

OFFICIAL RECORD OF PROCEEDINGS

Friday, 23 June 2000

The Council met at half-past Eleven 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 DAVID CHU YU-LIN

THE HONOURABLE HO SAI-CHU, S.B.S., J.P.

THE HONOURABLE CYD HO SAU-LAN

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

THE HONOURABLE ALBERT HO CHUN-YAN

THE HONOURABLE MICHAEL HO MUN-KA

IR 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.

THE HONOURABLE LEE KAI-MING, S.B.S., J.P.

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

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 MA FUNG-KWOK

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

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

THE HONOURABLE CHAN KAM-LAM

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, J.P.

THE HONOURABLE SIN CHUNG-KAI

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

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 TIMOTHY FOK TSUN-TING, S.B.S., J.P.

THE HONOURABLE LAW CHI-KWONG, J.P.

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

THE HONOURABLE FUNG CHI-KIN

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

MEMBERS ABSENT:

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

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

THE HONOURABLE RONALD ARCULLI, J.P.

DR THE HONOURABLE PHILIP WONG YU-HONG

PUBLIC OFFICERS ATTENDING:

MR MICHAEL SUEN MING-YEUNG, G.B.S., 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 GORDON SIU KWING-CHUE, J.P.
SECRETARY FOR PLANNING AND LANDS

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

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

MR JOSEPH WONG WING-PING, G.B.S., J.P.
SECRETARY FOR EDUCATION AND MANPOWER

MISS DENISE YUE CHUNG-YEE, J.P.
SECRETARY FOR THE TREASURY

MR LAM WOON-KWONG, J.P.
SECRETARY FOR THE CIVIL SERVICE

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

MR DAVID LAN HONG-TSUNG, J.P.
SECRETARY FOR HOME AFFAIRS

MRS LILY YAM KWAN PUI-YING, J.P.
SECRETARY FOR THE ENVIRONMENT AND FOOD

DR YEOH ENG-KIONG, J.P.
SECRETARY FOR HEALTH AND WELFARE

MR LEE SHING-SEE, J.P.
SECRETARY FOR WORKS

MR CLEMENT MAK CHING-HUNG, J.P.
SECRETARY FOR CONSTITUTIONAL AFFAIRS

MS MARIA KWAN SIK-NING, J.P.
SECRETARY FOR ECONOMIC SERVICES

MR RAYMOND WONG HUNG-CHIU, J.P.
SECRETARY FOR SECURITY

MS EVA CHENG, J.P.

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING

DR EDGAR CHENG WAI-KIN, J.P.

HEAD, CENTRAL POLICY UNIT

CLERK IN ATTENDANCE:

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

PURSUANT TO RULE 8 OF THE RULES OF PROCEDURE, THE CHIEF EXECUTIVE, THE HONOURABLE TUNG CHEE-HWA, ATTENDED TO ADDRESS THE COUNCIL AND TO RECEIVE QUESTIONS.

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

PRESIDENT (in Cantonese): I will invite the Chief Executive to address the Council.

CHIEF EXECUTIVE (in Cantonese): Madam President, today I would like to talk about two subjects: First, the latest economic development; and second, the issue of substandard piling works.

There was a very strong economic recovery in the first quarter of this year, with a growth of 14.3% over last year. What has pulled the strong recovery? Domestic investment, tourism, domestic consumption and foreign trade have grown significantly. All these factors have led to the healthy growth of the economy. What is our greatest concern? Will economic growth persist? I am optimistic about it. Of course, the rise in interest rate in the United States or the strength of the US dollar will bring about underlying worries, but given the sustained economic growth worldwide, especially in the Mainland, the Hong Kong economy will certainly benefit from it.

I would like to share certain local statistics with Members. There was strong growth in the tourist industry in the first quarter. The number of tourists has reached 12 million this year; the growth of foreign trade in the first quarter exceeded 20%. Despite the impact of the financial crisis on the branch offices set up in Hong Kong by multinational companies, 250 multinational companies that have set up branch offices here. In comparison with the previous year and the year immediately preceding, 2 000 information technology companies have been set up now. The Cyberport and Phase 1 of the Science Park have been almost leased out. It is no longer a dream to develop Hong Kong into a centre of innovation and technology. In 1999, the occupancy rate of Hong Kong offices rose to a record high of 5 million sq ft. Investment and consumption have grown by 5.6% and 14% respectively. These are all positive data and we can also find that there are signs indicating that economic growth this year will amount to 6% or above while it will be entirely possible to reach 4% next year. This year our country will accede to the World Trade Organization and the Disney theme park will be completed in a few years and the development of many infrastructure projects will continue. Hence, I remain optimistic about the economic development of Hong Kong in the medium term.

What we are much more concerned about is whether economic growth can improve employment opportunities. This is definite. In fact, experience tells us that improvement in employment opportunities will only arise some time after economic recovery and the unemployed will then be impressed by the good news brought about by economic improvement. Actually, the unemployment rate has dropped from the peak 6.3% in 1999 to 5.1%. Over the past year, we have created 120 000 new positions.

Another thing that we are most concerned about is the problem of uneven distribution of wealth. I fully appreciate that the low-income groups have been the hardest hit during the Asian financial crisis and the economic restructuring of Hong Kong. They are also those who recover most slowly. Moreover, it is more difficult for them to find a job once they have become jobless. I do not wish to see that these members of the public who are not only law-abiding but also diligent cannot share the fruit of economic recovery. How to bring them out of poverty is exactly a challenge to us. The key to it is how to devise certain better training and retraining programmes, including on-the-job training, so that they can give full play to their talents in a new environment.

