact a fare increase in disguise. Thirdly, its staff size is being reduced at a time when there is still profit. As a result, the problem of unemployment in Hong Kong is being aggravated. Furthermore, the Labour Department's guidelines on pay cut and redundancy are not observed here.

Mr Deputy, I once questioned, Mr TUNG, the Chief Executive and other officials in this Council about the MTRC redundancy. At that time they invariably cited the principle of "business is business" in defence. From this it can be noted that a corporation wholly owned by the Government already is in a position to use business reasons as shields justifying the disregard for social responsibility. It is even more difficult to envisage the situation of a demutualized MTRC. Are they to consider shareholders' interests or those of the public when fixing fares in the future? I think the answer is self-evident.

One of the justifications cited by the Government in support of the privatization proposal is that privatization can bring in competition, and, thus improve service quality. However, at present the most likely privatization pioneer is the Water Supplies Department, in which case, however, it is most unlikely for competition to crop up. Privatization can only lead to monopoly by certain business organizations not subject to any monitoring whatsoever. Mr Deputy, for members of the public, there are options other than the MTR. But water is indispensable. It is just not possible to use any market mechanism to push up service quality or to lower prices. It will just lead to the opposite because of market monopoly. In fact, many other public services are unique, leaving no room for competitors to enter the market even if they are indeed privatized. So, in many cases, the argument of using "competition" as a justification for privatization just cannot stand.

Another justification cited by the Government in support of privatization is that the operation of commercial organizations is more efficient, and, therefore, can improve service quality and lower operation cost. We can quote some examples, especially government services already contracted out now, to assess the soundness of such reasoning. Mr Deputy, I came across a case

personally. Last year, the Cleansing Unit of the Regional Services Department (RSD) contracted out to a company the cleansing service of a street in Tsuen Wan. Unfortunately, the sanitary conditions of the streets showed no improvement and often became the cause of complaints from nearby residents for becoming a refuse black spot. Later the RSD even had to send its own staff to "finish up" for the contractor. This year, the situation has gone from bad to worse, thus rendering it necessary for the RSD to assign a temporary worker to be specifically responsible for "finishing up".

From this case we can draw a conclusion, namely, that contracting out or privatization may not necessarily have anything to do with improving service quality. Whether service is good or not depends mainly on the management's ability to provide a proper mechanism for members of the staff to serve the people with one mind. In fact, the tenderer who succeeds in getting the contracted out service often hires workers on pays savouring of exploitation. How can workers, hired on miserable wages, be expected to work wholeheartedly? It can be stated well in advance that when we have certain services fully privatized, commercial organizations will only mean business, and will definitely try hard to hold down wages and cut staff size. The so-called "operational efficiency" and "cost-effectiveness" are actually built on the exploitation of "wage earners" by subjecting them to "low pay and long working hours". On the one hand, this is most unfair to them. On the other hand, the Government also becomes an accomplice, and, above all, deprives the public of improvement or protection in respect of the services they receive.

Mr Deputy, I want to cite another example here. Now the Housing Department has already contracted out the cleansing service of many public housing estates. However, it is obvious to all that the sanitary conditions of public housing estates are often complained by residents who are usually very unhappy with those conditions. Here we can notice that there are these examples under the contracting out system. They cannot even measure up to the people's requirements. There is also no assurance in terms of service quality. Therefore, I think that the Government should cease to be an ostrich, nor should it deceive itself or turn a blind eye to this.

Mr Deputy, I wholeheartedly agree that government services indeed leave much room for improvement. However, corporatization and privatization are

not miraculous cures. In most cases they are unable to accomplish the targets. What counts most in improving services is that the service providers should perfect their own structure and give employees more opportunities to take part in monitoring and policy-making. I call upon the Government to pay more attention to this.

Mr Deputy, I so submit.

THE PRESIDENT resumed the Chair.

MR ALBERT HO (in Cantonese): Madam President, according to the experiences of many Western nations, numerous successful cases of privatization can be found. Following privatization, competition was brought in and, as a result, efficiency was enhanced. Many cases can prove this. Similarly, there have been unsuccessful cases. In those cases, workers' rights and interests were jeopardized, and consumers were affected by a drop in service quality. Because of poor operation, those organizations ultimately even wound up. When studying the issue as a whole, we ought to consider several points. First, in what sort of economic and social situation is it appropriate to implement privatization? Second, which departments can be privatized? That is to ask, given the right environment, privatization of which departments can ensure the introduction of competition? The third is methodology. That is to ask, what methods should be used for implementing privatization? Is it possible to ensure no drop in service quality and protection for workers' rights and interests after privatization? All these are important questions.

My colleague Mr SIN Chung-kai has brought up the effectiveness issue of privatization. I am going to point out a few worries that are worth noting. First, it is an issue about which we are all much concerned, namely, workers' rights and interests and their employment. The report on privatization released by Harvard University in 1999 clearly points out that the short-term effect of privatization is unemployment. It is a fact that privatization does push up unemployment. Surely, in the long or medium term, enterprises might benefit from it, or it might give rise to no adverse effects or even bring in positive effects. However, it is indisputable that in the short run it creates unemployment.

Moreover, the International Labour Organization (ILO) also notes the way

many countries handled employees at the time of privatization. They cited the experiences of Western nations, pointing out the three options open to employees in the course of privatization. First, they will be transferred to other government posts, thus remaining as civil servants. Second, they will be assigned other posts as contractual staff subject to renewal of contract once every three to five years. The third option is for them to become staff of the privatized enterprises. The European Union (EU) attaches much weight to staff participation, their chance to express opinions in the process as well as the respect they receive for their right to exercise options. The so-called collective bargaining right and workers' right to choose are important too. Should privatization lead to covert unemployment or salary cut on the part of the staff, then both society and the enterprises will suffer. We should make reference to the experience of EU. It is also necessary for us to note the ILO requirement that staff rights and interests be duly taken care of.

Secondly, it is about consumers' interest. The most important question is whether or not competition will be brought in after privatization. In the case of certain enterprises, there will still be no competition after privatization, the reason being that on account of their monopolistic nature, it is impossible to bring in competition. So they will remain dominant, allowing abuses to crop up as usual in a competition-free environment. Gone are accountability, merits of the past, and political monitoring. In the end, privatization brings nothing good but ushers in more evils.

So in dealing with privatization, we should consider price control first. There are, of course, several types of price control, one being the returns of the enterprise concerned, that is, considering the ratio between rate of return and the amount of investment. Second, we may consider introducing a "price cap", which, however, is not easy to set. It is quite controversial as to how public bodies are to set price caps. Anyway, even more difficult to handle is the issue of accountability. Mr LEUNG Yiu-chung and Dr YEUNG Sum have just raised the point on how to ensure accountability. Take a very simple example by referring to the Housing Department's much-discussed management problem. I have had many meetings with Home Ownership Scheme (HOS) estate residents in Tuen Mun. One of the main reasons why they are unwilling to set up owners' corporations is their worry that the Housing Department might back out once they are formed, and the accountability of the management company replacing the Housing Department cannot be assured. The residents have said one simple thing: "No matter how bad the management of the Housing

Department is, they can still go to the Housing Department to petition. Then they will be received by Housing Managers or even an Assistant Director of the Housing Department. It is also possible to raise accountability question through Councillors. Is that possible with private companies?" According to our experience in district administration, it is indisputable that some private companies have indeed been doing well, even outdoing the Housing Department. However, in the case of companies not performing well, their poor performances are incredible. They are rude and unreasonable, far worse than the worst Housing Managers whom we have run into. Vile indeed they are. I cannot even fix appointments with them. In a bid to settle a dispute, I recently tried to fix an appointment to meet a manager in Tuen Mun. He ventured to say that there was no need to do so. Being business organizations, they need not give us the slightest attention. So we have got to consider ways to ensure accountability.

Let us come back to Hong Kong's actual situation. Given the current economic environment, if the Government decides to speed up privatization or to implement privatization on full scale, or to switch over to the role of a service purchaser from that of a service provider, as mentioned by the Chief Secretary for Administration, civil servants might be unsettled mentally, become suspicious of danger at the slightest sound, and be driven into the fear that there is a serious problem. In our opinion, the Government should not handle the matter in this way. Let us be specific and take the Water Supplies Department as an example. We doubt if there will be competition after privatization, and want to know how to enhance efficiency after bringing in competition. Mr LAU Chin-shek has just mentioned the second point. Employees' wages only take up one fifth of the Department's total expenditure. Is enhancement of efficiency to be achieved by cutting employees' wages? So, the question as to whether or not the enterprise can indeed bring in competition makes us wonder whether the Water Supplies Department is suitable for privatization or not. With regard to the housing management issue of the Housing Department, we may consider allowing them to make an attempt lasting a year or two or even three to improve operation by way of privatization in the form of trading funds. The Electrical and Mechanical Services Department offers a good example. Their good operation is worthy of our attention. Thirdly, in contracting out jobs the Regional Services Department has two criteria. In the first place, there should be no layoff although zero growth is to be observed

PRESIDENT (in Cantonese): Mr HO, your time is up.

MR ALBERT HO (in Cantonese): Please let me finish the last sentence.

Let them have the protection of minimum wage. I call upon the Government to consider this.

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

MR YEUNG YIU-CHUNG (in Cantonese): Madam President, with regard to privatization, the Democratic Alliance for the Betterment of Hong Kong (DAB) holds that not every government service can be privatized, and that the Government should maintain due responsibility for public services, otherwise its rule might run into trouble and there might be serious effect on society as a whole. The Government should also formulate clear criteria for privatization and take into consideration issues regarding people's livelihood and fees charging. Furthermore, before contemplating the actual implementation of privatization for a certain department, the Government should see if the quality and efficiency of service can indeed be improved after privatization. It is not advisable to "implement privatization for the sake of privatization" without any aims of reform or criteria and in disregard of consequences.

Privatization by the SAR Government reflects a major change in the Government's philosophy of administration. It is a policy of "new thinking". In simple words, this change in the philosophy of administration is to gradually reduce the Government's role in public services so as to bring in competition, improve service quality and alleviate the Government's financial burden. Privatization certainly serves some specific purposes and is not without meaning. The DAB is not totally against privatization. It is hoped that members of the Liberal Party will not misinterpret the standpoint of DAB. I also call upon them to support Mr LAU Kong-wah's amendment.

But at the same time, I also want to remind the Government: What is going to be the Government's role after privatization? Who is to monitor service quality after privatization? Will the Government wash its hands of the matter? Should there be increases in charges consequent upon extensive

privatization, can the people or the whole community afford them? It is necessary for the Government to consider these issues.

Next, I want to speak on the selection criteria for implementation of privatization. Coming with the force of a landslide and the power of tidal waves, the current privatization plans of the Government only give people the feeling of "privatization for the sake of privatization". It has not set for itself the guideline of "carrying out studies first before reaching conclusions" and has not made known the targets that it is after, nor details of the plans. It has not assessed the effects of privatization on service quality, charges and members of the public; nor has it thoroughly looked into workers' viewpoints and taken care of their interests. What is most disappointing is the point that the Government has never clearly made known to the public the criteria used to determine which departments or organizations are suitable for corporatization, privatization or demutualization. From the moment when a certain department or organization first comes under the Government's consideration for privatization right up to the time when the employees and members of the public gain "superficial knowledge" of the plan, nobody knows details of the plan in the meantime. Even in the case of the consultancy report on privatization of the Water Supplies Department commissioned by the Government, the Government set the direction towards privatization well in advance, compelling the employees to accept it after getting all things set. The consultancy report is just a show as the study has a pre-set position and shows partiality.

Perhaps someone might ask a question in reply. How is the DAB going to address the issue on criteria? I must make it clear here. In selecting departments for privatization, the Government should attach great importance to people's interests, and must not let their quality of life drop sharply. For instance, privatization must not push up charges sharply so as not to accentuate the gap between the poor and the rich. Privatization also should not remove from the people equal opportunities to enjoy public services, deprive them of the right to monitor those services, or lead to sharp increases in charges. Finally, even with the introduction of the mechanism of private operation, there still should not be any adverse effect on quality and standard of service on account of profit-motivated expenditure cut.

With the privatization of public services, the relations among the Government, society and the people will be revised. As the Government is the long-term provider of public services, upon the implementation of privatization,

senior officials will have to adjust to the change. The people will also have to face the results arising from the change. But privatization is not a surefire plan. The Government should maintain its commitment to public services, clearly set the criteria for the implementation of privatization, refrain from acting hastily, and face squarely the effects of privatization on job security, service quality and charges.

I so submit in support of the original motion and the amendment.

MR NG LEUNG-SING (in Cantonese): Madam President, the corporatization, privatization and even demutualization of government departments or public organizations have gradually become a trend in the development of public administration nowadays. Surely, neither the people nor the Government will see in corporatization, privatization or demutualization miraculous cures for public administration problems of all government departments or public organizations. For example, surely nobody will believe that corporatization and privatization can be applied to departments like the Police Force, the Fire Services Department or the Independent Commission Against Corruption (ICAC). On the other hand, the implementation of corporatization or privatization in public administration departments has seen successful cases both locally and abroad. For the Government, it is most important to formulate relevant strategies for corporatization, privatization or demutualization after considering all the special features of every department, every organization and every service, understanding the parties and people concerned and having exchanges of views, and determining the feasibility after an independent and comprehensive feasibility study on market values and the needs of the public. Before making assessment in a scientific way, we must not set restricted areas well in advance or draw predetermined conclusions. In fact, even the operation of certain services of some disciplined forces are not totally closed to privatization as proved by some real cases. There are foreign precedents of having prison administration contracted out. When studying the privatization issue, we must be open-minded, draw up pragmatic plans, make water-tight arrangements, and conduct honest and sincere exchanges of views. The main principle is to side with the interests of all Hong Kong residents. We need not worry too much so long as there are acceptance and support from most people.

When implementing corporatization, privatization or demutualization, we have to consider factors in two aspects. On the one hand, we have to protect people's interests as users and to let them have reasonably priced and high-quality services. At the same time, we have to take into consideration reasonable job security for those working in government departments and public organizations. On the other hand, the basic purposes in implementing corporatization, privatization or demutualization are to enhance the cost efficiency and quality of the services of the relevant departments or organizations; to bring in a mechanism for market competition; to avoid competing with the people for gains; to trim down the bureaucratic structure; and to make reasonable use of public resources.

It seems that some people have polarized the two aspects, which is an approach of partiality. The two, if analysed in their fundamentals, are not contradictory. The reason is that with the implementation of privatization or demutualization, the Government returns to the free market monopolized services, thus giving the people (certainly including some of those transferred from the Civil Service to the private sector) more room for participation in the operation, achieving the results of reduced prices and improved service quality under a mechanism of normal market competition, alleviating the Government's financial burden, and, ultimately, bringing benefits to the general public.

In fact, in the past the Legislative Council, through the Public Accounts Committee, actually commented on the operational efficiency of certain government departments on the basis of the value-for-money principle and advised on the feasibility and implementation of contracting out some of the services provided by certain departments. For instance, with regard to the refuse collection service of the Regional Services Department, the meter-reading work of the Water Supplies Department and the work of field enumerators of the Census and Statistic Department covered by Report No. 31 of the Audit Commission, the Public Accounts Committee recently made similar suggestions. The said report was endorsed by this Council, and, to a certain extent, drew much public attention.

Madam President, it is indisputable that in the course of implementing the corporatization, privatization or demutualization of government departments or public organizations, the pricing mechanism will get most attention from members of the public. So, it is believed that the public, as service users, will welcome price control by the market. Furthermore, corporatization,

privatization and demutualization will change neither the current legal machinery nor Hong Kong's original lifestyle. So long as the various privatized services remain under similarly appropriate monitoring according to law, they ought to be acceptable. Of course, with regard to some services whose market environment and competition mechanism are not yet mature, members of the public, civil servants of all ranks and this Council, ought to jointly study from a pragmatic angle their need for privatization, see how their privatization can be taken forward step by step and consider the monitoring machinery to be retained as well as the way to deal with the management following privatization.

Madam President, I so submit.

DR LEONG CHE-HUNG: Madam President, I apologize for asking you to cut short your dinner and thank you for resuming your seat so that I can speak.

I speak to support the spirit of privatization and corporatization of part of the Civil Service, but this must be done properly and fairly with proper consultation with the staff, try to convince them to take part in it, but not necessarily to get their full support.

Having said that, I think that I would like the Government to take in two aspects. The first aspect is that the Government should study or take stock of services which were formerly part of the Civil Service but have since then become corporatized, and I am taking the example of the Hospital Authority (HA). And let me declare my interest as a member of the HA Board.

Now, there is no doubt that since the HA was established, there has been improvement in service by leaps and bounds. For those who unfortunately need to go to hospitals, they would support this particular statement. Yet, eight years down the line of its establishment, although with all this praise as it was, at the same time, the HA is still viewed by the public as problem-plagued. What are the reasons?

Well, there is the inherent fault of the Government's responsibility shedding attitude, hence leading to a lack of nurturing, monitoring and direction. For whilst the HA by statute is a management body for public hospitals, many board members still regard it as an advisory body with little accountability, let

alone ownership of the activities or the mishaps of the organization. Is this the mere fault of individual members or is it lacking in clear directive from the Government? Whilst holding the lifeline of setting the policy, which is the Government's role, the Government lacks expertise to oversee, let alone guide, the HA, which is already out of the civil service regime and perhaps out of control.

The second point that I would like the Government to consider in relation to the HA is that it should not use corporatization as a means to slowly and subtly cut staff salary. Well again, the HA is a typical example. For really, the Government is using corporatization to play its hat trick to progressively and subtly cut down staff salary.

When the Government wanted to set up the HA, the opening bid to the then Provisional HA was that the money to the HA would not be more than if the HA did not exist. Now, this clearly was not acceptable to the then provisional body. Instead, the provisional body made a counter-proposal that the money to the HA should not be less than if the HA did not exist. The final decision was that the cost should be comparable.

The HA was then asked to use the same amount of money for staff salary and benefit to design a new package which can retain, attract and motivate staff. This was obviously a difficult task, but the then provisional body did create a package introducing a provident fund instead of pension, and encashment of part of the benefit. The Government agreed with their eyes widely open. The staff were moved, and most of them took up employment in the HA. And at this stage, the Government started striking.

Stage 1: The HA package was considered suddenly to have double benefits or to be against the policy of double benefits for a husband-and-wife team working for the HA, when it is obvious that there is none. The first stage of staff salary cuts was then set in. Stage 2: the Government mobilized public pressure by promulgating the fact that the HA salary and benefit were too high, and that if the current HA package was to be maintained, it would be much higher than that of the Civil Service in 15 years time. New staff were therefore forced to take on a lower salary scale. When staff rebutted and suggested that they would all revert back to the Civil Service, the Government rejected the idea because of the expensive government pension plan.

Madam President, all these really amount to holding staff to ransom after they have been lured to burn their boats. Such a move, irrespective of the dedication of health care staff, has grossly affected their morale, to say the least. The Government must rethink its strategy to regain the respect of its staff if it wants to corporatize or privatize any further.