I am also concerned about and well aware of the importance of a stable property market and understand the hardships caused by negative assets. We do not want to see a further downward adjustment in property prices because this will influence consumer sentiment and in turn affect the local economic recovery. Actually, we realize that the most important investment in one's life is housing, so we not only wish to have a peaceful environment for accommodation, but also hope to receive a reasonable return in investment, especially investment in this respect.

I further wish to talk about the issue of substandard piling works with Members.

I fully understand that the incident has aroused great public concern. Public safety has also been affected. Moreover, the costs of these projects are all publicly funded. In fact, the construction of public housing reached its peak in the late nineties. Under the situation of a tight construction schedule and contractors' intense competition for award of tender, problems could possibly arise in the quality of construction. I know the departments concerned have already been on the alert, but after all, it is impossible to prevent the occurrence of some substandard piling incidents.

The Housing Authority (HA) and the Housing Department (HD) are responsible for these incidents. Two years ago, the HA actively co-operated with the Independent Commission Against Corruption and initiated investigation into the case of suspected corrupt practices in Tung Chung foundation works. After the incident, the HD stepped up surveillance immediately. Since then, all construction works in progress had been subject to enhanced supervision and the HD even conducted a thorough investigation into the foundation works of all sites on its own initiative. Out of 370 buildings, apart from two blocks that had to be demolished, another six blocks had been found to require maintenance and preventive work. In this connection, the relevant work was started and fortunately, the remaining 362 buildings were confirmed structurally sound. The HA then stopped, but they did not feel at ease. Thus, the HA formed an independent inquiry panel headed by international well-known experts and once again a thorough investigation of all foundation works that were in progress was conducted. The investigation has now been completed. The inquiry panel points out that currently the methods used in the remedial work carried out on six buildings which are known to be defective are all correct and it has also been proved that the remaining 362 buildings are structurally sound.

In addition, the HA has fully reviewed the systems of procurement, training and supervision to make good the defects. The HA has also employed people at all levels of the industry to participate in drawing up a set of reform programmes. They have also reached a consensus on the general direction of reform and launched the reform activities on a full scale.

Furthermore, I have established a construction industry review committee to be chaired by the Honourable Henry TANG, with the special responsibility of studying the future direction of the construction industry and the ways of improvement. Honourable Members, home purchase is the most important decision of every family. We cannot accept inferior works on any account. The HA will not sell substandard buildings to the public either. The HA has full confidence and has decided to provide a 10-year structure guarantee for newly completed buildings and newly completed Home Ownership Scheme flats, and it will even provide a 20-year structure guarantee for newly completed buildings in Tin Shui Wai.

Honourable Members, the housing policy over the past 50 years has been constantly increasing the workload of the HA and the HD. The HD is the Housing Manager of 50% of the local population (that is, about 3.5 million people) and constructing 170 000 public housing flats. However, by contrast, the largest developers of Hong Kong could only construct 10 000 flats during the peak production period. We realized the need to take account of a wider scope of management very early on. There might be mistakes in the supervision of individual projects. Quite a lot of people also notice that the HA is independent of government departments and is an organization that formulates public housing policies, while the HD is a government department which executes policies of the HA. In addition, the Housing Bureau has staff responsible for the overall housing policy. Is this framework appropriate? Are the duties distinct? These are issues that we need to review promptly. Hence, I have asked the Chief Secretary for Administration to lead this task. At the same time, the Government will also establish a committee to look into the way or structure which will be most suitable for administering public housing projects and housing policies and to handle the relationship between the HA, the Housing Society, the HD and the Housing Bureau. Upon the establishment of the committee, we will invite the relevant professionals such as representatives of the construction industry and the engineering sector to participate in the work of this committee.

As regards the question of whether the Chairman of the HA and the Director of Housing will remain in office, I would like to present my views here.

Who shall be held responsible for the substandard piling incident? Although I am not directly involved in this work, from the constitutional point of view, I am also responsible as the Chief Executive of the Hong Kong Special Administration Region (SAR). Over the past few weeks, there have been a lot of criticisms against the Chairman of the HA and the Director of Housing. In fact, they are responsible for the substandard piling incident. Actually, they have accepted this responsibility and they have apologized to the public together with the other members of the HA. However, let us think it over. Given an overlapping structure and that the duties are indistinct, should they be solely held responsible for it? Previous policies have turned the HD into a large but difficult to manage organization today. Should they be held responsible? Does the undesirable practice of a small number of constructors over the years

make them responsible as well? I agree that they need to assume responsibility for the substandard piling incident, but how about the other top officials? And how about the other members of the HA? In fact, they disclosed the investigation of this substandard piling incident on their own initiative and also took the initiative in conducting an investigation into 370 buildings after discovering the problems. This deserves our attention. In fact, they have been serving the Hong Kong public wholeheartedly for many years. I suppose this is clear to all. I can easily ask Miss Rosanna WONG to resign or accept resignations tendered by both of them. But can this resolve the existing problems? At present, the most important job is to conduct a serious investigation into the incident and to ensure that problems will not recur. I therefore hope that Miss Rosanna WONG and Mr Tony MILLER will stay in office and to carry out work in this respect with assistance from both inside and outside the Government. On the contrary, if at this critical moment should both of them leave one after another, an administrative and legal vacuum would be created at the top level of the Government, which is not a good thing. I would like Members to understand that I am thinking in terms of the overall interests of Hong Kong.