I would now like to move on to talk about privatization in essential services such as water supplies, and I would be completely against that. Yes, it is all very well saying that there are many cities around the world, even our closest neighbour Macau, which allow private sector participation in the supply of water and claim success. Yet let us not forget that water is an essential element that we all need. Furthermore, we need safe, clean and affordable water, for which utmost monitoring with maximum accountability is essential. For this, the Government cannot shed its responsibility, nor should we allow any private organization to hold Hong Kong to ransom on a monopoly of an essential service.

Finally, Madam President, any decision on corporatization and privatization of public assets must strike a well balance of all factors affecting the public or the commercial sector. The Government must duly ensure that it is holding a proper monitoring string for public good and public accountability.

I oppose the original motion and the amendment. Thank you.

MR AMBROSE CHEUNG (in Cantonese): Madam President, I support the Government's plans to privatize its departments. But this is only a major direction. I believe we need detailed discussions on the manner and schedule of implementation.

Many Honourable colleagues have talked about privatization, which is a very general term. You may start from concepts like contracting out, nationalization, demutualization and privatization, then you may talk about property rights, ownership, controlling rights, management rights and so on and so forth. Many concepts are involved. It is precisely because of the all-embracing nature of privatization that we cannot make a sweeping judgment that privatization is definitely appropriate for some departments and not so for some

others.

I can see that the Government is taking this privatization effort forward in two approaches. One such approach is used in the Mass Transit Railway Corporation (MTRC). Another is used in the Water Supplies Department (WSD). Perhaps we can look at these approaches and see which one we should follow. I find the approach used in the MTRC more appropriate. After the demutualization of the MTRC, parts of the shares will be offered to outside investors and they may apply for them. This is in fact a demutualization and listing exercise, coupled by the privatization of part of the investment. The number of new shares issued can be 25% of the total. If the Government continues to own a controlling stake and the managing rights, then it can inject more capital to finance the MTRC's plans to build more extensions. This will in turn increase employment opportunities. From this example we can see that employment opportunities can be increased. On the other hand, many Honourable colleagues have already talked about the situation in the WSD. I do not wish to discuss the issue in detail here. I think although we object to privatizing the WSD, that does not mean that we oppose the entire concept of privatization. I think we are of the opinion that this particular department is not suitable for privatization.

What can we learn about privatization from these two examples? I think privatization is a kind of management culture. When privatization is implemented, it does not necessarily mean we must introduce private companies from outside to do the work, or bring in other systems. As for the entire Civil Service or the government departments, I think the best way to privatize and to form the most ideal framework is to introduce the private sector management culture. What is in such a management culture? I think there must be professional management, that is, there must be more professionals to take up the management work. Then one important element has to be added, that is, team work. This is to make the staff accept this kind of practice and be committed to working hard for it. If this kind of practice will generate competition, that will be all the better. For some sort of competition will usually be created with privatization. As private companies will need to fight for survival space, they need to engage in constant competition in the hope of lowering costs. When costs are lowered, there will be higher efficiency and quality of service. In the end, there will be some reasonable return. All these can be done in a balanced manner. In other words, we can bring in the

management culture of companies in the private sector carefully and put it into practice in government departments.

If the Government is to adopt wholesale privatization, then it can consider the two modes of privatization as used in the MTRC and the WSD. Privatizing the MTRC will facilitate the development of other mass transit systems such as the West Rail, the Kowloon-Canton Railway and the East Rail. Privatization can go on and on. Even if it is thought that the WSD is not the right department for privatization, other options like the Post Office or the municipal services can be considered. What needs to be done is to decide on these two modes of privatization. Once a decision is made, then the Government should set down some guidelines and put them into practice. This is very important. The Government has been saying that the privatization of the WSD is only a partial one. But what in fact does a partial privatization mean? It may be that part of the ownership rights are allocated to those participating private sector companies, but I think the controlling rights will still be held by the Government. Even if the managing rights are given to private companies, but at least for one thing, the right to make policies will still lie in the hands of the Government. In the many various approaches to privatization that are available, policy-making powers are the last things to privatize. So it is of paramount importance that there must be accountability and government supervision. From the many examples of privatization which we are aware of and the overseas examples we know, the respective governments still control the right to policy-making. It shall remain the last thing to privatize.

Therefore, Madam President, I would suggest that the Government should be prudent in deciding on the way privatization is to be taken forward and the timetable that it should be implemented. Moreover, the Government should lend a listening ear to the worries expressed by the staff. It should consider the suitability of each and every department before proceeding to privatize any one of them. The ideal would be to introduce the management culture of the private sector to the departments without setting up any private companies. It is hoped that efficiency and cost-effectiveness can be raised. In the whole course of privatization, there must not be any privatization with regard to policy matters. I hope later on Mr LEE Cheuk-yan who moved the original motion will explain the various points. I have listened to Mr LAU Kong-wah's speech in which he said that he was not pushing for an across-the-board kind of opposition to privatization. I believe what he was saying was that more consideration could be made before the Government decided to go ahead with privatization. As to whether the prerequisite for privatization is prior

acceptance and support on the part of the staff to be affected, I would say that this is not necessarily so. However, I would say that I can accept the original motion and the amendment. Thank you, Madam President.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, on the question of privatization of government departments, we are talking about an issue which is a great concern for the civil servants. I have also heard from Honourable colleagues that this also affects the interests of the public. If government departments are to be privatized, it will certainly also affect public interest, in addition to affecting the prospects and livelihood of the civil servants and their rice bowls. The civil servants are concerned about their prospects and the public are concerned about the fees and quality of public services. The interests of the two parties are closely tied but not in conflict. Last week in the motion debate on civil servants, some Honourable colleagues and civil servant groups were very concerned. For they thought if civil servants were to accept the reform proposals, it might be harmful to public interest. But I do not think it will. If civil servants put forward any demands, I think they would be done in public interest. It is not just their jobs which are important. So I do not see any contradiction between the two.

Civil servants and civil servant groups attended the debates held in this Council both last week and this week. They are very much concerned about the debates for the issue is of great importance to them and also to the public at large. For once privatization is implemented, it will affect not only their rice bowls, but also the lives of the public. For example, in the demonstration organized by the WSD two weeks ago in which I also took part, the thrust of their slogans was about the price and quality of water should the water supplies service be privatized. These are their concerns. I hope that government departments will not only stick to their own views when they listen to what the civil servants and their groups say on the issue, for more often than not, they are voicing the concerns and views of the public on service provision.

Next I would like to talk about my worries. I am worried because the Government seems to be looking only at the surface of the matter and it has not listened to the many views put forward by the civil servants. Just now I heard some Honourable colleagues say if reform was to go ahead, the personal views of the civil servants had to be heard. Why do I say that the Government has not done so? Let us take a look at the privatization of the WSD. The Financial Secretary cited the examples of the MTRC and water supplies in the Budget, and according to the documents given to us by the trade unions, some of the things have begun to take shape since April. But the Government told me recently

this would not be done. Whatever it is, but if there is any discrepancy between reality and what the Government purports to be, then what in fact has gone wrong?

Before the reunification, government officials, such as Sir Philip HADDON-CAVE said that the governance of Hong Kong depended very much on the civil servants and the civil servant groups, and that their joint efforts were instrumental in the building of the city's prosperity. But in the present Civil Service where great changes are about to take place, there are two different versions to the story which I hear about. On one hand the Government says it has no reform plans, but then it also says that it will launch a reform and that it is being carried out. However, in the process of carrying out the reform, the Government has not listened to the civil servants and discussed the matter with them, and to this day it still has not. It is unfortunate that Mr Joseph WONG, the Secretary for Education and Manpower is not here today. Mr WONG always urges the employers to discuss with the employees should there be any plans for reform. But to date the Government has made no attempt to hold any discussion with the civil servants. Thus there is a situation where the Government is proceeding with the reform while the civil servants are worrying. If this state of affairs is allowed to go on, then as the civil servant groups predict, more things are going to happen. What will the situation be like? I would think it will not just be a matter of holding a demonstration any more. The civil servant groups have warned that stronger action may be taken.

The civil servants have put forward some views on this, I hope the Government can listen to these very carefully. It should not think that these views are in conflict with public interest, and that the civil servants are only acting in their self-interest, or that their views are not to be taken seriously. If this is so, then the Government has really committed a grave mistake. We can look at the example of the labour dispute in the Cathay Pacific which took place a few weeks ago. The dispute had been going on for some months, but the Government was only standing aloof and did not do anything. It expressed its concern only in the very last stage of the dispute when the public started to blame the pilots. It was then that the Government intervened to mediate. Had the Government attached any importance to the transport industry and realized that it would affect the economy and the tourist industry of Hong Kong, then it should have intervened right from the beginning. Now civil servant groups

have put forward many views on the reform and these should be listened to. If the reform has already begun in secret but the Government still denies that there is any reform, then when it comes to light, the civil servants will react strongly to it. I hope Honourable colleagues will not blame them for any radical actions which they may take. I have given an example just now and they have given prior notice for radical actions. I hope the Government will listen to their views in the course of the reform or privatization. It should not say that nothing has been done while in fact a lot of things are being done. If this is the case, then it would be very unfair to the civil servants.

Madam President, may I call on the Government again that whatever reform it will undertake, the staff must be consulted. It must not bent on having its own way. For if these issues cannot be solved satisfactorily, and in the end the public has to bear the consequences, I will certainly demand that the Government be held accountable since the civil servants have not played any part in it.

Madam President, I so submit to support the motion and the amendment.

MR MA FUNG-KWOK (in Cantonese): Madam President, the motion of Mr LEE Cheuk-yan urges the Government "not to blindly believe in the effectiveness of privatization". I do not know how and why he has arrived at such a judgment. Privatization is actually a form of market-oriented reform. If people criticize the Government for having too much confidence in the market as the most effective governing force, and if they criticize the Government for attaching too much importance to the invisible hand at the expense of its own visible hand, I will agree. But if they criticize the Government for believing blindly, and perhaps intolerably blindly, in privatization when drawing up its institutional reforms, I would say that they are simply exaggerating the whole thing and have thus missed the most important point.

Instead of trying to second-guess the motive behind the institutional reforms proposed by the Government, I would rather subscribe to the notion that the Government had simply failed to give enough thoughts to some fundamental concepts and theoretical backing when it was formulating its plans on privatization, corporatization and demutualization. As rightly pointed out by some academics, when faced with the huge social and economic pressures

exerted by the financial turmoil, the Government has in fact tried to turn such pressures into a golden opportunity of introducing institutional reforms; it has tried to make a "no holds bar" effort to thoroughly reform the "super-stable" Civil Service, particularly its middle and lower ranks. Unfortunately, despite its high profile, the Government still looks very much like a soldier going to the battlefield with an unloaded gun, as evidenced by its blurred understanding of fundamental concepts and failure to propose any specific reform proposals which are both feasible and theoretically justifiable. That is why after more than three months of consultation, those civil servants and members of the public who initially supported the reform initiatives of the Government have somehow turned increasingly sceptical.

This is not necessarily something bad at all, provided that we must allow more people to explore deeper into the issue of reforms during the second stage consultation. Mr LAU Kong-wah's amendment to Mr LEE Cheuk-yan's motion is, I think, precisely an attempt to arouse more profound discussions on privatization.

Madam President, in a word, the objective of the proposed civil service reform is to solve the problem of institutional obesity, and the most effective means to achieve this objective is understandably to go "slim", by implementing corporatization, privatization and demutualization for some government departments and public organizations. Let me perhaps refer to all these three reform directions broadly as market-oriented reforms for government departments. As have been pointed out by many, the combined establishments of the Housing Department, the Post Office, the Water Supplies Department, the Urban Services Department and the Regional Services Department already account for 28% of all civil servants in Hong Kong. So, many people think that if we can implement market-oriented reforms for these five major government departments one after another, the problem of an obese Civil Service faced by the Hong Kong Special Administrative Region Government will be solved very easily.

However, after exploring the issue of institutional reforms for more than three months, both the Government and members of the public have come to realize that when it comes to market-oriented reforms for housing management, postal services, water supplies and municipal services, it is often easier said than done.

Mr LAU Kong-wah says that we must set down some clear-cut criteria for the implementation of corporatization, privatization and demutualization. I think this is really the most important proposal ever made, and a most specific one too. Which government departments are suitable for implementing market-oriented reforms, for example? Which others are not, under all circumstances? And, what should be the criteria underlying the relevant decisions? All these fundamental questions must be answered first. In brief, we must define very clearly the scope of involvement of the government as a public-sector institution, stating what should, or should not, fall within its scope of involvement. Mr LAU Kong-wah says that when introducing any institutional reforms, the Government must "retain its responsibility for providing public services". This means precisely that the Government must do well in those matters who fall within its scope of involvement; it must discharge its primary responsibilities, which means that it must organize the supply of public materials and services. Public materials and services share one basic feature in common: they are "non-exclusive" in nature and can be consumed by whoever having a need. An apple is a piece of private property and is thus exclusive, because once somebody has eaten it, others will not be able to have it. In contrast, a street-lamp is a public article, and it can lit the way for whoever walking past it. It is the responsibility of the Government to organize the supply of public services, and it should not lightly introduce any market-oriented reforms for municipal services, water supplies and the like. Quite on the contrary, it may even need to perfect its management of the departments concerned, so as to enhance the quality of their services.

There are of course nothing known as rigid absolutes on earth, and there is no one single economist whose theories can always be taken as true in their entirety. And, let us not forget that it is in fact not at all uncommon for governments in Europe and America to "change their courses"; sometimes, they may favour nationalization, but at other times, they may favour privatization. In a word, as the saying goes: "Separation is bound to be followed by unity and vice versa". Having said that, I must add that when introducing reforms of any kind, the Government must give thoughts to the basic principles involved, and it must also look at their implications on political realities. Reform theories, criteria for market-oriented reforms and adequate consultation of civil servants and members of the public are all matters which the Government must first attend to before introducing any market-oriented reforms for public organizations.

Finally, and once again, I must advise the Government against any rash actions when going ahead with the civil service reform, and I must also ask it to maintain the stability of the Civil Service as a primary concern while doing so. The approach of "old practices for existing staff and new practices for new staff" now proposed by the Government is basically acceptable. But at the same time, we should also work out some ways which can induce our new civil service employees to make Hong Kong their home, to regard their career of working for Hong Kong as an undertaking which can benefit our future generations. To be honest, being a sojourner and being the host are two entirely different matters. And, in the context of working for the community, especially when planning for the future is involved, it is very difficult to ask a sojourner and the host to share the same perspectives. When we look at the market-oriented reforms for government institutions, we should consider this point as well.

With these remarks, I support the motion of Mr LEE Cheuk-yan and the amendment of Mr LAU Kong-wah. Thank you, Madam President.

MR JAMES TIEN (in Cantonese): Madam President, the Honourable Howard YOUNG has already explained on behalf of the Liberal Party the reason why we are opposed to the original motion and the amendment proposed to it. However, just now Dr the Honourable YEUNG Sum asked me to wait until after I have heard the Honourable LEE Cheuk-yan's speech to raise our objection; besides, the Honourable YEUNG Yiu-chung has also tried to convince us to support the amendment proposed by the Democratic Alliance for the Betterment of the People.

Madam President, being a political party, we may sometimes find ourselves in a rather disadvantageous position during motion debates, for we could not wait until after we have heard all the speeches made by Honourable Members to decide on how we should cast our votes. As such, we could only interpret the meaning of the motions as they are. Mr LEE Cheuk-yan has made it very clear that the Government should not blindly believe in the effectiveness of privatization; in other words, Mr LEE considers privatization a kind of blind belief and unfeasible. However, the speech he made just now was another story, though it coincided with our understanding at the very beginning. As a matter of fact, from the speeches made by Members of this Council just now, I could tell that all colleagues consider that while privatization should not be a sweeping measure and might not necessarily be feasible, maintaining the *status*

quo might not necessarily be unfeasible.

Of the various government departments, there are some which could be considered for privatization, but some others, such as the disciplined forces, should never be privatized; there are also some government departments which could be considered for privatization right at this stage, but for some others, though the timing is not right at this juncture, similar development could take place gradually in the future. In seeking to privatize the government departments concerned, the Government should of course consult the public on the one hand and negotiate with staff members on the other. The amendment proposed by Mr LAU Kong-wah has not sought to amend Mr LEE Cheuk-yan's motion by deleting "to gain their acceptance and support" from the original wording; and "their" here refers to the staff members. From the labour relations point of view, I believe it is extremely difficult to gain staff members' acceptance. After listening to staff members' views, certain government departments may still proceed with their privatization endeavours, but for others, they have to stop right there. While we fully agree that the views from staff members must be taken into account, I am afraid it is utterly impracticable to gain their acceptance and support before taking any actions. And it is exactly for this reason that we object to the motion.

Madam President, one might say that the staff members concerned will certainly have very hard times after their department has been privatized, but this is not always true. We can find plenty of examples in which the staff members who continue to serve the government departments after their privatization have performed even better and in a more efficient manner. Please do not forget that the concept of "user pays" has also been mentioned in last week's motion debate. If we consider the economy of Hong Kong as a whole, the concept of "user pays" is applicable to not only the industrial and commercial sectors but also members of the public. If the Government can cut back on expenditure while enhancing efficiency, under the premise of "user pays", the public would be able to spend less. Having said that, we should of course need to strike a balance between the money paid by the public and the cost borne by the Government in providing the public with certain services.

If we take the motion and its amendment literally, the Liberal Party could not but object to them. As a matter of fact, however, I think Members would all agree to the privatization of government departments, but not privatizing all or none of the government departments. We all agree that the Government

should try to gain staff acceptance and listen to their views, but whether or not the privatization programmes must be agreed to by all staff members concerned before implementation, different Members may think very differently. Although Hong Kong does have a lot of money in the treasury, and we also have a handsome reserve of several hundred billion US dollars, the most important point is how Hong Kong would develop in the future. In order to attract foreign investment, we need to maintain our low tax rates; but to enhance the efficiency of the Civil Service as a whole, is privatization the only way out? There are two answers to this question.

What I want to say is that the Government should consider the various practices available instead of privatizing all government departments or embarking on the privatization programmes right away; besides, it should also listen to all the representations made by Members of this Council, the staff concerned, as well as the public before making any decisions.

MISS EMILY LAU (in Cantonese): Madam President, I rise to speak in support of the motion moved by Mr LEE Cheuk-yan and the amendment proposed by Mr LAU Kong-wah.