In fact, Miss Rosanna WONG has tendered her resignation to me on a number of occasions, but I have urged her to stay on. Under immense pressure, she might tender her resignation to me again. When it comes, I may not be able to retain her again, but again I will try my best in the hope of getting her to stay on. As for the Director of Housing, Mr Tony MILLER, he is a serving civil servant not on political appointment, so unless there is evidence showing his misconduct or breach of discipline, his public office will not be affected. Many people are dissatisfied with the existing system, but under the existing system, whether the impeachment of a civil servant is proper, I think it deserves our careful consideration.

Finally, I hope to achieve several things through our concerted efforts. First, we can establish a construction industry in which Hong Kong can take pride; second, we can improve the efficiency and accountability in respect of managing and constructing public housing; and third, which is the most important point, we can ensure that the safety standard can be strictly enforced.

Thank you.

PRESIDENT (in Cantonese): The Chief Executive will answer Members' questions. If necessary, a Member can ask a short follow-up after his original question has been answered, but limited only to a request for the Chief Executive to further explain his answer.

A number of Members have pressed the "Request-to-Speak" button to indicate their wish to ask questions. If a Member wishes to ask a follow-up on his own question, please raise his hand to so indicate.

MR LAW CHI-KWONG (in Cantonese): *Madam President, I wonder if I am supposed to stand up while asking my question now that the Chief Executive is standing. I am sorry, Mr TUNG. I have resigned from my duties at the HA. I will tender my resignation to you later on. But now I am not going to ask questions relating to the HA.*

Mr TUNG just now enumerated some pleasing figures achieved by Hong Kong recently. Of course he also mentioned the problem of disparity between the rich and the poor. In 1997, there were only 88 000 families with an average monthly income of below \$4,000 in Hong Kong, but the number has increased to 178 000 in 2000. Three years after the reunification, the number of poor families has increased by leaps and bounds, just twice as much. May I ask Mr TUNG whether the SAR Government should be partly responsible for this?

CHIEF EXECUTIVE (in Cantonese): Mr LAW, under the impact of the Asian financial crisis, the local bubble economy has burst, giving rise to appropriate adjustment. Not only does this occur in Hong Kong, actually, it also takes place in the rest of Southeast Asia. As I have just said, firstly, the Government attaches great importance to the problem of disparity between the rich and the poor and is very concerned about it; secondly, we will adopt a new school of thought to figure out how to resolve the problem; and thirdly, the best solution is certainly sustainable economic growth. As we all know, after experiencing a negative growth in five successive quarters, the economy has improved gradually. Over the past two or three quarters, there has been healthy growth. If this continues, I believe that the environment will naturally turn for the better.

LAW CHI-KWONG (in Cantonese): *Madam President, just now the Chief Executive mentioned the new school of thought. However, he also said that the economy would continue to improve. This can hardly be considered a new school of thought because, just I have mentioned it repeatedly before, very often the boat will not necessarily go up when the river rises, for the swell of the river may even cause some boats to sink. Hence, how can those low-income families be really helped? Will the Chief Executive seriously work out some concrete measures to help them before making the next policy address?*

CHIEF EXECUTIVE (in Cantonese): Various government departments are studying the matter seriously. I hope I can brief the public about it in the near future.

MR WONG YUNG-KAN (in Cantonese): *Mr Chief Executive, after last year's finalization of the plan for the construction of the Disney theme park, a lot of reclamation and dredging works will be carried out in the next few years. The scope of such works would cover areas in the East Lamma Channel and the Ninepin Group (Kwo Chau Islands), and so on. Works in such areas adjacent to the Lantau Island cannot be expected to complete in a couple of years, but will stretch over a period as long as eight years at least. The fishermen who operate in these waters may be affected and they may suffer economic losses. Likewise, works carried out to construct the West Rail have also caused economic losses to farmers and those engaging in fish culture activities. How will the SAR Government improve their living and compensate for their losses?*

CHIEF EXECUTIVE (in Cantonese): Before we launch any infrastructure project, we will consider two points: first, the impact on the environment and the ecology; and second, the impact on the public. We would take extra care of these two areas. I know you all share my concern for the protection of the environment. Therefore, we will try to handle this issue as best as we can. As for members of the public who have suffered any losses in the process, we will work out a proper way to handle this in accordance with the existing statutory provisions. We will also make special allowances for individual cases.

MRS MIRIAM LAU (in Cantonese): *I am very grateful to Mr TUNG for his expression of concern for the homeowners who are plagued by the plight of negative assets. The Liberal Party has recently put forward to the Government four proposals to address this problem of negative assets. These include a temporary suspension of the supply of Home Ownership Scheme (HOS) flats, flexibility in the handling of land supply, the relaxation of the 70% mortgage loan ceiling and the alignment of mortgage loan interest rates for old and new buildings. The Liberal Party welcomes the announcement made by the Government earlier on suspending the sale of HOS flats and to change these flats as public rental housing. As for the other three proposals, there has been no response so far from the Government. Would Mr TUNG consider the remaining three proposals made by the Liberal Party?*

CHIEF EXECUTIVE (in Cantonese): Mrs LAU, I have mentioned earlier that we are very much concerned about the stability of the property market, especially in this initial stage of economic recovery. For a stable property market is vital to our economic recovery. What are our housing targets? To build more public housing flats and to turn HOS flats into public housing flats, so that the waiting period for applicants for public housing will be shortened to three years. We all know that in 1997, there were altogether 150 000 households on the Waiting List and the average waiting time then was seven and a half years. Under the latest arrangement, the waiting period can be shortened to three years and this can be achieved by 2003. That is a very important target and we will work hard to make this a reality.