Madam President, I could not agree more with most of the points raised in the motion. First of all, on the blind belief in privatization. I fully agree with Mr LEE Cheuk-yan in that the Government should not blindly believe in the effectiveness of privatization. Actually, I never believe blindly in any particular thing except for democracy, the rule of law, human rights and liberty which require one to have blind faith in and hold fast to. Speaking of blind belief, I agree with Mr LEE Cheuk-yan that we should not have blind belief in privatization, and I am sure he will explain that later. As regards the question of privatization, I believe Mr LEE is in support of the privatization of government departments, albeit with a little doubt and some concern. And I believe Mr LAU Kong-wah is also in support of that as well. Indeed, privatization is a world trend which no one could say no to. Mr LEE has proposed in his motion to urge the Government to fully consult the staff concerned and the public and to gain their acceptance and support before deciding whether privatization programmes should be implemented. I have not the slightest doubt about this point, for no privatization programmes should be implemented without the acceptance and support of both the public and the staff concerned. In addition, I also agree very much with Mr LAU Kong-wah in

that the Government should strive to enhance cost-effectiveness, introduce mechanisms for competition, improve service quality and reduce its financial burden. I welcome these propositions with tumultuous applause and will lend them my full support.

I feel particularly strongly with this privatization issue because I am a member of the Public Accounts Committee (PAC) to which the Honourable NG Leung-sing has also referred earlier. My experience on the PAC is slightly longer than that of Mr NG because I have been a member of the PAC since 1991. Actually Mr NG Leung-sing has already cited a few examples in his speech, but I would still take the trouble to bring them up again here. Why should I refer to the recommendations made by the PAC? This is because the PAC members are elected from among this Council; besides, each and every PAC member is now sitting in this Chamber, including Mr LAU Kong-wah. As pointed out by Mr NG Leung-sing earlier, the PAC had suggested the Government contract out some of its services. One example was the refuse collection service of the Urban Services Department, and the recommendation was made in February this year. Mr NG has also referred to the meter-reading field staff of the Water Supplies Department, but he has forgotten to mention the delivery team of the Government Supplies Department. We have suggested the Government to actively consider contracting out those services, and the recommendations were all made in this year. Yet similar recommendations had in fact been made back in 1997. At that time I was also a Member of the then Legislative Council, and the subject we talked about was off-line data preparation. Madam President, in the PAC Report No. 27 published in January 1997, we already made it clear to the Government that it must attach due importance to cost-effectiveness and consider contracting out the services. Then, in its Report No. 28 published in June 1997, the PAC which comprised representatives from the former Legislative Council suggested that if it would cost visibly more for the Government to conduct a training course in-house than hiring a local institution to do the job, the Civil Service Training Centre should consider contracting out the relevant courses.

Madam President, I believe we all agree that contracting-out is also one mode of privatization, and that this practice has been adopted all along. There might perhaps been some objections, but the voices are not loud enough. For this reason, while we have been making recommendations in this respect from 1997 to the present 1999 — actually the practice of contracting out services was not adopted for the first time in 1997, I believe the practice must have been

applied some time earlier (if I have the time, I should be able to find some earlier examples), for I have been a PAC member since 1991 — there was not much objection raised by the Civil Service, nor by Members of this Council either. This might be attributable to the fact that only a small part of the Civil Service was being affected. However, this time the Financial Secretary has all of a sudden come up with a proposal to revamp the Water Supplies Department. Naturally the entire department was shaken. This is understandable. However, we must note that the Government did have some of its services contracted out before and each time everything was just fine. Perhaps the vigorous response aroused this time could be attributed to the present economic downturn, since the staff members concerned might fear that they could hardly find another job if they should quit the present one. This is also understandable.

Madam President, I was very grateful to Honourable Members for supporting my amendment in the last motion debate. As I said last week, we understand very well the worry of the staff concerned, and that is why we have urged the executive authorities to look into the matter. Today, Mr LEE has proposed to urge full consultation. I agree with him completely. I also agree with many colleagues in that each and every factor affecting the case in question should be assessed and weighed. In this connection, I believe the Financial Secretary will also tell us whether he has taken into account all the pros and cons beforehand in a while. After we have obtained a clear picture, we could then look into the case and strive to reach a consensus before proceeding further. Nevertheless, Madam President, privatization is a world trend which I believe the civil servants themselves will not oppose. But still, we have to listen to their concerns and make our judgment in the light of the value-for-money principle. The PAC is currently meeting every day and we PAC members have all been working very hard. What for? Madam President, we are but trying to help enhance the efficiency of our Civil Service while improving the cost-effectiveness at the same time. Madam President, I do not intend to pick up phrases from Secretary Denise YUE, who has threatened to increase taxes if anything should go wrong. However, sometimes we do need to investigate how we can do something to help alleviate the heavy burden on taxpayers' shoulders. It is for this reason that we have been recommending certain services should be contracted out. We have been making such recommendations for years, and so far I have not noticed any significantly dissenting views, including the recommendations for contracting out the services of departments like the Water Supplies Department, the Provisional Regional

Services Department and so on which we made in February this year. Madam President, I hope you do not mind me venting my grievances for a while, but sometimes we just do not know whether colleagues would read the PAC Reports which we have worked so hard to produce. Madam President, I certainly expect that you have read those reports. It is true that certain more exciting cases, such as that of the Director of Audit hunting "loafers" in different departments, would receive attention for sure; but for most of the time, the reports we have prepared after conducting numerous hearings and meetings would never be heard of again once submitted. However, I hold that the comments made in the PAC Reports are the views that we share, not just the seven of us who are members of the PAC, but the Legislative Council as a whole.

With these remarks, I support the motion and the amendment.

MISS CYD HO (in Cantonese): Madam President, naturally, I also rise to speak in support of the motion moved by Mr LEE Cheuk-yan and the amendment proposed by Mr LAU Kong-Wah.

Actually, the privatization of government departments is aimed at transforming the role of the Government as a service provider into that of a monitor or an agent. Provided that the Government could play its role properly, privatization should be able to help cut back the cost borne by the community as a whole on the one hand, and eliminate the civil servants' undesirable habit of remaining in the rut on the other. Being in a rut is in fact a situation typical of not only the civil servants of Hong Kong but also their counterparts in the rest of the world. If privatization could help to eliminate this undesirable culture and enhance cost-effectiveness, we may as well consider implementing privatization programmes. However, if the purpose of the Government in contracting out its services and implementing privatization or demutualization programmes is to "shed weight" and to alleviate its own financial burden even to the neglect of the interests of the community as a whole, if the privatization of government departments and the contracting out arrangements should cause the public to pay more for poorer services which are not subject to any supervision, or if the public should have nowhere to lodge their complaints, I cannot but raise my objection against privatization.

There may perhaps be successful examples of privatization in other

democratic countries, since the governments there are more liberal and subject to the monitoring by the people. In Hong Kong, however, the problematic privatization and contracting-out cases have caused the public interest to suffer.

Today, I should like to cite an example which is closely related to our daily lives to reflect some of the problems with privatization. At present, the markets in Tseung Kwan O as well as in other newly constructed public housing estates are managed by private companies. In this connection, a contract will be put out for tender by the Housing Department (HD) and the private management company which offers the best bid and terms will win the tender. The successful tenderer will perhaps run the market for a period of five to six years within which it has to provide for the market concerned all the basic facilities like air-conditioning system and fixture for shops so that the shop tenants could operate their businesses in the market. Since the contractor has to pay the HD a lump sum beforehand, the first successful contractor will have to recover its costs within a very short period of time for fear that it may not be able to win the tender again. As such, within that very same five to six years, members of the public will have to pay more to buy food from the market concerned. But if the market should be managed by the Government, there would not be any cost-recovery pressure, for the operating cost could be recovered gradually by means of the "user pays" mechanism.

Madam President, I believe Members from the Liberal Party would also agree with me that no private sector companies could afford to make any loss, and that no one could ask businesses to operate at a loss. Hence, it is entirely reasonable for the successful tenderers to recover their costs and make profits. I do not think anyone would object to that. However, since Hong Kong has been in the midst of a financial turmoil over the past two years, many stall tenants of markets run by the Urban Council have successfully obtained rent reductions from either the HD or the Urban Council, yet the same request made by stall tenants operating in markets managed by private contractors was in vain. Even if the HD has granted them rent reductions, the contractors will very unlikely share the concessions with the stall tenants. As a result, although the private contractors could cut back their operating costs, the public still have to pay high prices for food items. This is all because the privatization programme implemented by the Government has failed to enable the market mechanism to

function on its own; besides, the Government has also failed to play its role as an agent or monitor for the public. On the contrary, the Government has become part of the market mechanism, the part which will definitely make profits. Since the Government has received a lump sum from the successful tenderers, its income could of course be guaranteed. Worse still, should there be any disputes and when the tenants try to negotiate with the contractors concerned, the contractors would say that business is business; the tenants could only close down their stalls and let other people operate there if they should find the conditions unfavourable. When the stall tenants try to approach the HD for help, the Department would then say that management of the market concerned has been contracted out and should not be its responsibility anymore. However, the Department has made no mention of the fact that it had actually received a lump sum from the contractor concerned and should therefore be held responsible. As a result, despite the many efforts made by stall tenants and members of the public, the management or rental problems still remain unresolved.

Now, let us look at the question of privatization from another angle. Would a market operated by the Government be necessarily not as good as one managed by a private contractor? Would services be necessarily improved after they have been contracted out? I do not think so. As a matter of fact, civil servant, in particular those at the basic ranks, are just as responsible as any other people of Hong Kong. So long as the management could clearly define their responsibilities, maintain proper management and streamline the procedure for taking disciplinary actions, the civil servants at basic ranks will certainly make their best efforts to do a good job. As regards the issue of cost, my personal view is that unless the fair return that the contractors are allowed to enjoy after privatization is of a smaller amount compared to the additional cost arising from the civil servants' habit of remaining in the rut, privatization is not an option that merits any consideration at all.

If the discussions concerned should have no public participation, if this Council should have no chance to monitor the entire process, Madam President, I am afraid the privatization programmes or the contracting out arrangements would most probably become an exchange of interests between the Government and the contractors. I hope that the Government will not consider implementing any privatization programme until after it has informed the public of the monitoring procedure concerned and has had in place a mechanism which is both open and fair. Otherwise, we will not give those programmes our

support. Thank you, Madam President.

PRESIDENT (in Cantonese): Mr LEE Cheuk-yan, you may now speak on Mr LAU Kong-wah's amendment. You have up to five minutes to speak.

MR LEE CHEUK-YAN (in Cantonese): Madam President, on learning that Mr LAU Kong-ah had proposed to move an amendment to my motion, I had actually contacted him immediately to find out any differences between my original motion and his amendment. We then exchanged views and eventually agreed that privatization should not be the only option to improve public services or to enhance cost-effectiveness. Besides, we also agreed with each other in that we would not blindly believe in the effectiveness of privatization in enhancing cost-effectiveness, improving quality of services or alleviating the financial burden on the Government. After the discussion, we both considered that we should lend support to each other's view mutually.

In making their speeches earlier in the debate, many Honourable Members asked what my stance really was, whether I was for a sweeping measure or I had other ideas. I should like to make it clear that I have deliberately used the phrase "not to blindly believe in", and it is exactly this very same phrase that Mr LAU Kong-ah has proposed to delete from the wording of my motion. Why did I choose to use this phrase? One major reason was that I did not want to see the privatization of government departments becoming an indiscriminate sweeping measure. While privatization programmes should not be implemented indiscriminately, objection to privatization programmes should not be raised indiscriminately either; and by the same token, the *status quo* should also not be maintained indiscriminately. However, the most important point is that in concluding their speeches, Members would urge the Government not to take any action indiscriminately. I believe this point has been made very clear in this debate today, for even the Liberal Party has also urged the Government not to take any action indiscriminately.

I hope by now Members could understand why I have used the phrase "not to blindly believe in". When I contacted Mr LAU Kong-wah, the first thing I asked him was whether he believe blindly in privatization. The answer he gave me was "no". With respect to the issue of privatization, I think the stances that

people maintain could be categorized into four broad types: Type A, in support of privatization; type B, supports moderately; type C, supports with reservation; and type D, opposes. In this debate today I try to categorize the views held by the people of Hong Kong and find that we belong to either type A, type B or type C — some of us are in support of privatization, some supports it moderately, and some with reservation. I think (though I do not know whether the impression I get is correct or not) the Liberal Party and the Honourable Andrew WONG are in support of privatization; the Hong Kong Progressive Alliance and Mr NG Leung-sing support privatization moderately; while those who have reservation about privatization include the Democratic Party, the Democratic Alliance for the Betterment of Hong Kong, the Neighbourhood and Workers Service Centre, the Federation of Trade Unions, the Confederation of Trade Unions, the Frontier, Dr the Honourable Raymond HO, Dr the Honourable LEONG Che-hung, the Honourable Ambrose CHEUNG, and the Honourable MA Fung-kwok. I think I could categorize Members' stance in this way, though I am not sure if I am being fair to them or not. However, I can be sure about one point, and that is, we all hope the Government will not implement privatization programmes indiscriminately.

In my opinion, both the original motion and the amendment are trying to bring out two messages. First, in implementing any reform programmes, the Government should retain its responsibility for providing public services. The amendment proposed by Mr LAU Kong-wah has also made it very clear that "the Government should retain its responsibility for providing public services". This is one major premise. Another point is that the Government should also strive to enhance the transparency of the entire process. As regards the cost-effectiveness, quality of service and financial burden to which Mr LAU has referred in his amendment I think that although they are also important issues, they are not the only issues that the Government should take into consideration in formulating the relevant policies. What is more, they are not the most important considerations in most cases, for if the Government is to retain its responsibility for providing public services, the priorities of the different policy objectives must be determined through democratic discussions. If the Government should attach undue importance to the issue of cost-effectiveness in considering the relevant privatization proposals, it would intentionally or unintentionally set a limit to not only our scope of discussion but also the possible options open to us. In addition, Mr LAU's amendment has also urged for more transparency. This is also very important, particularly at the present moment when many civil servants are making all sorts of wild guesses in the

face of the numerous hearsays that might be correct or otherwise. For instance, since Mr ROWSE has once told this Council that the Government would consider corporatizing all the existing 20-odd government departments, the civil servants have become very anxious about when that would happen to their departments. Naturally, they will feel very insecure about their prospects, while their morale will be affected significantly as well. In the end, the civil servants will become resistant to any reform proposals, and thus causing the effectiveness of the reforms to be undermined.

Both the original motion and the amendment have urged the Government to not only fully consult both the staff concerned and the public, but also to gain their acceptance and support for the privatization programmes. This is a very important point to any reform programmes. On the one hand, we hope that the Government will consider its staff not as subverters but as partners whom it could collaborate with in formulating the various reform proposals and schedules for development; on the other hand, we also hope that the Government could encourage the public to participate in the relevant decision-making process. Indeed, this is an important step towards public enlightenment and the development of democracy. I hope that the Government could make it possible for both its staff and the public to participate in discussing the progress of the entire reform process. Thank you, Madam President.

DR YEUNG SUM (in Cantonese): I should like to make a point of clarification.

PRESIDENT (in Cantonese): You would like to clarify a point you made just now. Fine, you may do so now.

DR YEUNG SUM (in Cantonese): Just now Mr LEE Cheuk-yan made the point that the Democratic Party has reservations about privatization. I made it very clear on behalf of the Democratic Party that we were in support of privatization in principle. However, I should like to point out that we are opposed to an all-out expansion of the privatization programme, and that we also believe the welfare of staff members must be taken care of. Thank you, Madam President.

FINANCIAL SECRETARY (in Cantonese): Madam President, I would like to

thank the dozen or so Honourable Members who have praised the performance of the civil servants and spoken in support of the present framework of the Civil Service. I was moved to witness this quite unusual phenomenon in this Council which was seldom seen in recent years. I hope Honourable Members can continue to lend their support to us.

It has been our long-held objective to maintain a small government. We believe it is for the prosperity of the territory that the Government should encourage free market competition and to provide as much as possible a level playing field for business. Therefore, in the provision of public services, we should not compete with business concerns. Since resources are always limited, with the ever-changing conditions in society and the ever-rising expectations of the public, even if the entire Civil Service is highly efficient, there are some civil servants who may be unable to meet the demands of the public. We must try our best to improve the efficiency of the public services and to make the best use of the limited resources available. We shall make these our targets and encourage the private sector to participate in the provision of public services and we shall look into what kinds of government services that should be corporatized and how to privatize some of the public organizations under the right market conditions. Members have already pointed out that it is not a new policy to have the private sector to participate in the provision of public services. Our railway system is operated by the Mass Transit Railway Corporation (MTRC) and the Kowloon-Canton Railway Corporation. Our tunnels are constructed under Build-Operate-Transfer contracts. The waste disposal facilities are built and managed under the Design-Build-Operate contracts. We have contracted out some professional services and the management of government tunnels, car parks and office buildings. Past experience has shown that private sector participation will bring in many advantages, including the following.

First, as the service providers are competing among themselves and trying to meet and excel the performance levels set by the Government, the quality of service can thus hopefully be raised. As private sector organizations are not subject to restriction by government rules and procedures in the provision of public services which have been contracted out to them, they can provide more efficient and customer-oriented services. Public money can thus be spared to provide other kinds of basic services. Public services expenditure on the whole

will be reduced. The Government can thus make more efforts in dealing with other matters of major importance, the formulation of public policies and the overseeing of their implementation, as well as the protection of public interest. In this way, there will be greater flexibility in management. Moreover, market reactions to the contracting out of public services can also help expand the business of the private sector.

Public services in Hong Kong are very diversified, extensive and labour intensive. When we consider the issue of private sector participation, we need to learn from past experience. There are a few points we need to bear in mind. First, we must ensure that our objectives are clear. Our objectives are to improve our services and raise our efficiency. Second, we must dispel the worries of our staff properly, especially with regard to their worries about possible unemployment. Third, we must build a sound basic structure, especially in providing policy-making guidelines, a prudent accounting system and streamlined procedures. Fourth, we must take the market situation into account. We must not overestimate the willingness and ability of private sector organizations in providing public services. We can assist the private sector organizations concerned at the initial stage should there be the need.

What I said before is the groundwork for privatization. We are presently engaged in a number of plans, including private sector participation in care-and-attention services for the elderly. We have plans to contract out services like the door-to-door meal delivery service of the home help teams, the issue of driving and vehicle licences, courier services for air parcels and restricted documents, and some non-core services of the Intellectual Property Department. We are also considering private sector participation in water supplies.

As we move into the 21st century, we must strive to ensure the public services provided will be able to meet the demands of society. We need to make the best use of advanced technology and we should not be resistant to changes when we are striving for better cost-effectiveness. The established practice of the appropriation of funds for departmental operations has been effective. Under certain circumstances, this is still an appropriate practice. But in other situations, this may not be in keeping with the times. So we must make some improvements on that. Apart from the setting up of trading funds and contracting out more services, we need to consider revamping the existing

framework in other ways. We may also need to change the mode of delivering certain public services.

Corporatization is one of the ways to achieve the above objective. There are many advantages of converting certain government departments into public corporations or allow them to operate according to commercial principles. There are four main advantages to these. First, if departments operate according to market principles, the service providers can develop a customer-oriented service culture. Second, the setting up of a sound accounting system can make the operators assess more accurately the cost-effectiveness of the services provided, thereby enhancing their efficiency. Third, as public corporations are no longer subject to government rules and procedures, they can operate in a more effective manner and make timely adjustments to suit the needs of customers and changing market situations. Lastly, corporatization can enable more private sector organizations to take part in services traditionally provided by the Government.