Second, on HOS flats, we have recently made a number of announcements on that. We are making use of the downward adjustment in the property market to give another option to prospective home-buyers. We are providing a loan for them to enable them to buy a home in the property market. We are not offering them HOS flats. We have announced this plan on two recent occasions. The sale of a total number of 21 000 HOS flats has been postponed and the sale of a total of 16 000 HOS flats has been cancelled. The grand total is 37 000 HOS flats. I believe the HA is considering the provision of loans to those who originally intend to buy HOS flats to help them buy a home in the property market.

Third, we will keep a close watch on the property prices. The most important thing is to keep them at a stable level. As to the other proposals which you have mentioned, some of them involve the operations of the banking sector and the regulation of the banks. I think that should be worked out by the banks and their regulators before they can make any suitable response.

MRS MIRIAM LAU (in Cantonese): *Madam President, the proposal to relax the 70% ceiling for mortgage loans is not put forth only today. In September 1998, Mr James TIEN, the Chairman of the Liberal Party, moved a motion debate on this and it was passed by this Council. Now that two years have passed, has the Government done any in-depth studies and devised any concrete measures to address this motion passed by this Council which reflects a public demand for action?*

CHIEF EXECUTIVE (in Cantonese): Mrs LAU, about the 70% ceiling for mortgage loans, we need to consider the risk to be borne by the banks and the judgment made by the Hong Kong Monetary Authority. Therefore, we need to make the stability of the financial market as a whole our guiding principle for any action we may take in this respect. We believe that the series of actions we take will help stabilize property prices.

DR TANG SIU-TONG (in Cantonese): *Madam President, it seems that Mr TUNG was trying to gloss over the incidents of substandard piling works in public housing projects. I hope that it can really be done properly. Now blocks K and L in Tin Chung Court in Tin Shui Wai are tilting to such an extent that lifts cannot be installed there. The Housing Department owes us an explanation on this problem of substandard piling. Many engineers have said that the two buildings should be demolished. One consultant firm says that it would not be necessary. But there has not been any construction company that is willing to provide a remedy for that problem. If anything happens to these 40-storey buildings, who will be held responsible?*

CHIEF EXECUTIVE (in Cantonese): The buildings in Tin Shui Wai mentioned by the Honourable Member are two out of the six buildings that I have mentioned earlier. The HA and the HD have made an assessment and come to the view

that there will not be any safety problems whatsoever in these buildings after maintenance and repairs. They have also hired some experts of international repute to make assessments and similar conclusions have been reached. I have said earlier that I believe the HA and the HD will take responsibility on that and they are willing to offer a 20-year guarantee on these buildings. I do not think that the HA will put up any unsafe flats for sale, and they are very cautious on that.

DR TANG SIU-TONG (in Cantonese): *Mr TUNG, if in future these two buildings will tilt further or even collapse, or putting the safety of other residents at risk, then who will be held responsible?*

CHIEF EXECUTIVE (in Cantonese): That is a hypothesis. Should these buildings really collapse, the HA, the HD and the Government will all be held responsible. I have said before, that is something we will all be held responsible.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, the long-standing unemployment rate has caused hardship to a lot of people. Those middle-class home-owners are suffering from negative assets and they feel increased pressure of life. The policy of lump sum grant has demoralized those in the social welfare sector. Besides, the civil service reform has dealt a heavy blow to the civil servants. As many government departments are going to be privatized, many people are losing their jobs. The Chief Executive has said just now that many front-line staff are named in criticisms directed against them when some mishaps happen. The Comprehensive Social Security Assistance Scheme has been slashed for no sound reasons. As more and more jobs are contracted out from the Government, more and more people are subject to even greater exploitation. Wages get deplorably low. In circumstances as these, people's grievances can be felt everywhere. I think the Chief Executive is aware of the fact that recent opinion polls have shown that the people are not in favour of the government policies and they are not satisfied with the performance of the Chief Executive. I think the Chief Executive is a responsible person and you have said that you would take the responsibility. On the issue of substandard piling, not only the civil servants, but also the Chief Executive may need to take responsibility for that. At this time of widespread grievances, what kind of*

responsibility can the Chief Executive shoulder? How is he going to face the question of responsibility? How is he going to solve all these problems?

CHIEF EXECUTIVE (in Cantonese): This Honourable Member has asked about four or five questions. As for opinion polls, both my colleagues and I am very concerned, for these polls can remind us of the areas that we have not done so well and what should be improved. They also serve the purpose of reminding the Administration to have more communication with the public and to listen more to the people. They remind us of the areas that we should improve on. Therefore, I pay a lot of attention to opinion polls, and we have been trying our best to do better. Over these three years, we have introduced a lot of reforms, such as in education and in the Civil Service. In the area of environmental protection, we have plans for reforms. In the area of environmental hygiene, we have made arrangements for the two Municipal Councils and that is the so-called "scrapping" of the Councils. All these reforms are taking place all the time and at times I did ask myself, why are we making so many reforms?

We have heard the views from many people and they are saying that reforms must be introduced in the education sector. I take their views, for in the new knowledge-based economy, education should catch up with the times. There are some people who ask why we have to make reforms in the finance sector. Is our existing financial system not running well enough? If we want to make sure that Hong Kong will become an international financial centre, the financial reforms we have been carrying out are very important to achieving this goal. There is a sound reason behind every reform that we have launched. In this process, the interests of those groups operating in the system may be affected, so how are we to mediate this clash of interests? That is the challenge we have to take on. The world is changing very rapidly. If we cannot catch up with the times, then we will fall behind.