Since my announcement in this year's Budget speech that the Government will commit itself to corporatization, there has been great concern from all parties on government plans in this regard. They are eager to know which departments will be corporatized. Among the various services being provided by the Government, some of them have greater potentials for corporatization and for some of these, this may not be the case. We have to study into a lot of issues before a decision is made to corporatize certain departments. Now I would like to talk about some of these issues. The first one is a very important issue, that is, the long-standing doubts which the Public Accounts Committee of this Council and the public have on the efficiency of certain government departments. The second is whether certain services can be provided by the public sector taking account of the current needs. The third is whether corporatization will enhance efficiency and service quality. The fourth is whether the market is suitable for corporatization. In other words, whether the organizations concerned will be able to run their business after they have been corporatized. The fifth is on the corporatization proposals which have a direct bearing on the services provided to the public, that is, the question of whether public interest will be protected. Besides, has any agreement been reached with the staff to forge an acceptable reform arrangement? Lastly, whether the Government will be able to obtain any economic benefits in the medium range and long terms. All these are important issues to be considered.

As for the pace of corporatization, we are determined to take our proposals forward in a pragmatic manner. We are not trying to privatize all the public services presently provided by the Government as some Honourable Members have said. Our objective is to set up some public corporations in the future. We are fully aware of the importance of maintaining the stability of the Civil Service. We shall consult civil servants and Honourable Members on all the corporatization proposals. We are now identifying government departments with good potentials for corporatization and we will formulate specific plans and submit them as soon as possible to the Legislative Council for scrutiny. We hope that these plans can be submitted before the end of this financial year and I shall be pleased to discuss these plans with Honourable Members in detail when they are available.

Please allow me to discuss the issue of privatization of public organizations. Corporatization can be seen as an interim measure towards eventual privatization. But it does not follow that all corporatized departments can be privatized. There are many factors which will determine whether a government organization or corporation can be privatized. One of these factors is whether there are favourable market conditions. The authorities will make a detailed review of the corporations concerned only after they have been set up for a certain period of time. In this year's Budget speech, I have announced the proposal to privatize a substantial minority share of the MTRC through a public offering. An offering of this nature will provide the people of Hong Kong with an opportunity to monitor the management and operations of the corporation, thereby enhancing its efficiency and cost-effectiveness. When the MTRC is privatized, the people of Hong Kong can have the opportunity to participate in the ownership of a successful and profitable public corporation. In addition, privatization can provide the stock market with a corporation of a high quality and market capitalization. It will serve to balance the composition of the Hang Seng Index which is currently dominated by banks and real estate companies. All these can help enhance the position of Hong Kong as an international financial centre.

Just now some Honourable Members have expressed concern and worries over some of the problems associated with private sector participation, corporatization and privatization. Now I wish to comment on a few important issues. On the question of the job security of the staff affected, I wish to emphasize and I must emphasize again that private sector participation and corporatization do not imply that we will make most of the staff or even all of

the staff in the departments concerned redundant. We can adopt a number of different staff deployment measures. For example, we can second serving staff to the new corporation. If we can move ahead with private sector participation or corporatize a certain portion of the departments, the staff in excess can be gradually redeployed in other departments or to other suitable positions. We would imagine that quite a long time is needed to change the employment terms of all the staff of a public corporation into non-civil servant terms. Before this process is complete, there is bound to be a situation where there are both civil servants and non-civil servants working in the same corporation. To facilitate the smooth transition of government departments into corporations, we are set to speed up the pace of enhancing efficiency. Our policy is to avoid redundancy as much as we can. As for the effect of the MTRC privatization on the job security of its staff, it will be minimal indeed. On the subject of consultation, the Government is taking a serious view of the concerns of the staff and will certainly consult them with regard to these matters.

I can assure all Honourable Members and the civil servants that we will consult all the staff who will be directly affected by any of the corporatization proposals or any proposals which will affect the work which they are doing. We will also consult the staff sides of the Central Consultative Councils where appropriate. When launching any reform which will affect the work of the staff, we will value their participation and will endeavour to seek their support and understanding. Our goal has always been to maintain the stability of the Civil Service, the morale of the civil servants and their positive attitude towards work. On the monitoring mechanisms for service quality and the level of charges, we are fully aware that these are the subjects of concern of the public in any proposals of private sector participation, corporatization and privatization which will affect the services provided. One of the key reasons behind these proposals is to enhance service quality. In the course of moving ahead with these reforms, we are committed to avoiding any compromise to service quality. There are many ways we may use to monitor service quality. For example, we may set up performance benchmarks in the service contract or agreement we enter into with a public corporation concerned. We will set up sound mechanisms in this regard. For the MTRC, we will stipulate service standards in the operation agreement to monitor the service quality of the corporation.

On the subject of monitoring mechanisms for fees and charges, we believe free market competition is the most effective means to regulate the charging of fees. Under the existing mechanism, the charging of fees for services has to be

approved by the Legislative Council. If corporatization proposals are implemented, approval from the Legislative Council will have to be sought with regard to fees and charges for services provided. With about half a year to the new millennium, not only will these changes bring us new opportunities, but also unprecedented challenges in global competition. Reforming the public sector will make our Government more competitive. This is the approach we must take. We will take into account the concerns of all the affected parties when we forge ahead with the reform. When formulating specific proposals, we will try our best to balance the interests of all sides.

Today I have listened carefully to the worries expressed by Honourable Members on our proposal to go further with private sector participation, corporatization and privatization. I have also heard the many questions raised on corporatization and privatization, such as on the question of job security of the staff, monitoring mechanisms for service quality and the level of charges, whether the business of the corporations is valued and monitored by the Government and whether mechanisms for competition should be introduced. All these are questions of a rather abstract nature, for they are not bound to crop up when every corporatization proposal is put into practice.

I have generally talked about many of these questions in my speech, but I think we can only discuss them in detail after we have formulated the specific proposals. That would be more meaningful. However, I am very pleased to hear Members' views today. We will certainly take them well into consideration when we are to take this plan forward. Thank you.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the amendment moved by Mr LAU Kong-wah be made to Mr LEE Cheuk-yan's motion. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr James TIEN rose to claim a division.

PRESIDENT (in Cantonese): Mr James TIEN has claimed a division. The division bell will ring for three minutes.

PRESIDENT (in Cantonese): Will Members please check their votes.

PRESIDENT (in Cantonese): If there are no queries, I declare that voting shall now stop. The result will be displayed.

Functional Constituencies:

Mr Michael HO, Dr David LI, Dr LUI Ming-wah, Miss Margaret NG, Mr CHEUNG Man-kwong, Mr Ambrose CHEUNG, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr Bernard CHAN, Mr CHAN Wing-chan, Mr SIN Chung-kai, Dr Philip WONG, Mr WONG Yung-kan, Mr LAW Chi-kwong, Mr FUNG Chi-kin and Dr TANG Siu-tong voted for the amendment.

Mr Kenneth TING, Mr James TIEN, Mr Edward HO, Dr Raymond HO, Mrs Selina CHOW, Mr Ronald ARCULLI, Dr LEONG Che-hung, Mrs Sophie LEUNG, Mr Howard YOUNG, Mr LAU Wong-fat and Mrs Miriam LAU voted against the amendment.

Geographical Constituencies and Election Committee:

Miss Cyd HO, Mr Albert HO, Mr LEE Wing-tat, Mr LEE Cheuk-yan, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr Gary CHENG, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Kong-wah, Miss Emily LAU, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Mr NG Leung-sing, Prof NG Ching-fai, Mr MA Fung-kwok, Mr YEUNG Yiu-chung, Mr Ambrose LAU and Miss CHOY So-yuk voted for the amendment.

Mr LEUNG Yiu-chung and Mr HO Sai-chu voted against the amendment.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 27 were present, 16 were in favour of the amendment and 11 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 24 were present, 21 were in favour of the amendment and two against it. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was carried.

PRESIDENT (in Cantonese): Mr LEE Cheuk-yan, you may now reply. You have six minutes 13 seconds out of your original 15 minutes.

MR LEE CHEUK-YAN (in Cantonese): Thank you, Madam President. I am very grateful to the 23 Honourable Members who have spoken on my motion. I believe I have achieved my purpose in moving this motion today, which is to enable this Council to discuss the issue of privatization, as well as to ensure that the community as a whole would not be denied the chance to fully discuss the issue as the Government embarks on its privatization programmes with full speed.

The Financial Secretary mentioned just now that the Government did sometimes feel worried in implementing its privatization programmes. I do not know if he was referring to the five major undesirable effects I had pointed out in my speech earlier on, which was the five major undesirable effects of privatization. According to the Financial Secretary, the undesirable effects I presented were too metaphysical to understand; however, I too find the advantages of privatization he referred to too metaphysical to understand. Perhaps two kinds of metaphysical reasoning together would help us understand

some truth. While the Financial Secretary has spoken solely on the bright side of privatization, my speech has shed light on its dark side; nevertheless, I hope that Honourable Members could, after listening to both of our speeches, discuss the issue in a more objective, composed and rational manner.

Both Mr Howard YOUNG from the Liberal Party and the Financial Secretary have referred to privatization as being able to enhance competition and bring about improvement in the quality of services. However, I should like to remind Members that this might just be an illusion only. As pointed out by the Honourable SIN Chung-kai earlier, after a certain government department has been privatized, the monopoly over the services concerned would just be transferred from the Government to a private contractor, thereby causing the situation to further deteriorate. For this reason, we must look into the matter very carefully in making our decision regarding any privatization programmes. Let me explain this by using the Water Supplies Department as an example. If the Department should be sold, there will certainly be nil competition. In fact, how could there be any competition at all? In the end, water supply would just be transformed from a kind of government-monopolized service to a service that is monopolized by a private contractor.

Another illusion regarding competition is that it is only when the Government invites tender for certain services for the first time that some sort of competition could take place. After a certain organization has won the contract, other enterprises simply could not take its place at all; hence, the successful tenderer enjoys the monopoly year after year. The case of the Hongkong and Yaumati Ferry Company is one good example. In France, a company named Generale des eaux (I do not know whether my pronunciation was correct or not) has also monopolized the market and the investments concerned for 47 years simply because no other companies could take its place. Under certain circumstances, such as the relevant market is not mature enough, things may turn out that only a few large consortia or multinational enterprises could be awarded the franchise, naturally there would not be many choices for the people. For this reason, I hope Members will not believe that privatization would necessarily bring about competition, for there could just be nil competition in the end.

Another point that has been mentioned by Members is the possibility to cut back on the Government's financial burden. Just now Mr Howard YOUNG has also considered that point as an advantage of privatization. However, I

should like to urge Members to think about this: if the Government should cut back on its financial burden, the interests of the community as a whole might be affected. For instance, due to a request for reduction in government fees and charges made by the seven parties last year, the financial burden on the Government has increased. Hence, the possibility to reduce the Government's financial burden may not necessarily be an important consideration, for we need to take into account the impact on the economy as a whole as well as the livelihood of the people.

Members have also referred to the issue of increase in charges and put the blame on the salary levels of the civil servants. As I said before, this view indeed corresponds with that of the junior "money keeper". I should like to remind Members that even if we could transfer the interests of the staff concerned to shareholders, it may not necessarily be a good arrangement, for the charges may still run out of control one day. Let me explain this with an example. Is it possible that water supply should be provided in accordance with the "user pays" principle? Of the \$7.5 billion require to supply water, only some \$1.5 billion are paid to the staff for their services; so, salary payment really does not constitute too large a part of the cost for water supply. That being the case, are we willing to share that \$7.5 billion according to the "user pays" principle? From this we can see that "user pays" just may not necessarily be an everlasting target, since sometimes we do need to take into consideration the impact the charges concerned have on the livelihood of the people and the commercial sector. Since it was mentioned by the Honourable James TIEN just now that this Council was in support of the "user pays" principle, I should like Members to think about this question very carefully. Actually, under certain circumstances, if the "users pay" principle should be adhered to, the impact on the commercial sector would be even more "devastating". For this reason, I hope Members could consider the argument with some reservations.

A great many Members have referred to foreign experiences. Perhaps let us look at some foreign experiences relating to water supply. While water is an essential element on which our lives depend, experience also tells that water could kill lives in some cases. In regard to the quality of service and safety in water supply, for example, the Australian Government resumed control over the water catchment area after it had discovered an excessive amount of parasites in the water supplied. As regards the United Kingdom, despite the 38% leakage

rate, the charges for water supply has risen by 67% since 1994 when the country's water supply service was privatized. In France, the charges for water supplied has also increased by 164% in just two years' time. These are the possible situations that might arise after the government departments have been privatized, and I should like Members to take them into account.

Mr SIN Chung-kai asked me why the Labour Party in the United Kingdom did not abandon the privatization of water supply services. Well, what has been done cannot be undone; once a government department is privatized, it will remain privatized. That is why I need to urge Members to give careful consideration to each and every point before making any decisions. For once privatization is implemented, like in the case of electricity supply, even though we now consider the rates charged by the China Light and Power Company as well as the Hongkong Electricity Company are too high, we could hardly withdraw the franchises granted to the two companies. Since there is no use crying over spilt milk, I must urge Members to give careful thoughts to the entire privatization programme.

Finally, I was glad to hear the Financial Secretary say that the Government would all along take into careful consideration both the job security and the views of the staff concerned. The past experiences have been rather disappointing in this connection, for there were too many cases in which the staff concerned had never been consulted by the Government until after the relevant consultancy report were ready. This practice is indeed one major cause of concern among the civil servants. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LEE Cheuk-yan, as amended by Mr LAU Kong-wah, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections and by the Election Committee, who are present. I declare the motion as amended passed.

PRESIDENT (in Cantonese): Second motion: Facilitating the financial industry.

FACILITATING THE FINANCIAL INDUSTRY

MR BERNARD CHAN: Madam President, I move the motion printed on the Agenda. I am moving this motion to raise the awareness of the Government and the business community to our dimming financial prospects. I strongly urge for more proactive strategies in order to catch up with current global financial trends, in which the Government and the business sector join forces to promote financial services worldwide. These efforts are deemed inexorable in order for us to capitalize on the new opportunities that emerge with the restructuring of global finance and to prevent us from falling behind keen competition from all over the world.

Whenever I mention to our Honourable officials the financial strategies adopted by our neighbouring regions, they usually give predicted responses like this: "Do not cast your eyes at the things other regions are doing, in particular the Singaporeans. We have our own advantages. In the long run, we will outpace them."

I am saddened that our Government has underrated the plight of the financial industry. I do not think that the hollow response can convince market participants of a glamorous future. On the contrary, our Government has not given enough attention to the looming confidence crisis in the financial sector. I am speaking on behalf of the insurance industry and some banks and investment houses. 158 financial companies and their chief executives have signed up for greater support from the Government to sustain local development and promote Hong Kong's financial services throughout the world. In a rare move, they presented a united call and advertized their demands in a local

newspaper today. This motion is endorsed by the Hong Kong Federation of Insurers and many industry associations, which represent several hundreds of companies.

Our banking, insurance and securities sectors make up over 15% of the Gross Domestic Product through direct financial services. Over 143 000 are employed in the industry which is the engine for growth in the economy. It is clear that the economy will benefit immensely from an expansion of the financial sector. By the same token, there will be severe damages if the financial institutions relocate their businesses out of the territory.

The global financial reconstruction gives momentum to reform in crashed economies and new opportunities to the financial powers. Those regions swept by the financial storm badly need skills and advice to revamp their banking system, fine-tune the flow of capital and bring in more effective regulatory measures. It is the prime time for the financial powers to seize fervently on the opportunity to sell their knowledge and skills.

The financial sector is of strategic importance to all economies, and hence most regions do not tolerate foreign competition. To force the opening of markets is beyond the capacity of a single industry or company. Only through intense government lobbying and commercial negotiations can financial powers open new markets and search for new investment prospects. Their visiting missions normally serve dual purposes: strengthening diplomatic ties on the one hand and establishing commercial contacts on the other. With formidable support from the respective governments, these regions have a chance to extend their international pursuits and play an increasingly important role in the global financial system.

Hong Kong has always been proud of its financial development. The sector exhibits an abundance of experts of various skills and nationalities. For example, when we talk about health care financing, we are able to find a critical mass of international expertise on medical insurance in this tiny territory. With our distinguished experiences in financial services, I believe that we are well qualified to serve the Asia-Pacific Region and even economies from all over the world.

But, has the Government fully optimized the specialties we have and expanded our horizon as far as possible? The Government is a sheer regulator in the financial sector. It uses various monitoring devices to maintain a sound market and bolster market credibility. The banks in Hong Kong are supervised by the Hong Kong Monetary Authority (HKMA), insurers by the Insurance Authority and securities companies by the Securities and Futures Commission. These supervisory bodies do not aim at market promotion. If, at this time of global market restructuring, the Government limits its role to that of a regulator and takes no new initiatives, I envisage that Hong Kong will no longer be able to maintain its advantage but will only lose out to cities which are using more proactive strategies.

At the moment, only the Financial Secretary is responsible for facilitating and overseeing all aspects of economic development. Hong Kong is searching for new formulas for economic revival. It is prepared to take time and effort to invest heavily in new technologies. The Government has also been promoting trade, tourist and service industries by backing the Hong Kong Trade Development Council (TDC) and the Hong Kong Tourist Association. In recent years, it has established the Business and Services Promotion Unit under the Financial Secretary and has given a hand to service industries and small and medium enterprises.

I am of the opinion that the Government should designate specific officials or form a quasi-official organization to specialize in financial promotion, like many other cities. The mission of the new establishment is to enter into international negotiations on market barriers, organize overseas selling missions, analyse the international market and facilitate market communications. This will greatly help in strengthening Hong Kong's position in the international financial community.

The designated officials may be deployed to form a separate division in the Business and Services Promotion Unit or work under the supervision of the HKMA or the Financial Services Bureau. It is also suggested that the TDC to be reshuffled to put more stress on financial promotion. I am sure that the overseas offices also have a part to play in the concerted project.

In this regard, the British experiences are valuable. Britain is the biggest insurance centre in the world. Its centuries-old renowned experience is surely

not the sole reason for its success. An invisible hand has been working to strengthen its citadel in the past 30 years. A private sector organization called the British Invisibles, better known as the BI, is devoted to promoting Britain-based financial services industry throughout the world and removing barriers to trade in the global financial market. It works hand-in-hand with the government by combining financial acumen with political talents. The BI takes pride in providing the link between the technical expertise of the private sector and the high-level government political negotiators. The organization is so named because it also promotes awareness of the contribution of invisible earnings to the British economy within the country.

I met a member of the BI during a meeting with the recent British mission led by the Lord Mayor of London to Hong Kong. The further I probe into the work of the BI, the more I am convinced of the need to promote business by incorporating government efforts, especially in the financial sector.

The Government has repeatedly portrayed Hong Kong as a regional financial centre in its publicity. But do government policies back up the claim? I do not think so. Here is a vivid example. Late last year, the Government announced the plan to introduce mortgage insurance in order to provide up to 85% loan-to-value ratio on properties. The Government proudly presented the initiative as having honoured four winners, including the insurance industry. The bewildered insurers quickly found out that not even one local insurer was qualified for this business, which required a double A rating for entry. The business was left to companies outside Hong Kong. Only after repeated negotiations has the Government relaxed the requirement to a single A rating and created more business opportunities for the industry.

This example is only one of the many ironies we experienced. Last week, the Government reiterated its determination to promote Hong Kong as a regional insurance centre when it announced that the first captive insurance company had entered the market. The irony is that the promotion of captive insurance has been going on for over 18 months. It was only until last week that the first positive response came. The result is rather disappointing. Have we given enough incentives for the companies? Does our concession measure up to those offered by Bermuda or Singapore? Surely, much can be done to improve the situation.

The goal of promoting Hong Kong as a regional insurance centre deserves much more energy and devotion. One important area is education. Unlike major overseas universities, only a few local institutions offer courses on risk management. None of them provides concentration study on this subject, which actually deserves a core position in business management. Risk management is an elementary subject for certified qualifications in insurance. Without openings for such courses, local students are short of popular channels to pursue a career for professional insurance service.

Hong Kong is rare because of its openness for free competition. There are over 200 banks, 200 insurers and 500 securities companies in the territory. As a result, the local market is already saturated. Services such as mortgage lending, motor insurance and employees' compensation insurance are marked with ferocious competition. The recent sale of the Belcher's property development in Pok Fu Lam enticed over 40 banks to compete for mortgage financing. The lowest interest rate offer is well below the prime rate. The banks involved even outnumber all licensed banks in Singapore.

The employees' compensation insurance has recorded substantial losses in the past 13 years, except in 1994 when a balance was achieved. In 1998, the loss amounted to an alarming \$1.3 billion. This cut-throat price war vividly reflects the declining business opportunities here.

I disagree with Singapore's Senior Minister, Mr LEE Kuan Yew, on at least one point. Last week, he said that Hong Kong was less vulnerable to competitive pressure from increasing globalization. The embrace of the motherland was overwhelming and Hong Kong could go back to the village and plant rice if it lost out in the competition.

Such an opinion is also widely shared in the international community. I would like to refute this theory outright with special regard to the financial industry. Up to this date, only 15 insurers are allowed to operate licensed businesses in mainland China. All of them are international conglomerates, which succeed to fulfil strict entry requirements. The capital requirement for a life or general insurer amounts to US\$5 billion and the guarantee fund amount to US\$4 million. Also, the applicant must have at least 30 years' experience.

For a foreign bank to set up a branch office in the Mainland, it must have

total assets of no less than US\$20 billion. Except a few international financial giants, I do not think other market participants have a chance to start their business there.

On the contrary, as many manufacturers and businesses have moved their operations to the Mainland, many banks and insurers are facing shrinking clientele in Hong Kong but are unable to continue their service across the border. I do not think that China's prospective entry into the World Trade Organization (WTO) will change the scene. As Hong Kong is already a member of the WTO, the Mainland is required to treat Hong Kong the same as other WTO members and no specific concessions are allowed.

To me, the turn of the millennium is a prime opportunity to relax our *laissez-faire* policy for bolder and more cohesive strategies. The past financial storm has reminded us how vulnerable we are in international tides. As pride always goes before a fall, I strongly urge the Government to make appropriate policy changes.

Madam President, I oppose Mr FUNG Chi-kin's amendment and beg to move the motion. Thank you.

Mr Bernard CHAN moved the following motion:

"That, in view of the Government's continuing effort to open and liberalize the financial market, this Council urges the Government to ensure a level playing field for all local and overseas market participants; apart from being a market regulator, the Government should act as an active facilitator by designating specific officials to help sustain local financial development and promote Hong Kong's financial services throughout the world."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr Bernard CHAN, as set out on the Agenda, be passed.

Mr FUNG Chi-kin will move an amendment to this motion, as printed on the Agenda. In accordance with the Rules of Procedure, the motion and the amendment will now be debated together in a joint debate.

I now call upon Mr FUNG Chi-kin to speak and to move his amendment.

MR FUNG CHI-KIN (in Cantonese): Madam President, I move that Mr Bernard CHAN's motion be amended, as set out on the Agenda.

Madam President, during the meeting between the Financial Secretary, Mr Donald TSANG, and Premier ZHU Rongji early this month, Premier ZHU reiterated that he would further support Hong Kong to develop as an international financial centre. Later, the Financial Secretary indicated that he would "pay more emphasis" on conducting studies in several aspects, including the banking, securities, bonds and insurance industries. He also pointed out that, faced with the opening of a huge market in China, Hong Kong needs to put forward more supportive proposals and strengthen its status as a financial centre.

Perhaps we can say that it is timely for Mr Bernard CHAN to move the motion on "facilitating the financial industry" at this point in time. Nevertheless, Mr CHAN explained to me in private that his motion was mainly targeted at the competitive environment of the insurance industry for it was very difficult for local small and medium insurance companies to expand their business. Even credit rating alone had posed as a barrier, so he said. The same thing happened to our banks as well. In the latter part of Mr CHAN's motion, it is suggested that specific officials be designated to promote Hong Kong's financial services. I think the local financial sector is in fact blessed in the sense that our Financial Secretary, the Chief Executive of the Hong Kong Monetary Authority (HKMA) and even the Chief Executive, Mr TUNG Chee-hwa, have made frequent visits to overseas countries to promote our financial markets and services. According to some small-scale surveys, the Financial Secretary has in recent years travelled abroad on official duty for approximately 20 times. Mr YAM, the Chief Executive of the HKMA, has made 13 trips before and after the financial turmoil for the purpose of delivering speeches on Hong Kong's financial systems. Of course, how can we forget Secretary Rafael HUI? Mr HUI has been working very hard in managing financial affairs. But I have the impression that his frequency of travelling abroad on official duty is not very high.

The financial sector is one of the underpinnings of the Hong Kong economy. To reach the required "class", we need our leaders to carry out the promotion work. Therefore, I think Mr Bernard CHAN's proposal is indeed not essential. What we only need to do is to strengthen the functions of the

various departments responsible for financial affairs, enhance the Government's macro strategic development and its co-ordination ability. Based on consideration from the two abovementioned aspects, I have discussed with Mr CHAN and told him that I would move a friendly amendment to this motion entitled "facilitating the financial industry".

Madam President, the thrust of my amendment actually focuses on two aspects: to make steady advancement and to lay a sound foundation. Insofar as making steady advancement is concerned, while we are making great efforts to expand Hong Kong's financial markets, including the markets for the banking, securities, bonds and insurance industries, and encourage the industries to actively participate in regional and global competition, financial officials should at the same time take into account Hong Kong's affordability and prevent various manipulative and unfair competition. Even if our direction is right, we must proceed in a progressive manner. Otherwise, our loss might outweigh our gain for haste does not necessarily bring success.

We need to judge whether the financial markets in Hong Kong are liberal and highly open, apart from considering the element of the so-called level playing field as mentioned by Mr CHAN, in order to assess the overall business environment. Over the past 20-odd years, Hong Kong as a financial centre has paid a great price in developing this environment successfully. In fact, our markets are already extremely open and liberal. For instance, we will not ask those who seek to enter our market for reciprocity. Basically, we will not reject anyone. As for the scale and means of operation, we accept small and big operators, even including the super-heavyweights. Insofar as the fairness of the rules of the game is concerned, the Hong Kong dollar has been subject to solid attacks and market manipulation last year. We can even say that hegemony is tolerated. I am not trying to make ironical remarks or remarks implying a meaning opposite to what I say. The Financial Secretary and financial officials should understand it all too well for they have, on various occasions, sighed critically in a similar manner.

To achieve openness, to introduce competition, so to speak, and to make quick success, our market regulators have unknowingly protected, whitewashed to a certain extent those international predators who have disguised themselves as "investors" by introducing games they are well acquainted with, yielding to their rules of the game, as well as enhancing our transparency just because we are asked to do so. In other words, if we are asked not to play boxing instead of *tai chi*, we will have to play boxing; if we are asked to play according to the

rules of poker while we are playing mahjong, we will have to do it accordingly. In the end, we will turn ourselves into a teller-machine and they will be free to "press the button to get money" whenever they like!

As the development of the derivatives market had been overly rapid and fervent, hedging tools were subsequently turned into "challenging tools", thereby forming a large bubble. This has indeed taught us a lesson. Therefore, I hope Members will not consider me too conservative. I only hope that we can advance and expand in a steady manner.

Madam President, insofar as laying a sound foundation is concerned, in order to promote the development of our financial markets, we must take root in local industries and ensure that our markets are developed in a balanced and healthy manner for the purpose of laying a healthy and firm foundation.

Of course, our local industries would also like to take part in the Olympics, apart from playing boxing and mahjong, in a bid to fetch international gold medals and get into the international sports arena.

In his Budget speech, the Financial Secretary mentioned the concept of financial reform, particularly in improving the infrastructural facilities of the financial markets and reforming the regulatory system. Although he has only focused on the securities and futures markets, I think what he said is also applicable to various financial markets and products.

I must point out that we also require the co-ordination of software, in addition to hardware. The Government must use all means available to speed up the training of local financial experts who have a long-term commitment in Hong Kong, including regulating experts in the related fields. Various tertiary institutions and the Hong Kong Securities Institute, which is now moving on the right track, should indeed play an active role in nurturing and training talented people. In Hong Kong, the Mainland as well as the international markets, there are a lot of talented people who have received their education or training. Through publicity, we can attract these people to come to Hong Kong to serve us and develop their talent here so as to enable us to compete with others.

It has been a long-standing practice for officers-in-charge of supervisory organs and department heads to rely on expatriates, reflecting the fact that the

flow of the human resources market is not conducive to the recruitment of talented people by regulatory organs. And according to my observation, perhaps the regulatory strategy is a bit biased for the myth that "the local ginger is not hot enough" and that the international market will have no trust in it. Furthermore, it is necessary for the regulator to adjust or change its means and mentality of regulation, and by that I mean the securities and futures sector. After all, our sector remains unconvinced as regards why a regulator and a person being regulated is frequently described as having a "police-and-thief relationship"?

Therefore, I am definitely not trying to be overly fastidious in wording in deleting "being a market regulator" and substituting with "regulating the market appropriately" for actually it is not proper for us to be too loose or too stringent. While the industry fears that "there will be no fish for the water is too clear", the regulator fears that "there will be no fish when the water is too turbid"; how then can we strike a proper balance? It is regrettable that in spite of the fact that the regulator has wasted so many resources, including expenses amounting to tens of millions of dollars, the industry still has the impression that the regulator is "acting unfairly" for the focus of attention is to combat the weak only and it has, more often than not, made a great fuss about the trifles. Such a regulatory effect is indeed unsatisfactory. I earnestly hope that financial officials can improve their communication in a bid to allay the worries of the industry in a concrete manner.

As regards my proposal of ensuring that local operators of small and medium businesses be given room for survival and development, some Members and officials feel uncomfortable with it for they fear that I am trying to advocate protectionism and that will be detrimental to the upgrading of Hong Kong's status. Actually, the expression "local and overseas operators" was first introduced by Mr CHAN. I have no intention to interpret "local operators" as "Chinese-funded operators". I believe Mr CHAN will also agree, in order that small and medium operators can compete with international overseas operators in a level playing field, we cannot just rely on a "conventional expression" or "empty talks". The reality is simply not fair.

I have no intention to restrict international institutions to compete for business. As a matter of fact, they are in a far better position in fulfilling various requirements and there is competition among them as well. Our small and medium operators are not "jealous" of them. Neither are they complaining

that other people have snatched away many of their businesses. It is only that local operators have absolutely no future nor opportunities. Neither can they see where their future or opportunities lie. Should the Government not try to do something to remedy the situation? Should the operators be made to struggle for survival and leave the scene even earlier?

Let me cite the promotion of the capital and foreign exchange markets as an example. According to the Financial Secretary, we must provide better co-ordination to encourage China's capital and exchange businesses to make better use of Hong Kong's services. But what happen to Hong Kong's businesses? We should make sure that we still have great power and potential. Furthermore, we must raise our status so that we will not need to confine ourselves to using other peoples' markets and services. Other people will need to utilize our markets and services as well. Of course, this is not going to change overnight. We require co-ordination of various elements, including the operating ability of the industry. Nevertheless, the Government should lay down a policy objective to promote and help small and medium operators to develop properly so as to enable them to "fight" or compete with international financial operators one day. Unfortunately, Mr Bernard CHAN was "beaten up" like this today (in the football pitch only). But I greatly admire his combatant spirit.

Madam President, in early May, I toured the Ocean Park with an officer in charge of the security commission in China. In the Atoll Reef, we saw big fishes, sharks, medium-sized fishes and tens of thousands of colourful small fishes as well as tropical fishes. These fishes, whether they are big, medium, or small, were swimming in the water leisurely. Is it not very nice that they all have their room for survival?

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

Mr FUNG Chi-kin moved the following amendment:

"To delete "level playing field" and substitute with "fair, liberal and highly open operating environment"; to delete "being a market regulator" and substitute with "regulating the market appropriately"; to delete "designating specific officials to help sustain local financial development and promote" and substitute with "strengthening first the functions of the departments responsible for financial affairs in promoting"; and to add "and secondly, in promoting market development, give due

consideration to the market's overall capacity, prevent all forms of manipulative and unfair competition, expedite the training of local professionals including qualified supervisory personnel in the financial sector, and ensure that operators of small and medium businesses have room for survival and development, so as to enhance Hong Kong's status as a financial centre and facilitate a balanced, sustainable and healthy development of the market" after "Hong Kong's financial services throughout the world".

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

MR JASPER TSANG (in Cantonese): Madam President, Mr Bernard CHAN's motion stresses the point that our financial markets should have a level playing field. I believe no one will object to this principle. What we need to explore is how we can create a level playing field for the local industry and international enterprises, what elements a level playing field should embrace and how we can safeguard these elements.

Madam President, in a debate held in this Council last month on reforming our securities market, Members raised no objection to the securities industry's move to catch up with global trends and enhance our competitive edge in the international community. We are all aware that securities transactions will soon undergo a revolutionary change and this will bring enormous challenges to the industry. A few days ago, the Hong Kong Trade Development Council held a large scale exhibition on Hong Kong currencies and investment in Hong Kong. Among the various activities held, a seminar organized by foreign securities firms on Internet investment has attracted many participants. We are also aware that the Charles Schwab & Co. Inc., the largest Internet dealer in the United States, has actively studied the possibility of trading Hong Kong stocks on the Internet, for transaction fees will then be cheaper and investors will find it more convenient to operate their accounts. The increasing popularity of making transactions on the Internet has become an irresistible trend. Technological innovation has also brought stringent challenges to local small and medium securities firms.

Similarly, our banking and insurance industries need to carry out reform for they are faced with overseas competition too. Recently, we can see the

banks fighting among each other for the property mortgage market. The situation is more or less the same as what our electioneering teams do in lobbying for votes during election campaigns. Competition in the banking sector is so fierce that we can see the banks fight against each other in introducing mobile telephone banking, Internet share speculation, finance services and so on.

Recently, we saw that the local small and medium banks began to collaborate with one another and one of their objectives is to compete for the provident fund market. This is because they understand it very well that if they do not unite and co-operate with one another, they will find it extremely hard to compete with large banks. Whether small and medium enterprises in the local financial sector can come out as champions in the new competitive environment will, first of all, depend on whether they can catch up with the historic trend and cope with the new demands of investors. They should not resist reform or fear competition. On the contrary, they should support reform and welcome competition. This is the basic thing they should do.

While the struggle for markets is moving towards globalization, we need to note whether international consortium with tremendous strength will "bully the weak", thereby depriving the local small and medium enterprises of their room for survival? For instance, will large Internet securities firms from overseas countries, by virtue of their experience and technology in trading on the Internet and the important information on international finance they have on hand, make an all-out effort in expanding their market in trading Hong Kong stocks, thereby leading to unfair manipulation of information and thus posing threats to the survival of the local small and medium securities firms?

We have always stressed the importance of creating a good environment to facilitate the development of Hong Kong's small and medium enterprises. This is because these enterprises, which take root in Hong Kong, are an important pillar of the Hong Kong economy. Is it not true that local small and medium securities firms, banks and insurance companies have played an important role in the development of Hong Kong's financial industry? If they are eventually weeded out for their failure to compete with the powerful international consortium, it will definitely produce an adverse effect on the development of Hong Kong's financial industry.

Faced with the challenges brought about by new investment technologies, what should the Government do and what can it do to ensure that small and

medium operators have room for survival? To start with, various regulatory institutions should pay close attention to the development of investment technologies as well as constantly reviewing and updating their principles and scope of regulation. The Government should also pay close attention to the strategies adopted by overseas operators in expanding business in order to prevent local operators from being treated unfairly. At the same time, the Government should, by various means, help local industries acquire more knowledge in new investment technologies incessantly. At present, Hong Kong still finds it difficult to nurture financial professionals of international standards. As a result, we often need to identify regulatory personnel in the financial field from abroad. To enable Hong Kong to develop as an international financial centre, is it necessary for us to have a pool of locally nurtured financial professionals so as to raise our status as a financial centre?

Madam President, the rapid technological development in our financial markets has produced a profound impact. According to an information paper entitled "*The Challenge on Change — the Evolution of Smaller Stock broking Firms*" published by the Stock Exchange of Hong Kong Limited last year, changes taken place in the securities markets in the United States and the United Kingdom over the past two decades have been resulted mainly from two factors: the first one is related to costs; the second one is related to the need to invest in technology in order to cope with the popular use of computers by clients. Of the two factors, the latter is more important. In accommodating external competition, the Government and financial regulators should also make good preparation to safeguard the room of survival for local operators and to ensure a fair trading environment.

Madam President, the Democratic Alliance for the Betterment of Hong Kong (DAB) supports Mr FUNG Chi-kin's motion in ensuring that operators of small and medium businesses have room for survival and development. Of course, the DAB fully supports the original motion in urging the Government to promote Hong Kong's financial services throughout the world. We consider the proposal desirable as far as it can enhance external promotion of our financial service industry, regardless of whether the original motion is in support of designating specific officials or whether the amendment is suggesting strengthening the functions of the departments responsible for financial affairs.

Faced with fierce international competition, we only fear that our publicity work is too little, rather than too much. The Government should

indeed strengthen its financial departments as a whole in carrying out external publicity and lobbying work, empower the Financial Services Bureau to carry out external publicity, give timely replies in response to overseas remarks, actively engage in promotion, as well as consolidating the status of Hong Kong's financial industry in the international community.

With these remarks, Madam President, I support the original motion and the amendment on behalf of the DAB.