A few weeks ago, I went to Shanghai and I witnessed the city's tremendous progress with my own eyes. After I came back, I was overwhelmed with mixed feelings. I was glad to see the rapid progress which a major city in China is making in all aspects of life. I also saw those people walking in the streets of Shanghai are so proud of their city. I often say that when China is making progress, Hong Kong will benefit. I feel so happy because I know for sure that Hong Kong will benefit. But I also have some

worries, because I am not sure how should we go forward. Should we pick up a quicker pace? That will mean reforms. So we are really pushed by circumstances into making reforms. From the close of the 1980s to the beginning of the 1990s, the issue of reunification was very controversial and it involved the issue of people's livelihood and other issues as well. At that time, we did not handle these problems. Those problems straddling 1997 were even more controversial, but we did not deal with them as well. Is there no need to deal with these problems after the reunification? Or must they be dealt with in any case? If they are left unattended, what kind of impact will they have on us? All these are thorny issues which must be faced by the Government and the leaders.

Honourable Members can read from newspapers about reports on medical and health reforms. Is there a need to carry out these reforms? What long-term impact will these produce? What will happen if no reforms are made or when reforms are made? Some people may think that reforms are unwelcome, but there is no other way out. We do not have any other choice except to go ahead with these reforms for the long-term interest of the public. Right? In the process of launching or carrying out reforms, or in gauging public opinion, I think we can do better and we will work hard on these.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, I think the public will not oppose to the Chief Executive's attempt to carry out these reforms. But unfortunately the results of these reforms are not so welcome. The people are getting increasingly dissatisfied instead of otherwise. What we are most worried is that with the launching of more reforms, things will get worse. Madam President, the Chief Executive is elected by a small circle of people and not by means of the "one person, one vote" system and he is not subject to the monitoring of the people. At present, the polls show that the people do not find the Chief Executive's reforms acceptable. What is the Chief Executive going to do? How is he going to solve the problems? As I have asked just now, do we want to see the popularity ratings get lower as more reforms are launched? Are there some better choices than these? For example, in the coming elections, can the base of voters be expanded so that even the Chief Executive can be returned by the "one person, one vote" system? Will that subject the Government to monitoring by more people, hence making it more effective?*

CHIEF EXECUTIVE (in Cantonese): This Honourable Member has again asked many questions. The Basic Law has already stipulated the method for returning the Chief Executive and we must adhere to all of these stipulations. As for reforms, I have said that reforms are necessary and the pace should also be considered. We hope that we can do better in implementing these reforms and we will work hard on that.

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, the Legislative Council will soon hold a debate on the motion of no confidence in respect of Miss Rosanna WONG and Mr Tony MILLER and to ask them to take the political responsibility for the grave blunder in the substandard piling of the Home Ownership Scheme flats. It should be noted that this is no personal responsibility but a political responsibility. It remains of course that this is not the panacea to all of the problems we have. But a move like this will show that there is determination on the part of the Government to resolve these problems. And that will be an important start. The Chief Executive has said just now that he too is responsible. Now is the time for him to assume responsibility. Has the Chief Executive made the preparations to accept the decision to be made by the Legislative Council, no matter what it may be? Once this vote of no confidence is passed, will the Chief Executive ask Miss WONG and Mr MILLER to resign, so as to demonstrate that the Government has respect for the Legislative Council and public opinion, and that it has the boldness to assume political responsibility?*

CHIEF EXECUTIVE (in Cantonese): The boldness to take on political challenges and to accept their resignation right away are easy things to do. But we also need to have the boldness to face the reality. I have just explained that there is a lot of work to be done. They have all along been very committed to the affairs in our society and I believe that they can do it well. Given the taunting tasks ahead, what will happen if the vote of no confidence is passed by this Council? I think Honourable Members will know how I would react when the vote of no confidence motion is passed.

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, the Chief Executive has not answered my question. I ask whether the Chief Executive is prepared to accept any decision this Council may make with respect to the vote of*

no confidence motion on Miss Rosanna WONG and Mr Tony MILLER. If the decision would entail no confidence on Miss WONG and Mr MILLER, what preparations does the Chief Executive have on that? He should not wait until the Legislative Council has made a decision before he makes a decision. As a responsible Chief Executive, he has no justification to defer his consideration of the issue to the time when a decision has been reached by this Council. May I ask, what preparations the Chief Executive has made?

CHIEF EXECUTIVE (in Cantonese): Mr CHEUNG, do you think I would not consider questions like these? Certainly, I will. But for me to talk about it is another matter.

MR GARY CHENG (in Cantonese): *Madam President, I would like to say to Mr TUNG that as I have said in the letter I gave him yesterday afternoon, I have decided to withdraw from the Hong Kong Housing Authority after giving serious thoughts to it. Please do not urge me to stay. (Laughter)*

I would like to ask a question about housing. Even if some people are to resign or given a vote of no confidence, that can only solve the problem of responsibility, the attitude and determination on the part of the Government and so on. It seems that the problem of restoring the confidence of the public in public housing will remain unsolved. On the annual general meeting of the HA, I said that with regard to the huge framework of the HA, the HD and the Housing Bureau, there was an urgent need for reform. Just now the Chief Executive says that adjustments will be made, but my experience tells me that adjustments will not work. We need reforms. That is not my personal view alone, but that members of the HA, including Miss Rosanna WONG, also share it.

Certainly, in the long run, Mr TUNG would like to see the public benefit. But in the meantime, the Government must restore the confidence of the people in public housing. As Mr TUNG has said, there are at present 3.5 million people living in public housing flats. What methods and measures does the Government have in place to restore public confidence? When can these measures be launched?

CHIEF EXECUTIVE (in Cantonese): People's confidence in anything can be very fragile and it can easily go away. Once lost, it will take a lot of time and effort to recover.