PROF NG CHING-FAI (in Cantonese): Madam President, when some Asian countries, such as South Korea, Indonesia, Singapore and so on, which have similarly been tormented by the financial turmoil, took the lead in registering in the first quarter of this year that their economic growth, which has been forgotten for quite a long time, has started to pick up and indicated for the first time a sign of revival, some local officials boasted that Hong Kong would be "the first to stand up in the storm". Unfortunately, today, we are still wandering about in the economic predicament where the spending desire is low and the unemployment rate standing high. As the Government and various sectors in the community are putting forward, one after another, new directions for development in such areas as developing industries of innovation and high technology, Chinese medicine as well as biological technology in order to speed up the revival of the Hong Kong economy, we should not forget such industries as finance and tourism on which Hong Kong used to rely on for success, and consider how to enhance the competitive edge of these industries with a view to opening up a bigger global market and help Hong Kong to emerge from the economic depression.

Over the past few decades, the financial service industry, accounting for as much as 15% of the Gross Domestic Product, has been the principal industry driving Hong Kong's high growth. With the further opening of the global financial market and the integrated external environment, however, competition in the financial service industry has become more stiff. As the saying goes, "not to advance is to go back". If we do not make an effort to expand and open our financial market, we will lose our established dominance in this area.

Speaking from an overall direction, I agree with the motion of "facilitating the financial industry" as put forward by Mr Bernard CHAN and Mr Fung Chi-kin, particularly the point concerning active promotion of Hong Kong's

financial services throughout the world for the purpose of opening the financial markets. I believe other Members in this Council will not raise any objection too. Nevertheless, I would like to express some of my opinions on some specific details.

To start with, Mr FUNG mentioned in his amendment that the Government should, in promoting market development, give due consideration to the market's overall capacity to prevent the market from being manipulated by large, foreign investors. I wholly agree with this point. Although the Asian financial turmoil has brought great pain to various Asian countries, it has taught them, including Hong Kong, a precious lesson. As a result, developing countries are now aware that, in actively opening and liberalizing their local financial markets, they should pay attention to whether there is adequate corresponding regulatory measures in co-ordination in order to prevent their markets being manipulated by large, foreign firms because of excessive openness. Hong Kong should, in particular, make reference to this point. This is because in terms of the total face value, our financial markets are still very small compared to other international financial cities. Therefore, comparatively speaking, it is easier for Hong Kong to be manipulated by speculators.

In my opinion, in facilitating the development of our financial markets, the Government should provide a sound environment to ensure that all market participants can compete fairly. However, the Government must bear in mind not to assist small and medium businesses by means of excessive administrative measures for that will violate the principle of fair competition. At the same time, we should not underestimate the ability of the free market to make automatic adjustment. In the long run, market forces will compel small and medium businesses with low efficiency to merge until they reach a suitable scale in order to enhance their efficiency and compete with the so-called "big firms". As the weak will be eliminated and the strong remain in the free market, it is indeed difficult for the Government to really "ensure" that operators of small and medium businesses have room for survival and development as mentioned by Mr FUNG in his amendment. Furthermore, the introduction of information technology to our financial service industry and transactions on the Internet have now become a new, irreversible trend in the international community. During the process, large businesses with huge financial resources will definitely occupy a better position in terms of resources. To avoid making Hong Kong, as an international financial centre, lag behind other competitors in the development

of information technology with respect to global finance, the Government should pay even more attention to ensuring that it will not adopt any measures that will stifle the introduction of information technology to the local financial markets.

Lastly, Mr Bernard CHAN proposes in his original motion that the Government should "designate specific officials to help sustain local financial development and promote Hong Kong's financial services throughout the world". I think this is open to discussion. I agree that, in facilitating the development of local financial markets and promoting Hong Kong's financial services to the world, the Government should indeed play an active role. The Government's role is the same as the important roles played by the Hong Kong Trade Development Council (TDC) and the Hong Kong Tourist Association in promoting Hong Kong's external trade and tourism. But will a designation of specific officials to do the job provide the best solution?

To start with, it is not only the financial service industry which requires active government promotion. For instance, the Government also needs to actively develop industries of innovations and technology and the information technology industry. If an independent official is designated to promote each industry to the world, will it make our government structure, which is already overstaffed, even more redundant? Judging from the angle of efficiency, should we consider setting up a semi-governmental organ like the TDC to take charge solely of assisting local industries to open up overseas markets?

Finally, most officials in the government structure are administrative officers who are good at public administration rather than being specialized in the financial industry. Therefore, I am of the view that in order to "help sustain local financial development and promote Hong Kong's financial services throughout the world", it will be more effective for semi-official organs to recruit financial experts who are well versed with the development of the financial markets from Hong Kong as well as from abroad than designating government officials to do the work.

With these remarks, Madam President, I support the motion.

DR DAVID LI: Madam President, financial services are among the most successful of Hong Kong's exports. And, in terms of value-added, they are almost certain to grow in importance in the years to come. The Government

recognizes this and, indeed, plays an important role in the success of the financial sector.

It does so, first and foremost, by ensuring that Hong Kong is simply a good place to do business. And, specifically, it provides and continuously enhances a world-class regulatory environment and infrastructure for financial services. The Hong Kong Monetary Authority, the Securities and Futures Commission, the Financial Services Bureau and other bodies deserve every praise. They make an invaluable contribution to the competitiveness of this vital part of our economy.

It has been suggested that the Government could, and should, do more. In particular, it has been suggested that the Government is not doing enough to promote Hong Kong's financial services around the world. To us in the banking industry, this criticism seems completely unwarranted. In the view of the Finance Functional Constituency, the Government is, in fact, doing an extremely good job.

It is completely out of order to criticize our officials for not assisting us in improving market access. As representative of the Finance Functional Constituency and Chairman of the Chinese Banks' Association, I have visited Beijing on many many occasions over the years.

I have talked with Premier ZHU Rongji and the Governor of the People's Bank of China, Mr DAI Xianglong, to discuss the unfairness of the limitations on smaller Hong Kong banks. Anyone who knows anything about banking in Hong Kong knows that our government officials have given us tremendous support on this and other matters.

I have also accompanied senior government officials on trips to the United States, Europe and the Region. Believe me when I say that they spare no efforts in promoting Hong Kong. In addition, the Hong Kong Trade Development Council (TDC) has a Services Promotion Department, which has a section dedicated to financial services. Furthermore, many of us in the industry, including myself, lobby for Hong Kong on our overseas trips and meet overseas media when they visit Hong Kong.

I am not saying that there is no room for improvement. But I am saying

that we should resist the temptation to think that the Government can, let alone should, do everything. Too many people these days seem to forget the importance of the *laissez-faire* principle. We abandon that principle at our peril.

It is not the responsibility of the Government to sell the goods and services produced by our private sector. If we start to go down that road, we will end up emulating economies that are far more backward and less successful than ours. The next step would be tax breaks for favoured activities. After that, there would be calls for protectionist barriers.

We need to look forward, to a world in which governments should be and would be smaller and markets would be more open. We already have a head start over our rivals in this respect.

Madam President, we all know that the Government has an important role to play. It has a clear duty continuously to enhance our regulatory systems and infrastructure. And it is doing so, and doing so well. It has a duty to ensure that we have a fair tax system, an open market and a level playing field. Again, by and large, it is doing so well. It has a duty to work through the appropriate channels, such as the World Trade Organization, to improve access to overseas markets. And again, it is doing so well.

Of course, we should always seek improvements wherever possible. Where trade promotion is concerned, perhaps the TDC could allocate more resources to the financial services. Perhaps it could review and broaden the role and membership of its Financial Services Advisory Committee. At the very least, perhaps it would be helpful if the TDC took a new name, to reflect the importance of invisible trade to Hong Kong, perhaps "Hong Kong Means Business" or something like that. I would be most interested to hear the views of the financial services industry, the TDC and the Government on these matters.

However, Madam President, I believe that the industry — and the taxpayers — can be spared yet another bureaucracy. I know that I speak for the overwhelming majority of banks in Hong Kong when I say that I do not see a need for the Government to establish a new organization to promote Hong Kong's financial services.

MR RONALD ARCULLI: Madam President, I think Dr the Honourable David LI just delivered a speech far better than I could, and I agree really with 99.9% of the things that he said, so I will try to be very brief.

I have been a Member of this Council since 1988. In the debates concerning legislative measures or policy areas that required new decisions, I suspect that I have been involved in most, if not all, of them. This is the first time that I hear the private sector actually asking the Government to intervene, and saying that the Government is not doing enough.

I confess that I am not entirely acquainted with the insurance industry and therefore, perhaps in my ignorance, if I make any remarks that are considered unfair or any unwarranted criticism, I will be forgiven. But I think that I know the banking and securities industry reasonably well.

As far as the banking industry is concerned, Dr LI has already told us how it has developed. One of our Hong Kong-based banks is a multi-national international bank, probably ranking within the top five banks, if not higher than that, in the world. They did not develop by being mollicoddled or by being given favoured treatment or being given access to markets. They had to fight, and I am quite sure that they had to have some assistance in terms of lobbying through governmental sources, particularly the British Government in the old days.

As far as the securities industry is concerned, of course, it generally tends to be a home-grown industry, and Hong Kong is no exception. I imagine that our securities industry really got off the ground from the really old-fashioned Hong Kong Stock Exchange as it was called then, in the early 1970s when the Far East Stock Exchange and the Kam Ngan Stock Exchange were formed. And I think that those two exchanges had really put Hong Kong on the securities map of the world with their development. After a period, we needed consolidation, but there remained small proprietors and small and medium firms within the brokerage industry that continue their business in their own modest way even up till today.

I think it is only fair to say that they have certainly made a huge contribution to Hong Kong in the past and I hope, with a little bit of foresight, they will continue to do so in future. But the game has completely changed

from a domestic market or from a regional market. The financial industry now is global. Not any company in any given country, however strong today, if it does not live up to the times and deliver the services to its customers at the cheapest possible cost, will be able to survive. My concern is not whether our local stock broking companies will survive. I have no doubt that they will, because if they are unambitious and if they only handle their local clients, they will fear no competition because their clients have special needs. My concern really is that, with the globalization of the securities industry, one day it may implode. It will get so cheap that no one will be able to do any business profitably.

As far as the insurance business is concerned, I hear the Honourable Bernard CHAN complaining about workmen compensation insurance and the fact that it is highly competitive and they have been losing money for the last 13 years. One wonders how many insurance companies in Hong Kong have actually gone bankrupt in the last 13 years because of that continued loss. All of us in this Council are clients of the insurance industry. I am a limited client because I do not believe in it, but then I am a gambler.

But I think as far as the workmen compensation insurance is concerned, we understand that the insurance companies are going through tough times. Perhaps because of certain decisions, certain levels of compensation were not anticipated at the time and thus they have got to do a little catch-up, but that they have. That happens in any industry where it is competitive. I am quite sure that when Mr Bernard CHAN asks for a level playing field, he is not asking for a playing field that is levelled against multi-national insurance companies and in favour of local insurance companies. I think that what he means is a genuine level playing field.

Now, if that is the case, if it means that our industries in financial services or otherwise have to consolidate or to merge, so be it. Our banking industry, in terms of our small and medium banks, is facing the same difficulty concerning the cost of delivering business.

I think Mr CHAN also mentioned that in one particular development, 40 banks competed for the mortgage business. I have said this before and this is one of the few criticisms I have of our banking industry: They are generally speaking not banks. Any time you deal with the bank, it wants bricks and

mortar. It wants some real estate, it wants some security and does not have to think about anything. It does not have to assess the business, whether the management is good, how long the company has been in business and whether it will be in business for a long time to come. You give the bank a flat, a garage or a shop, and you get some money. If that does not work, the bank wants a guarantee from you. But our banking business, again, has to learn to cope with that.

What I really would like to say is that, in terms of developing Hong Kong's financial services, I would like to see, and this is where I think the Government has taken a lead, Hong Kong developing itself into the debt capital market of Asia. That is what we need. And I think it was really through the foresight of the Government, and some encouragement from myself, that the Hong Kong Mortgage Corporation was formed as a first step. We have a long way to go, but I think we really need to pull together.

Thus, why are we sitting here complaining that we do not have the skills, the education or the capital, and we need doors open to us? Why do we need doors open to us? Hong Kong is a wonderful place to do financial services business. Get big enough in Hong Kong and you will grow naturally.

Hence, I say this to my friends that I am sorry that we, as the Liberal Party, cannot support either the original motion or the amendment simply because we do not believe in too much government intervention.

MR SIN CHUNG-KAI (in Cantonese): Madam President, during a motion debate held on 5 May on the reform of the securities and futures markets, I pointed out that the reform and liberalization of the financial markets have now become a global trend. Industries concerned must make unceasing efforts to advance by going beyond Hong Kong and facing the world for survival. Technological development will break all obstacles and bring global competition. Therefore, if Hong Kong chooses to set up barriers to protect local industries, it will eventually be eliminated as a financial centre. The Democratic Party would like to stress that we object to protectionism in principle.

Being a veteran politician in Singapore, Mr LEE Kuan Yew pointed out that Hong Kong should compete against Shanghai rather than Singapore. This statement has, unfortunately, rightly described the situation of Hong Kong's exchange market, which was originally behind that of Singapore. Now it has

not only failed to catch up with Singapore, but also lagged constantly behind. According to the Bank of International Settlements, Singapore is still holding the fourth position in terms of exchange transactions, but Hong Kong has already dropped to the seventh position.

Apart from making this famous statement, Mr LEE has also made some remarks which we should bear in mind. He pointed out that, with advancement made in information technology, international enterprises are now competing with Singapore's local enterprises through various channels. Let me cite the banking industry as an example. As Internet banking has become increasingly popular, the policy previously adopted by Singapore for the purpose of restricting the number of foreign banks' branch offices to give more room to local banks to grow has gradually lost its significance. As a matter of fact, I used not to be impressed by the remarks made by Mr LEE in the past. But what he said illustrates the fact that even an active-intervening government needs to face the reality by adopting an open policy, instead of holding fast to old practices, in order to prepare for global competition. Recently, Singapore has gradually liberalized its banking sector.

As regards the rapid development of the derivatives market, Mr FUNG has expressed his worries in the first paragraph of his letter and the need to give due consideration to the market's overall receptibility. But I want to remind him that Prof Y C JAO of the Department of Economics and Finance of the University of Hong Kong pointed out in 1996 that Hong Kong's financial markets had lagged behind that of Singapore, and the derivatives market was one such example. Our opponents will only leave us far behind if we continue to show reluctance to move forward.

Recently, problems pertaining to the transaction rights of the new exchange have once again triggered off controversy. It is reported that the Government has originally proposed to liberalize the exchange two years from now. However, brokers have asked for an extension of the transition period. The Hong Kong Stockbrokers Association has, on past occasions, even asked for a transition period of five years. As a matter of fact, the speed of technological development, particularly Internet transactions, is really shocking. Just now, some Honourable colleagues have mentioned this point. In fact, I did mention Internet transactions last year. Such technological development is not going to be reversible. To date, 10 million customers have opened accounts with Internet brokers. The two-year transition period given to the new exchange is

indeed not too short. Extending the period for liberalizing the transaction rights will only stifle the development of Internet transactions, running counter to the global trend.

Hong Kong has been developing at a slow pace with respect to Internet transactions. At present, we have only approximately six Internet broker's firms. One important barrier to development is the setting up of protective barriers, such as the minimum commission system. It will be difficult for Internet transactions to break through because the rate of commission charged on Internet transactions is more or less the same as that charged by traditional brokers. Let me cite an example. Merrill Lynch, a large, traditional broker's firm in the United States, has been slow in developing its Internet transactions. But recently, it was forced to announce that, by the end of this year, it would provide full Internet transaction services to its clients to prevent it from losing some clients who are now paying a lower rate of commission.

For this reason, Hong Kong must break the market barrier imposed by the minimum commission system and liberalize transaction rights for the promotion of Internet transactions. At the same time, we should put the third generation transaction system in place expeditiously and examine compensation problems pertaining to Internet transactions.

We think fair competition is the key to promoting the development of the financial industry. The Democratic Party has all along supported fair trading. To this end, we will propose legislation pertaining to fair trading. In doing so, we can bring more market opportunities to enterprises on the one hand, and enhance the creativity of enterprises on the other. As regards measures to facilitate enterprise development, the Democratic Party has been urging the Government to employ relevant measures to encourage enterprises to provide training and invest in technology. For instance, the Government can consider granting double tax deduction to spending on training and investment in technology, profits tax concession and so on.

The Democratic Party considers that the existing Financial Services Bureau and the Business and Services Promotion Unit have managed to promote Hong Kong's overall financial industries. As regards whether there is a need to create additional posts, Mr HUI is already one of the responsible officials. I think it is of no relevance as to whether or not he has travelled abroad. Does it mean that he will do a better job if he travels abroad more frequently and not so good if he travels less? I think this is not the case.

According to NASDAQ's President, about 10 to 12 listed companies

would be listed in Hong Kong by the end of this year, and three to six companies from Hong Kong would be listed in the United States. The Democratic Party thinks this is a good sign. It is in fact our hope that our exchange can foster similar links with more international or regional markets. It is now a global trend for financial markets to liaise with one another and move towards globalization. To this end, the industry should upgrade its skills and knowledge and seize the new opportunities emerging in the market.

Mr FUNG mentioned the point that the Government should ensure that operators of small and medium businesses have room for survival and development. I have to stress that there is no measure that can ensure room for survival if we do not make progress. Therefore, the crux of the problem lies in making progress. I do understand that Mr FUNG is trying to stress that the Government must map out some measures to ensure fair competition. As the Democratic Party is all along in support of fair competition, we will, in this motion debate, support the original motion and the amendment. Our views are indeed similar to those of Mr Ronald ARCULLI. It is only that we might differ in the conclusions we make. Similarly, we object to excessive government interference. We think liberalizing the market is the prerequisite and the general trend. Any unnecessary protective barriers are superfluous. Thank you, Madam President.

MR KENNETH TING (in Cantonese): Madam President, the Liberal Party has all along held the view that, to enable Hong Kong to continue to play its role as an international financial centre, our financial markets must remain fair, liberal, open and highly transparent in order to attract local and overseas investors. Because of all these merits, a great number and variety of banks and financial institutions have come to Hong Kong to develop their business. Our financial industry has accounted for more than 10% of GDP. Hong Kong's stock market is also the 10th major market in the world, next only to Tokyo in Asia. Although our performance has slightly dropped because of the Asian financial turmoil, Hong Kong still stands firm as an international financial centre.

Therefore, the Liberal Party agrees that we should urge the Government to continue with its effort to keep the local financial markets fair, liberal, open and highly transparent. Nevertheless, the Liberal Party cannot agree with some of the contents of the original motion and the amendment.

To start with, Mr Bernard CHAN has in his original motion demanded the Government to designate specific officials to help sustain local financial

development and promote Hong Kong's financial services throughout the world. In this respect, the Liberal Party is of the view that there is basically no need to designate other officials for specific officials and departments have already been assigned to deal with the relevant matters. At present, the Financial Secretary is responsible for managing Hong Kong's finance and officials responsible for financial policies. The Financial Services Bureau, under the Financial Secretary, is responsible for financial affairs. In addition, we have such organizations as the Hong Kong Monetary Authority and the Exchange Fund Advisory Committee to tie in with our work. We do not see any need for the Government to designate officials to take up the relevant duties. As for overseas publicity, apart from the abovementioned officials and departments, our overseas offices can also play a helping role. We must also point out that we cannot rely solely on the Government to carry out overseas publicity. The relevant industries must actively participate in and tie in with the publicity work in order to achieve satisfactory results. We simply cannot expect we can do a good publicity job just by creating a new post.

As we have already had designated officials and departments doing the job, we must, first of all, strengthen their functions and co-ordination and enhance their efficiency, instead of designating other officials. This is because undue division of work and repetition of duties are not going to be cost-effective. What is more, our government structure will constantly expand and subsequently be burdened with an excessive number of staff, thereby wasting our resources.

The problem with Mr FUNG Chi-kin's amendment lies in his request for the Government to "ensure that operators of small and medium businesses have room for survival and development". This might trigger off disputes among large and small businesses and even among foreign and Chinese investors, and this is not going to be conducive to Hong Kong's overall financial development. In addition, as far as the Government's role is concerned, it should try to, as far as possible, act as a market regulator only by first considering Hong Kong's overall interests and maintaining a level playing field. Moreover, it should refrain from any involvement with the interests of market participants so as to avoid a conflict of interests.

As I said before, it is imperative that the local financial markets should maintain a fair, liberal and open environment. Once our image of being a fair market is damaged, or the Special Administrative Region Government is misunderstood as discriminating against or excluding certain institutions, or perhaps even foreign investors consider Hong Kong's protectionism is becoming increasingly strong, the inflow of capital from overseas will certainly be affected. Apart from dealing a blow to the Hong Kong economy, this will undermine Hong Kong's status as an international financial centre.

Madam President, I so submit.

MR NG LEUNG-SING (in Cantonese): Madam President, after going through the financial turmoil, the development of the global financial industry is now facing a new opportunity. Some emerging markets are now actively carrying out restructuring. Some have even made preparations for further liberalization. Faced with the powerful challenges of these emerging markets, Hong Kong's financial industries, including such industries as banking, securities and insurance, need to further perfect themselves.

While the Mainland is adopting a reformative and liberal policy to actively fight for accession to the World Trade Organization, how can Hong Kong maintain its original dominant position and rise to a higher position? Should Hong Kong fight for any concessionary treatment and what should we fight for? This is going to be a principal direction to be taken by our financial industries for the purpose of self-perfection. Premier ZHU Rongji has, on past occasions, asked Hong Kong to examine how it can strengthen its position as an international financial centre. One of the important points before us is how Hong Kong can strengthen its co-ordination with the pace of mainland markets in carrying out reform and liberalization for the purpose of fighting for a better position for development. For instance, Hong Kong can provide more and better foreign exchange management services for China and make an effort to act as an important transaction, receipt and despatch centre while the Mainland tries to liberalize its financial markets. Apart from strengthening its status as an international market for mainland enterprises to seek a listing and raise capital, Hong Kong should at the same time strengthen its ability to attract other Southeast Asian enterprises to raise their capital here. As far as this issue is concerned, there is no doubt that we must ask the financial industries to enhance

their appeal and competitive edge on the one hand and ask the relevant government departments to make certain efforts of publicity on the other.

Naturally, it is necessary for Hong Kong to strengthen the training of local personnel in order to maintain its status as an international financial centre. To this end, we need to establish the Financial Services Institute, on top of the financial schools under tertiary institutions, to nurture talented people who are able to meet the market demands, oriented mainly to practical operation as well as having good knowledge in management. This will greatly help Hong Kong's financial industries maintain their competitive edge.

Madam President, it is necessary for Hong Kong, as a market for international financial markets to raise capital, to strengthen the diversification of products. In particular, faced with the global trend of technological development, the financial industries need to speed up opening new business spheres by such means as reining in the innovations and technology and even raising capital for high value-added manufacturing industries and information service industries. With a high rate of return, these newly-emerged industries have been expanding rapidly on a global scale. But, at the same time, there is a relatively high risk attached to this. They can be extremely challenging, so to speak. The local financial industries need to familiarize themselves with the businesses and operation of these newly-emerged industries and refrain from undue reliance on financing business in connection with property mortgages. To achieve this, the Government and the financial regulators need to engage in active promotion for this will also be conducive to the implementation and operation of the venture market in future.

In facilitating the financial industries, the Government also needs to take up the role of properly handling the financial regulatory system. One of the measures for facilitating fair competition is to enhance the transparency of financial information related to the Hong Kong branch offices of offshore banks to ensure that they are in compliance with the basic operational requirements that local banks need to observe so as to give better protection to clients. In addition, subject to the prerequisite that the banking system is able to operate in a stable manner, the Government should revoke the Interest Rate Agreement step by step. This step will further enhance the liberalization and competitiveness of the market. Of course, in the course of reforming the market, we must not act too hastily for safety and stability are the basic requirements and here is where the consumers' interests lie. In contemplating

perfecting the financial industries and the banking supervision system, the Government must not ignore these factors.

In my opinion, the major spirit of the original motion is worthy of recognition. Perhaps it is the hope of the mover that the motion can produce a bigger driving force for the insurance industry. As regards whether it is more practically effective for the Government to designate officials to help the sustained development of the entire financial industries compared to the existing arrangement, I have certain reservations. As far as the notion of facilitating the financial industries is concerned, the amendment does not differ greatly from the original motion. The request for strengthening the functions of the departments responsible for financial affairs is somehow still practical. As it is, of course, necessary for us to ensure that operators of small and medium businesses have room for survival and development, we must face squarely the fact that, to enable Hong Kong to upgrade its status as a genuine international financial centre, any measures adopted must stress that small, medium and large enterprises as well as local, mainland and foreign enterprises will all have room for survival. Only through a fair and balanced consideration and development in such aspects as law, taxation and regulation can we have a long-term and effective policy.

Madam President, I so submit.

DR RAYMOND HO (in Cantonese): Madam President, I believe no one will raise objection if I say the financial industry is the lifeline of Hong Kong. In fact, we can sense the importance of the industry from the impact of last year's financial turmoil on Hong Kong and its after-effects on our economy. Despite the fact that other countries hold different views on the way Hong Kong handled the financial crisis, we unanimously agree that, compared to other Southeast Asian countries, Hong Kong was better equipped to guard against this extraordinary Asian financial turmoil because of its more open and sophisticated financial structure. Although we can say that Hong Kong has been able to pass the test this time, it does not mean that there is absolutely no problem with our financial industry. Last year's financial crisis can be said to have sounded a warning.

The fact that Hong Kong has all along been considered as having a fair and liberal financial market has become a major factor enabling Hong Kong to become a financial centre in Asia and even the world. To further develop our financial industry, we must observe the principle of fairness and openness. In

the wake of last year's financial crisis, some people worried that Hong Kong's financial market was excessively open and this would make it easy for the market to come under the manipulation of external speculators. As the financial industry would affect other industries and thereby affect the overall development of Hong Kong, they were doubtful as to whether we should liberalize our financial industry. In my opinion, liberalizing the financial markets is not the same as liberalizing them blindly, thereby creating a non-regulated market. A healthy financial market should be equipped with a sophisticated regulatory system; and a liberal market should not be subject to manipulation. On the contrary, a market without regulation will easily give rise to various defects and weaknesses.

Insofar as regulation is concerned, we must ensure that the principle of fairness and openness is observed. The Government should regulate the market properly to ensure that all market participants have rules to observe and that transactions can be made in a fair environment. Setting up a sophisticated, regulatory system as well as a fair system will help Hong Kong promote the local financial services industry throughout the world. Driven by technological development, financial industries of various places will foster links which are closer and more important than before. In formulating rules on regulation, we also require close co-operation of the international community to prevent the occurrence of another international financial crisis.

To promote Hong Kong's financial industry, the Government should play a more active role and designate specific officials to assist the development in this area. As the financial industry is a relatively professional and complicated field, the relevant financial departments of the Government must have an adequate number of experts on this in order to publicize our financial services on a global scale.

With these remarks, Madam President, I support Mr Bernard CHAN's motion.

MR CHEUNG MAN-KWONG (in Cantonese): Madam President, Hong Kong's financial industry is now facing fierce competition from countries in the region. The Democratic Party therefore agrees that the Government should help promote our financial services industry in order to further consolidate Hong Kong's status as an international financial centre. But in publicizing Hong Kong to the outside world, it is more important for us to ask ourselves whether

the local market is attractive enough, whether we can catch up with the development of the international market in providing sophisticated facilities and diversified products, whether we have adequate professionals, and whether we have a regulatory framework of world-class standard?

The Democratic Party greatly welcomes the financial reform measures taken by the Government in the wake of the financial turmoil, which include improving the market's infrastructural facilities, perfecting the market structure and so on. But no matter how ideal our market structure is and how sophisticated our facilities are, it is most important for major companies in the financial market, whether they are listed or not, to examine whether or not their quality is satisfactory. Over the past year or two, several companies of considerable size recorded serious losses because of mismanagement. Subsequently, both creditors and investors incurred enormous losses and this had unavoidably affected the reputation of the local financial markets. Other Asian countries affected by the financial turmoil, including Taiwan, Malaysia, China, Thailand and Japan, have actively put forward various reform proposals to enhance management standards for companies and protection for shareholders. As for the local Government, it has seldom touched upon this area. The Democratic Party earnestly hopes that the Government can speed up the progress of the relevant work in due course, perfect the corporate management frameworks and upgrade the local regulatory standard.

The financial turmoil has also exposed the problem pertaining to the quality of intermediaries and financial employees. Last year, there were 7 400 claims against negligence of securities traders, involving a total of \$5.3 billion. In addition, there were more than 200 cases involving the failure of investment consultants to observe relevant rules. There is still much room for the local financial employees to improve their practice conduct. We also welcome the formal establishment of the Hong Kong Securities Institute at the end of last year. Apart from providing professional training for securities employees, the Institute should impart in trainees more knowledge on the local regulatory framework and put emphasis on training in professional conduct. At the same time, the Government should consider further reinforcing the status of relevant accredited professional qualification in order to enhance the overall quality. As for individual training institutions and professional training provided for financial industries other than the securities industry, the Government should enhance co-ordination for relevant courses and professional examinations. This will enable the relevant training to better cope with the developmental needs of the

profession, thereby raising the overall quality of local financial employees to a world-class level.

The professionalism of regulators is equally important. With the rapid development in the financial industry, investment tools of increasing complexity have emerged one after another. Added with the application of information technology, this has brought great challenges to the financial regulators. Any loopholes in the regulatory framework and even a slight lack of sensitivity to financial products on the part of regulatory staff might give rise to the next financial turmoil. Therefore, we desperately need to recruit regulatory personnel of a world-class standard in order to cope with the rapid development of the industry.

On the question of developing financial services, apart from consolidating the dominant position of the existing banks and securities industry, the Government should also actively assist the development of other businesses. One of the factors determining whether Hong Kong can really become an international financial centre in the region is whether it can provide comprehensive financial services. Looking back at the local foreign exchange market, we have been overtaken by Singapore, which has, next to Japan, become the biggest market in the Asia. In recent years, the transaction volume of the local foreign exchange market has been going down instead of going up. The daily average net transaction for last year dropped 13% compared to four years ago. Our ranking in the world has also dropped from the fifth to the seventh. On the contrary, Singapore registered a dramatic increase of 32% in the daily average net transaction during the same period. As a result, the gap between Hong Kong and Singapore has become wider and wider.

As regards the development of the bonds and fund markets, there are still enormous development potentials. With the establishment of the mandatory provident fund, the local bonds and fund market will have a huge opportunity for development. To enable Hong Kong to develop as a major bonds and fund market in the region, the Government should play a more active role in promoting the development of the local market, particularly in promoting the participation of individual investors. At present, the penetration rate for the local mutual funds is only 4%. Compared to the 12% and 37% registered respectively by Japan and the United States, we have huge potentials for growth.

The Government should indeed consider enhancing the circulation of the mutual funds and strengthen regulatory legislation related to such business so as to increase its popularity in the personal investment market. Apart from these, the Government should also provide adequate resources or assistance to encourage the industry to make more effort to upgrade employee training.

With these remarks, I support the original motion and the amendment.

MR AMBROSE LAU (in Cantonese): Madam President, there are two major aspects in facilitating the development of Hong Kong's financial industry: one is to open and liberalize the financial markets in order to enhance the competitive edge of our financial industry on a global scale; the other is to, as pointed out by Prof Y C JAO of the Department of Economics and Finance of the University of Hong Kong: "The Asian financial turmoil taught us not to lower our regulatory standard and quality to attract financial businesses for it will be very bad if we loosen regulation as a means to lure customers."

These two aspects are equally important. Therefore, we should not take Mr FUNG Chi-kin's amendment to Mr Bernard CHAN's lightly for the amendment is related to the fundamentals that enable Hong Kong's financial industry to develop healthily. This is because the best solution is to look after both aspects.

Madam President, the openness and free competition of some major financial centres in the world, such as New York and London, is commensurate with their world-class regulatory standard. Moreover, the transaction volume of these super financial markets is enormous. For the Hong Kong market, its transaction volume only accounts for a few percentage points of that of New York. Taking into account the fact that Hong Kong's financial markets are not adequately regulated and our transaction volume is relatively small, we must, as pointed out by Mr FUNG Chi-kin, put special emphasis on three principles in order to develop our financial markets: (1) market development should base on its receptibility; (2) the market's sustained development should take root in local industries; (3) the market must give due consideration to the room for survival

for businesses of different scales in order to develop in a balanced manner.

Madam President, there are a lot of uncertainties as to whether the Asian financial turmoil is completely over. We cannot afford to be complacent just because the Hong Kong Monetary Authority (HKMA) has won an out-right victory in intervening in the market last August. This is because external factors have played an important role in leading to victory, apart from the fact that the Government had, in total disregard of devastating failures, acted with resolution in times of emergency. For instance, a hedging fund has suffered devastating losses in Russia because of severe currency devaluation, a number of hedging funds are involved in financial crises, the United States Federal Reserve Board has made several attempts to slash interest rates and the US dollar has weakened abruptly. All these external elements have done the HKMA a great favour at that time. Therefore, we still need to learn from the lesson of the Asian financial crisis. In liberalizing and opening up the market, we should, at the same time, take into account the market's capacity and ensure competition as well as strengthening supervision.

Madam President, in the course of opening and liberalizing the financial markets, we should, in particular, attach importance to the speed of development and supervision of the local derivatives market. In the past, the local derivatives were thrown into the market too hastily. As a result, there was a lack of supervision and a lack of understanding on the part of general investors. Because of these two weaknesses, some derivatives have become a tool for international speculators to stir up disorder. Under such circumstances, if derivatives are introduced into the market too hastily or in excessive numbers, it will be detrimental to Hong Kong's financial industry.

Our paramount task is to strengthen training for the people specialized in the local financial industry, particularly people specialized in supervision. It is not until lately that Hong Kong, in the face of restructuring our financial regulators, found that there was a lack of local talent. It is indeed worrying if there will be a conflict of interests if Hong Kong's financial markets rely excessively on overseas experts in exercising supervision. The Government must attach importance to nurturing local professionals to enable the lifelines of Hong Kong's financial industry to take root and grow, instead of falling into the hands of overseas experts like rootless floating weeds.

Madam President, for the purpose of developing the market, we must note

whether the competition is balanced and fair and prevent monopoly by large investors. At present, the Government tends to invite large operators to take up the responsibility of restructuring the HKMA, rendering consultancy service in respect of investment of government-owned shares, as well as engaging in the management and investment of provident funds. This will be detrimental to the development of small and medium operators for their opportunities of participation will be restricted. It will be conducive to the long-term healthy development of the market if we can avoid monopoly. Therefore, we should take into account the room for survival for the local industry in order to ensure fair competition.

Madam President, the Government should play an important role in facilitating the development of the financial industry. I agree to the proposal of strengthening the functions of the departments responsible for financial affairs. As far as promoting Hong Kong's financial industry is concerned, there is still room for the Government's existing financial departments to reinforce and reform their functions and structures.

Madam President, I so submit.

PRESIDENT (in Cantonese): Mr Bernard CHAN, you may now speak on Mr FUNG Chi-kin's amendment. You have up to five minutes to speak.

MR BERNARD CHAN: Madam President, I would like to make one specific point on the Honourable FUNG Chi-kin's amendment. I hope that Members will share my point and agree to turn down the amendment.

Mr FUNG urged the Government to ensure that operators of small and medium businesses have room for survival and development. It sounds very good, as small and medium operators are great in numbers but small in market share. Foreign capital is dominating, no matter in banking, insurance or securities sectors, but does it mean that we have to give positive discrimination to small and medium participants? Will it be interpreted as a move to squeeze out foreign funds?

This motion has aroused much attention to the financial industry. These

days, I am receiving numerous phone calls from representatives of foreign companies. Some of them are overwhelmed by the worry that the Government is about to interfere in the market to achieve a balance. I understand that this is a rooted sense of insecurity prevalent in the expatriate community.

I believe that both local and foreign capital has much to contribute to the financial sector. The Government's role is to create a level playing field for all market participants without bias and prejudice. The determination of the Government to achieve fairness and remain disinterested is one of the pillars of public faith. I do not want to shake the precarious faith by agreeing to Mr FUNG's request to strengthen certain parts of the market.

In my opinion, the Government should take care of the entire sector. The industry must pull together in order to strive after expansion and consolidation. Any debate on large or small, indigenous or foreign operators will lead to nowhere. Out of this reason, I oppose Mr FUNG's amendment.

I am moving this motion to create a platform for an exchange of thoughts. I believe that only visionary insights are capable of embracing us with new hopes. Singapore has been crowned as the world's second-most competitive economy after the United States. Hong Kong is ranked the seventh. Singapore's highest acclaim lies with the government support of business through adopting its policies to changes in the economic environment. Under the Monetary Authority of Singapore, which is merely equivalent to the Hong Kong Monetary Authority, there is a marketing division and a department for financial sector promotion responsible for marketing the financial products.

Please do not get me wrong. I am not suggesting that the Singaporean style should become our style, or else the Secretaries concerned would take half an hour to spell out fundamental differences between the two. I am suggesting that a change in our mind is a must. The Government should display discerning leadership in order to line up support from the industry.

Thank you.

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President and Honourable Members, I have carefully listened to Members' speeches just now. Although they have discussed today's subject from

different angles, they share a common point in that none of them have advocated the adoption of protectionist measures by the Government of the Special Administrative Region (SAR). At least no one has spoken for it to my knowledge. I believe that none of the Members are in favour of protectionism. Otherwise, Hong Kong will take a retrograde course in its economic policy and the development of the financial markets.