At present, public confidence in HOS flats put up for sale by the HA and the HD has been greatly undermined. I have proposed a number of measures to address that problem. These include the appointment of Mrs Anson CHAN to head a new committee and to work with the Chairman of the HA and the Director of Housing to devise some measures to restore public confidence. That is extremely important. If the quality of public housing has been improved, the public will certainly know it. When there are more people who can see such improvements, then public confidence can be restored. That is the most basic thing. It does not really matter how much public relations work we should do. The most important thing is good quality and to make the people see it.

MR GARY CHENG (in Cantonese): *Actually, I was not raising a question on public relations. Mr TUNG was right when he said that it might need a long time to rebuild confidence. On the other hand, if the fall in confidence is not arrested, then it will continue to fall with the effect of a vicious circle. So, that is not a question of public relations. There is a need to launch some measures and to revamp the structure before any improvement can be seen. Could Mr TUNG tell us, with regard to the adjustments that he has said, or the reforms that we have demanded, if a timetable will be devised? If this timetable is made public, I think the confidence of those sitting here, as well as that of members of the public, will at least be boosted slightly.*

CHIEF EXECUTIVE (in Cantonese): Mr CHENG, I do not have such a timetable at this present moment. But as I have said, we have appointed a committee to look into the issue, especially that of a structural revamp. The committee will make recommendations as to how and when measures should be adopted. We hope that these measures can be implemented as soon as possible.

MR EDWARD HO (in Cantonese): *Madam President, I would like to ask Mr TUNG about the professions. When Mr TUNG began to address the Council today, he pointed out that there were signs of a strong economic recovery. Of course, we were glad to hear this. However, in the professional sectors,*

especially among the young professionals in the architecture, surveying and other professions, what they are most concerned now is their job security, and whether the companies they are working in and other companies can keep on doing good business. There are in fact some serious problems in that. Mr TUNG, when I met you on many occasions and talked with you on these problems, you were very concerned. I can tell you now that these young professionals are still very worried.

Mr TUNG should be able to answer my questions very easily. I would like to raise three issues and I would like to know whether the Government can do something about these. First, can the Government increase its investments on the construction of buildings, and not just on civil engineering projects? For this, Mr TUNG may need to discuss with the Financial Secretary. It is because many of the major civil engineering contracts are awarded to some large-scale foreign consultant firms. As for building construction, local architects may have better chances of being awarded these contracts.

Second, for this Mr TUNG may also need to work out with the Financial Secretary and other public sector institutions such as the HA and so on. This is about the appointment of consultants, which should not stick only to the principle of the contract goes to the bidder with the lowest price. I will not talk about the HA today. I am very worried about this approach of awarding contracts. Since the Government adopts this policy of the contract goes to the bidder with the lowest price, some companies will not even take costs into consideration and will just offer a rock bottom price in order to get the consultancy contract. This is what they will do in order to survive. But in one or two years' time, when there is a need to supervise the projects, it may be found that the standards required are not met. That will affect the quality of the buildings. I hope Mr TUNG can talk with the relevant departments such as the Works Bureau and consider the issue that I have raised.

Third, that is also something that Mr TUNG will need to talk with the Secretary for Works, for the Buildings Department is under the Secretary's supervision. I notice that there are no representatives from the HA here and the Director of the Buildings Department is not here as well. The question is about designs. Can the government departments reduce the use of rubber-stamp kind of standard designs, such as those for schools? I hope the Government can reduce the use of such standard designs. For in areas like the construction of public housing, I am sure that there are professionals in some related fields in

Hong Kong who can make their contributions to the design and will be able to make our living environment better.

Mr TUNG can answer my questions easily. For I would like to know whether you will talk to the Principal Secretaries and Policy Secretaries on the abovementioned questions?

CHIEF EXECUTIVE (in Cantonese): Mr HO, I may give you three answers. The first one is "yes", the second one is "no" and the third one is neither "yes" nor "no". But I will say: the suggestions which you have made are all good ones and my colleagues and I will give serious thoughts to them. *(Laughter)*

I would like also to respond from another perspective. Not only I myself, but also my colleagues, take a keen interest in the problems faced by professionals now. Often times we will study how to solve these problems. A lawyer once said to me, "There were only 700 lawyers in Hong Kong 10 years ago, now we have 5 000." He asked me how I governed Hong Kong. I said to him that the rapid increase in the number of lawyers did not start with the time when Hong Kong became a SAR. Then why are there so many lawyers? I think it is due to many reasons. When our economy was growing, there was an increase in the demand for lawyers. But why was there such a rapid increase? I think that must be due to the mismatch in training, curriculum and education. With China's accession to the World Trade Organization, there are more opportunities for professionals to develop their career in the Mainland. In this regard, I think we ought to seize the opportunity and do the best we can. As for lawyers, there are many law graduates in foreign countries who do not choose to become lawyers. They may go into business or work in the investment banks. They can take on many different career paths. I think we can also think along this line in Hong Kong.

All in all, we understand the difficulties faced by the professionals in Hong Kong. I will follow up your suggestions made in the many letters which you have written to me and the situations you have described therein.