The overall economic policy of the SAR Government is to constantly consolidate our strength and maintain our competitiveness. Our time-honoured policy is to create a favourable environment for doing business and fair competition, to put in place appropriate legal and regulatory framework to ensure that all market participants can compete with each other in a level playing field which can also adequately safeguard their interests.

Under the free-market and market-oriented principle, we firmly believe that competition is the best guarantee for facilitating the effective operation of the market. As far as the financial services sector is concerned, we will not and should not grant special subsidies to small and medium financial services providers in Hong Kong or give them preferential treatment in policies. We believe that there is room for survival for both big and small firms in a free market. For example, small firms are in a better position to offer tailor-made services with high yields. As a matter of fact, small and medium enterprises are characteristic of Hong Kong and they are one of the contributory factors for our success. A high proportion of participants in the securities market in Hong Kong are small investors who have a strong demand for the intermediary service offered by small and medium firms.

As a member of the World Trade Organization (WTO), Hong Kong must fulfil its international obligations. Apart from maintaining an open and fair business environment, the service sector in Hong Kong, like other sectors involved in foreign trade, has to compete in the international market and follow basic trading principles, including most-favoured nation status, provisions concerning national treatment, the removal of market barriers as far as possible and so on. My colleagues from our office in Geneva, the Trade and Industry Bureau, the Trade Department and the Financial Services Bureau were actively involved in the Uruguay round of talks and the negotiations on financial services sector in 1997 with a view to striving for the best possible conditions for Hong Kong's financial services sector to enter the market. We have consulted this sector on such talks and have briefed this sector and the Legislative Council on

the outcome. As a signatory to the relevant agreements, we must not backpedal on our commitments to the WTO concerning the maintenance of an open market. We also know that our country is actively implementing the reform of state-owned enterprises, which will take a long time to complete. Once our country becomes a member of the WTO, it will face tough competition and challenge from abroad immediately. But the leadership of our country is far-sighted and has the courage and ability to take on the challenge and actively strive for WTO membership and pursue the open-door policy. In view of this, should the Hong Kong SAR take a retrograde course to protect the interests of certain sector or the interests of a handful of people in the sector after opening up the market for so many years?

On the other hand, especially as far as the financial services sector is concerned, apart from ensuring fair competition, the Government must also consider how to maintain market stability and protect the interests of investors. In other words, we should not protect the interests of certain companies which lack competitiveness without taking into account risk management and the protection for investors. Everybody has to earn a living. But we must bear in mind that we depend on business for a living. We must be careful about how to safeguard the interests of our clients.

Generally speaking, I believe that Members will not dispute our policy for openness and fair competition, at least in principle.

Hong Kong is an international financial centre. Article 109 of the Basic Law goes so far as to specifically stipulate that the SAR Government must provide an appropriate economic and legal environment for the maintenance of the status of Hong Kong as an international financial centre. At present, the service sector makes up 85% of Hong Kong's Gross Domestic Product (GDP) while the financial industry accounts for 10%. The promotion of Hong Kong's financial industry is one of the principal policies of the SAR Government which has allocated resources far higher than 10% for this purpose.

As mentioned by several Members earlier, over the past four years, both before and after the reunification, the then Governor, the incumbent Chief Executive, the Chief Secretary for Administration and the Financial Secretary have made over 50 trips to different countries in the world. They have made

use of every opportunity to promote Hong Kong's service sector and the financial industry was, of course, included. They have gone to the United States, Canada, Britain, New Zealand, Australia, Brazil, Chile, North Europe, Turkey and so on. In some of these promotional activities, these top government officials of the SAR led delegations of businessmen to promote our financial industry and other service industries in other places. A case in point is the current visit to the United States, Canada and Mexico by the Chief Secretary for Administration along with more than 10 business leaders, including Mr Andrew SHENG, Chairman of the Securities and Futures Commission.

The tasks for these promotional delegations are arduous and their schedules hectic and tight. They usually stay one or two days in one place. Starting from working breakfast, they usually have eight or nine, sometimes up to 14 items on the agenda every day. These trips are quite demanding and not everyone from the business sector is willing to participate when invited. Nevertheless, I believe that Mr Bernard CHAN will be happy to join if invited as he is young and energetic and will be able to cope with the task.

Furthermore, I believe that everybody knows that the Financial Secretary has set up the Business and Services Promotion Unit under his office, which is tasked with the responsibilities to co-ordinate and support the promotion of the service sector in Hong Kong, and the financial industry is an important part of it. In the past three years, under the leadership of the Financial Secretary, the Unit has put forward a number of important proposals on the promotion of the service sector with the financial industry being one of the core items of promotion.

On the other hand, Members probably know that one of the principal functions for the SAR Government's overseas offices is to promote Hong Kong's service sector, including its financial industry among the people abroad. They have done a lot in updating governments and business sectors in other countries on the latest development and business opportunities in Hong Kong to enable them to grasp the facts and details about Hong Kong as an international financial centre. For example, the London Office held five seminars and symposia related to financial affairs in 1998 alone, in addition to liaising with the financial sector and industrial and business departments in London on a frequent basis. Moreover, overseas investment promotion units in various

overseas offices have been concentrating on promoting Hong Kong as a place to set up captive insurance or reinsurance business over the past two years. Although only one company has set up such business to date, as mentioned by Mr CHAN, under the present tax system in Hong Kong, we will not adopt any additional measures in principle to attract individual companies because we have to take into account the overall environment. However, we will continue to strive for more reinsurance and captive insurance business to be transferred to Hong Kong.

Several Members talked about the work of the Trade Development Council (TDC) just now. I would like to briefly respond to them.

As mentioned by Mr Bernard CHAN, Britain has a private organization called British Invisibles which consists of private and quasi-official organizations for facilitating the development of the financial industry. Like Mr CHAN, I also met a delegation from this organization, the members of which were business leaders from major financial institutions and none of them were government officials. Its operating expenses were footed by members from the business sector. As far as I know, the Lord Mayor of London is not a government official and he is a chief executive from a private company elected as the Mayor. I believe Mr CHAN will correct me if I have any misunderstanding in this respect. Therefore, my understanding is that this organization does not have any government official.

In Hong Kong, apart from the efforts made by the Government, private and semi-official organizations are also involved in such promotional activities. Sometimes, their members join delegations led by the Chief Executive, the Chief Secretary for Administration and the Financial Secretary to visit other countries.

The TDC has set up the Financial Services Advisory Committee which is responsible for promoting the financial services. The Committee has been in operation for more than two years and its members come from financial institutions, such as those working in the banking and securities industries. In addition, representatives from regulatory bodies, such as the Hong Kong Monetary Authority, the Securities and Futures Commission and so on, have also joined the Committee. The Financial Services Bureau is also represented in the Committee. The Committee offers advices to the TDC so that the TDC can take into account the views of those from the relevant industries when planning and organizing promotional activities and secure their participation and

support.

Over the past two years, the TDC has organized a total of 10 overseas promotional activities related to the financial industry in various parts of the world, such as Britain, the United States, and Germany, in addition to seminars and roadshows held in Hong Kong.

Apart from the TDC, other financial regulatory bodies, such as the Securities and Futures Commission, the Monetary Authority, Office of the Commissioner of Insurance and the Stock Exchange of Hong Kong, are also partly responsible for market development. Therefore, various promotional activities held by them every year have enabled other countries to have a more comprehensive understanding of Hong Kong's financial industry. For example, the Commissioner of Insurance made three visits to Britain, Japan and the United States in the past two years to promote Hong Kong's insurance industry. The Chairman of the Securities and Futures Commission and its executive directors, the chairmen and chief executives of the two exchanges have also gone to various places around the world on more than 10 occasions to promote Hong Kong's financial industry.

Every year, the Business and Services Promotion Unit mentioned earlier also puts forward 10 major proposals for promotional activities. One of our main missions for this year is to enhance the promotion of Hong Kong as a major international financial centre in Asia. As pointed out by Dr David LI, we will suggest that the TDC broaden the role of its Financial Services Advisory Committee so that the Committee will not only provide the TDC with professional advice but also co-ordinate the promotional activities organized by various financial regulatory bodies, market operators and business organizations, in order to enhance their effects and avoid the concentration of such activities in a few cities. Such co-ordination could include designating a particular theme for all promotional activities in respect of the financial industry every year so that major promotional activities can be conducted effectively and systematically around the world.

In addition, we also suggest that the representativeness of the Financial Services Advisory Committee be broadened to make it more representative and plural. For example, representatives from small and medium firms could be invited to join the Committee.

We believe that, with improved co-ordination and broadened representation on the Committee, the promotional activities for Hong Kong's financial industry will be more effective, hence its image as a major international financial centre in Asia will be more vividly projected to the world.

On the one hand, the purpose of the abovementioned promotional activities is to attract more overseas investors to Hong Kong's financial industry. On the other hand, by joining official delegations to visit other countries, representatives from the business sector in Hong Kong will have opportunities of exchange with overseas governments and businessmen and will therefore be better informed of the business opportunities there, and this can serve as an excellent start for financial companies in Hong Kong to enter other markets. Nevertheless, I must reiterate that, in accordance with the most favoured nation status provision and the principle of national treatment with which members of the WTO are required to comply, we should not ask the governments of those host countries to give preferential treatment to individual businessmen. We have treated overseas financial firms equally in the granting of licences and supervision.

Human resources have always been a precious asset for Hong Kong. Hong Kong depends on highly adaptable and well-trained personnel to maintain its position as a leading international financial centre, in order to meet the challenges in the future. Courses are being offered at various universities and the Vocational Training Council for training more qualified personnel for the financial industry.

Moreover, various financial regulatory bodies have also adopted various measures to improve the quality of those working in the industry. For example, the Office of the Commissioner of Insurance is launching the Insurance Intermediaries Quality Assurance Scheme under which insurance agents or brokers must receive adequate training and pass certain examinations before they can be registered or authorized. They must receive further professional training in the future in order to maintain their registration or authorization. In addition, financial institutions, tertiary institutions and the Hong Kong Securities Institute have offered training courses for those working in the financial industry.

In December 1997, the Government set up a steering committee composed of representatives from the financial services industry and those in charge of

major education and training bodies to study how to enhance the training of qualified personnel for the financial services industry, such as the necessity and feasibility of setting up a Financial Services Institute. The steering committee has commissioned a consultancy study on the demand and supply of human resources development needs in the financial industry and the direction for the development of human resources. The consultancy study was completed in April and it pointed out that quite a number of bodies, such as universities, occupational training bodies, professional organizations within the industry and large companies had already offered professional and technical courses in financial services, such as actuarial and insurance studies. On the other hand, one of the major barriers to the development of human resources in the financial industry is the failure on the part of the industry itself to reflect clearly its training needs, in addition to the lack of a standing mechanism for communication between the industry and training bodies.

The steering committee is studying the views of the consultants and will forward its recommendations to the Chief Executive by August, with a view to enhancing the co-ordination in the training of personnel for the financial services industry.

With regard to qualified supervisory personnel, we are of the view that staff of regulatory bodies must have adequate understanding of the market as well as operational experience. We will therefore take on suitable personnel from the market if necessary. They will undergo different training after joining the regulatory bodies. For example, the Monetary Authority runs basic regulatory courses and offers a Master's Degree course in banking in co-operation with the City University. In addition, the Monetary Authority also engages experts from the industry to provide supplementary training. On the other hand, the Securities and Futures Commission organized a total of 84 internal courses last year with 2 000 person-times participating and more than 100 of its staff members also took more than 70 training courses organized by outside bodies.

One or two Members said that quite a number of the incumbent supervisory personnel of the financial industry (I believe they referred to the Securities and Futures Commission) are expatriates. I wish to point out to Members that this is not because we have shown discrimination and preference in the appointment exercise. Regulatory bodies also hope to employ the most suitable people regardless of whether they are foreigners or locals. As Hong

Kong is an international financial centre, we should have a wider view of the world. In fact, our experiences indicated that when we offered to employ some qualified locals, quite a number of them would say that as Hong Kong was such a tiny place, they were reluctant to join regulatory bodies for fear of antagonizing people of the same trade because they wished to continue to remain in the sector. We have had many such experiences. Nevertheless, we will still give priority to local talents and there is no question about this.

Several Members mentioned the WTO. I wish to briefly respond on this subject. If China becomes a member of the WTO, it will bring many benefits to Hong Kong and the financial industry is also expected to be benefited. The Financial Secretary has set up a task force to conduct an analysis and a preliminary assessment of the impact on the Hong Kong economy and various trades and industries of China's accession to the WTO and the Financial Services Bureau is of course represented in the task force. We are actively studying the impact on Hong Kong's financial industry of China's accession to the WTO. I am aware that a Member will raise an oral question on this subject at next week's Legislative Council meeting and the Secretary for Trade and Industry will give more details on this then.

Madam President, in summary, I wish to point out that had Hong Kong not been a fair, liberal and open market, it would have been unthinkable that so many financial companies around the world have chosen Hong Kong to do business. Why has such a tiny place as Hong Kong become a leading international financial centre? The Government firmly believes that it is very important for Hong Kong to maintain a level playing field and continue to make effort to promote Hong Kong's financial industry. The Government is very appreciative of Members who have expressed views today for our benefit in this respect. We will take into account their views when formulating our strategies in the future. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the amendment moved by Mr FUNG Chi-kin be made to Mr Bernard CHAN's motion. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr FUNG Chi-kin rose to claim a division.

PRESIDENT (in Cantonese): Mr FUNG Chi-kin has claimed a division. The division bell will ring for three minutes.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): If there are no queries, I declare that voting shall now stop. The result will be displayed.

Functional Constituencies:

Mr Michael HO, Dr Raymond HO, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr CHAN Wing-chan, Mr SIN Chung-kai, Dr Philip WONG, Mr LAW Chi-kwong, Mr FUNG Chi-kin and Dr TANG Siu-tong voted for the amendment.

Mr Kenneth TING, Dr David LI, Mr Ronald ARCULLI, Mr Bernard CHAN, Dr LEONG Che-hung, Mrs Sophie LEUNG and Mr Howard YOUNG voted against the amendment.

Geographical constituencies and Election Committee:

Mr Albert HO, Mr LEE Wing-tat, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Kong-wah, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Mr YEUNG Yiu-

chung, Mr Ambrose LAU and Miss CHOY So-yuk voted for the amendment.

Miss Cyd HO, Mr LEE Cheuk-yan, Miss Emily LAU and Mr HO Sai-chu voted against the amendment.

Mr NG Leung-sing abstained.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 17 were present, 10 were in favour of the amendment and seven against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 20 were present, 14 were in favour of the amendment, four against it and one abstained. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was carried.

PRESIDENT (in Cantonese): Mr Bernard CHAN, you may now reply and you have one minute 32 seconds out of your original 15 minutes.

MR BERNARD CHAN: Madam President, thanks to our Honourable Members of the Liberal Party and Dr the Honourable David LI who have just denied their support to the motion. I wish I had another hour to debate with you all on your arguments. It clearly shows how little you understand the complexity of the issue.

Regulation is good, but it is not enough. The industry is ready for hand-in-hand co-ordination of efforts for the good of the economy. Is the Government ready for it? I hope that a positive reply will eventually come. And by the way, the United States, Canada and Mexico are all parties to the

World Trade Organization, but they also share special concessions under the North Atlantic Free Trade Area (NAFTA).

Thank you.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Bernard CHAN, as amended by Mr FUNG Chi-kin, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

(Mr FUNG Chi-kin rose, Members sitting next to him were talking in a low voice)

PRESIDENT (in Cantonese): Mr FUNG Chi-kin, are you rising to claim a division?

MR FUNG CHI-KIN (in Cantonese): No, I am not. *(Laughter)*

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections and by the Election Committee, who are present. I declare the motion as amended passed.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 23 June 1999.

Adjourned accordingly at 16 minutes to Ten o'clock.

Annex I

WRITTEN ANSWER

Written answer by the Chief Secretary for Administration to Mr James TO's supplementary question to Question 3

A breakdown of the number of occasions on which individual Executive Council Members declared direct and significant interests in matters laid before the Council during the period from 1 July 1997 to 8 June 1999 is attached herewith for Members' reference.

Appendix

<i>Executive Council Members</i>	<i>No. of occasions on which Executive Council Members declared direct and significant interests and withdrew from discussion of the items concerned from 1 July 1997 to 8 June 1999</i>
Chief Secretary for Administration	3 (the position held by a close relative in a company in connection with the items of discussion)
Financial Secretary	0
Secretary for Justice	0
Dr the Honourable Sze-yuen CHUNG (now retired)	23 (as non-executive directors of a number of companies)
The Honourable LEUNG Chun-ying	0
The Honourable YANG Ti-liang	1 (a position in an association)
The Honourable Mrs Nellie FONG WONG Kut-man	4 (a remunerated position in a company)
Dr the Honourable Rosanna WONG Yick-ming	2 (a remunerated position in an association and as non-executive director of a company)
The Honourable TAM Yiu-chung	11 (personal interest in the items of discussion)
Dr the Honourable Raymond CH'IEN Kuo-fung	1 (as non-executive director of a company)
The Honourable Charles LEE Yeh-kwong	5 (as consultant in a company)
The Honourable Henry TANG Ying-yen	8 (personal interest in the items of discussion)
The Honourable Antony LEUNG Kam-chung	2 (as Board member of a corporation)
The Honourable CHUNG Shui-ming	2 (as Board member of a corporation)
Total	62

Annex II**WRITTEN ANSWER****Translation of written answer by the Secretary for Economic Services to Mr LEE Cheuk-yan's supplementary question to Question 4**

The Marine Department has in total 23 patrol crafts and 50 patrol officers responsible for carrying out patrol work and in 1998, 65 575 hours have been spent on patrol duties. Apart from maintaining the safety of maritime traffic, the enforcement of the Shipping and Port Control Ordinance is also one of the main duties of patrol officers, which includes the prosecution of vessels emitting excessive black smoke.

In 1998, patrol officers have altogether performed 14 036 on-board inspections. If patrol officers on boarding the vessel for inspection, confirmed that the Shipping and Port Control Ordinance has been contravened prosecution will be lodged. The Marine Department will retain the prosecution records concerned. For cases in which no legislation has been contravened, the Department will not retain those breakdown statistics which include suspected cases of excessive emission of black smoke and so on.

Annex III

ADAPTATION OF LAWS (NO. 13) BILL 1998

COMMITTEE STAGEAmendments to be moved by the Chief Secretary for AdministrationClauseAmendment Proposed

Schedule 3,
section 1

By deleting "in Council".

Annex IV

ADAPTATION OF LAWS (NO. 15) BILL 1998

COMMITTEE STAGEAmendments to be moved by the Chief Secretary for Administration

<u>Clause</u>	<u>Amendment Proposed</u>
Schedule 3, sections 2(a)(i) and 9(a)	By deleting "in Council".
Schedule 4, section 5	By deleting "in Council".