MR LEE KAI-MING (in Cantonese): *Madam President, Mr TUNG has painted a rosy picture for Hong Kong. He said that our economy had grown by 14.3%. Unfortunately, that rosy picture has nothing to do with us. Why? There are 400 000 households with a monthly income of \$4,600 and the Mandatory Provident Fund Schemes will be implemented by the end of this year. But that does not offer any relief to those who are retired, close to retirement age or about to retire. May I ask Mr TUNG what plans he has to close this gap between the rich and the poor and whether he would rethink about the issue of old age pension?*

CHIEF EXECUTIVE (in Cantonese): Mr LEE, in this process of economic recovery, the low-income groups are the ones who are the hardest hit. I have said earlier that they are also the ones to benefit last. As our economy turns for the better, those at the upper and middle strata of society are beginning to benefit from the upturn. Then the benefits of this will begin to trickle down. That is unfortunately the truth. What we can do is to encourage them to receive training, retraining or on-the-job training so that their marketability in the job market will be enhanced. Only when this is done that they can avail themselves to better opportunities. I think that is something the Government can do. I read reports on this every week. I am very concerned about the significant drop in the income of the households in the lowest 10% of the income bracket. That is why I have spent a lot of time to study this with our colleagues. I hope that in the near future we will be able to launch some initiatives to address this problem. We will consult the relevant sectors by that time and will discuss with them on how to improve the situation.

MR LEE WING-TAT (in Cantonese): *Madam President, according to press reports today, Mr Stanley HO, the Chairman of the Real Estate Developers Association of Hong Kong, said that the Association had written a letter to Mr TUNG expressing the hope of the Association to ask the Government to stabilize the slackening property market. A few days later, the HA announced that the volume of Home Ownership Scheme (HOS) flats to be built would be slashed. Yesterday, Mr HO made a remark publicly in the papers and praised Mr TUNG for being a "nice guy" because the announcement to suspend the sale of HOS flats came so quickly just a few days after he had written a letter to Mr TUNG. He also praised the Government for being "so smart" as to discern what he wanted. May I ask Mr TUNG, are you and your administration, as Mr HO has*

put it, "so smart" as to do the right thing as Mr HO has wished? Will the cut in the supply of HOS flats benefit only the real estate developers, without helping those middle-class homeowners who are struggling with the problem of negative assets?

CHIEF EXECUTIVE (in Cantonese): Mr LEE, what you have said is ridiculous, but I cannot laugh though I want very much to do so. Maybe I will give you a reply like this.

Since 1997, property prices have fallen by 50%. What do you think the developers will do? The previous rise in property prices was a bubble and so the structural adjustment brought about by the fall in property prices is a good thing. On one hand those who want to buy a flat can benefit and on the other hand, the affordability of the public for housing is the strongest for many years. We are glad to see this.

Under the present circumstances, we would want property prices to stay stable. Property prices began to fell in late April and it was falling quite drastically. Why did property prices fall? First, the interest rate in the United States has been increased on six occasions within one year. The latest one was an increase of 0.5%. There are rumours that it will further increase. Speculations like this dealt a hard blow to the property market. Second, the year 2000 is the peak in the supply of HOS flats, public housing flats and flats in the private sector. I would like to point out that plans for the construction of these flats began to be carried out before 1997. As the current year is the peak in the supply of these flats, so property prices are bound to be affected. Third, it so happened that in the long weekend of the Easter holidays, many people who had been on trips were returning to the territory from Shenzhen. It made people think that the border checkpoints might be open 24 hours soon. As the price of flats in Shenzhen is much cheaper than that in Hong Kong, so property prices here suffered another setback. I think it was due to reasons like these that there was a sudden and drastic fall in property prices in April and May.

We are worried about the possible effect on our pace of economic recovery and the extent of the impact it may cause. We know that after the Asian financial turmoil, property prices in Asian countries like Singapore fail to return to the previous level before the onset of the financial turmoil. So we were only hoping that property prices would remain stable. We therefore made such a

decision out of our consideration for the community as a whole. Besides, the conversion of HOS flats to public housing flats by the HA is in fact also a good thing because it can shorten the waiting period. So this is a decision made after taking many factors into account. As a matter of fact, these decisions which I have made, as well as those of the HA, have all been explained clearly in the policy address of 1998.

MR LEE WING-TAT (in Cantonese) *Madam President, as to the question of shortening the waiting period to three years, colleagues in the Legislative Council have passed many motions in recent years in this respect and asked Mr TUNG to take action. But he has not done so. Is it because of the influence of the Real Estate Developers Association that he has done that now? I hope Mr TUNG will understand that the public has an impression that Mr Stanley HO is such a respectable figure, when he said such remarks in public, the people will think that our Government is too much under the influence of the businessmen. Does the Government have any measures in place to help those people with negative assets, rather than taking action only when pressure has been exerted from the developers? Will the Government take the initiative to do something and not until Mr HO has written to you before action is taken?*

CHIEF EXECUTIVE (in Cantonese): Mr LEE, first, about the three-year waiting period. In the first policy address which I delivered in October 1997, I hoped that the waiting period could be shortened to three years by 2005. That is the target I wished to meet in October 1997. By that standard, it can be said that the target will be met two years ahead of schedule, that is, in 2003. Second, I have not talked with Mr Stanley HO. He might have written to me, but the fact is I get a lot of letters every day. *(Laughter)* I have not talked to him, so it is unfair when Mr LEE insisted that I did these things only because Mr HO had written to me. Third, on the issue of negative assets, we have recently taken a series of initiatives on this. These are all made out of our concern for those with negative assets and our concern that a further drop in property prices will affect the recovery of our economy.

PRESIDENT (in Cantonese): Mr Chief Executive, you are originally scheduled to leave this Chamber by 12.30 pm. However, you told me this morning that you had to go by 12.45. *(Laughter)* But so far, only 10 Honourable Members

have had the chance to ask questions, and a total of 33 other Honourable Members are still waiting for their turn. *(Laughter)* Mr Chief Executive, would you allow two more Honourable Members to ask two last questions?

CHIEF EXECUTIVE (in Cantonese): Yes.

PRESIDENT (in Cantonese): Thank you, Mr Chief Executive. I hope the two Honourable Members can put their questions in a concise manner.

MR CHAN WING-CHAN (in Cantonese): *Madam President, I am one of the lucky ones who can ask a question.*

Just now Mr TUNG has told us that our economy is beginning to recover. The growth rate is 14.3%, and the unemployment rate has dropped slightly. However, there are still 170 000 people unemployed. The gap between the rich and the poor widens and there are 178 000 households with a monthly income of less than \$4,000. The number of people suffering from financial hardship has increased. People are hard pressed and driven into suicide. Cases of people burning charcoal to kill themselves and mass suicide of the entire family are frequently reported. All these heart-breaking tales are so depressing to hear. May I ask Mr TUNG whether the Government would put in more resources to provide prompt assistance to those in hardship and solve their problems and to prevent those unemployed and in financial hardship from committing suicide?

CHIEF EXECUTIVE (in Cantonese): This is a problem which makes people feel so very depressed. I think life is very precious. No matter what kind of adversity we may face, we must face the reality and strive to overcome it. I know that it may be easier said than done, but I must advise everyone to face the reality squarely and work hard to overcome adversities. People who are in any kind of difficulty should talk to their friends and family members to ease their stress. I have also said earlier that we are thinking of ways to help those in need and if we can come up with anything workable, we will certainly put these into practice.

There is no denying that there are some shortcomings in the free market economy, such as the problem of the disparity between the rich and the poor. This may surface at times of economic adjustment since the income of the lower income groups may be affected. Unfortunately, this is something that will happen in a free market economy. Our economic growth for the first quarter this year is as much as 14.3% and our annual growth is expected to be as much as 6% or more. If our economy grows at this rate for a few years more, these problems may be overcome. I wish to stress that though we adhere to the principles of a free economy, that does not hinder us from showing our care and concern for the unfortunate.

MR CHAN WING-CHAN (in Cantonese): *Madam President, I agree with Mr TUNG that life is indeed very precious and that we should face adversities with a positive frame of mind. Having said that, I am still very concerned about the hardship caused by unemployment. May I ask Mr TUNG, what kind of specific measures the Government has in place to help the people at the lower strata of society overcome the problem of massive unemployment brought about by the third economic restructuring? And in the coming policy address of Mr TUNG, will he discuss the topic of solving the unemployment problem at greater lengths, for example, the adoption of a policy with emphasis on employment?*

CHIEF EXECUTIVE (in Cantonese): Economic recovery is the best way to create employment. That is why our colleagues are all working hard to bring about an economic recovery. Now there are signs that our economy begins to recover and only three quarters of positive growth have been registered. If we can keep on having four or five quarters of positive economic growth, things will certainly turn for the better. I have pointed out just now that I hope to be able to come up with some proposals to solve the problems confronting us when I am to deliver the next policy address or before that time and to share these with every one of you.

MR MA FUNG-KWOK (in Cantonese): *Madam President, I am so lucky that I can raise the last question.*

The first term of the Legislative Council of the SAR is coming to an end. May I ask Mr TUNG what he thinks of the Legislative Council over the past two

years. *And as the second Legislative Council is going to be formed soon, what plans does Mr TUNG have in place to forge a better relationship between the executive authorities and the legislature?*

CHIEF EXECUTIVE (in Cantonese): On better relations between the executive and the legislature, I hope that there will be no rain when we have a football match with you. *(Laughter)* Or that our team from the executive authorities will win.

Mr MA, as a matter of fact, over the past two years, that is, the second and third years after the reunification, both the executive and legislature are finding our ways under a new constitutional framework, to see how our relations can be forged in a satisfactory manner. The Legislative Council can in fact play a checking role. Often times we need to get ourselves used to this. I also hope that Honourable Members would not insist on having their ways in all subjects. We need to think of ways to reach a compromise.

I think highly of the performance of the current Legislative Council. Our colleagues may have the impression that we need to cope with too many things. The Legislative Council has passed 157 bills out of more than 160. All these are important legislation and they need to be carefully discussed before a consensus is reached for their subsequent passage. If any proof is needed to show the excellent performance of the Council, I think that will suffice.

As to whether the next Council can perform even better, I think we need to work hard to make this come true. But that does not mean that we will make things easy and agree to everything put before us. That will not do us any good. We still want the Legislative Council to play the checking role. We will discuss the issues and reach a decision that is most favourable to the long-term interest of the public.

PRESIDENT (in Cantonese): Chief Executive, this is the last Question and Answer Session in the first Legislative Council. On behalf of Honourable Members, I wish to thank you for coming to this session.

I would like to apologize to those Honourable Members who have waited for their turns to raise a question, but do not have a chance to do so. Having said that, I think I am not the only person to take the blame. For those Honourable Members who had a chance to raise questions, they were so eager to speak that they had asked rather long questions. That unfortunately led to the result that some other Honourable Members were not able to raise their questions.

I now adjourn the Council I see Mr LEE Cheuk-yan has raised his hand. Mr LEE, you are not raising a point of order, are you?

MR LEE CHEUK-YAN (in Cantonese): *No. Madam President, we still have five minutes. (Laughter)*

CHIEF EXECUTIVE (in Cantonese): Then may I add something? I would like to thank Honourable Members on behalf of the SAR Government for their co-operation and support they have given over the past two years to the SAR Government. I think most of you would return to this Council in the next term and so we can expect to have better co-operation. Though some of you may not have a chance to ask me questions, you may do so on 30 June when I come to have dinner with you. *(Laughter)* Thank you.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council to 9.30 am on Monday, 26 June 2000. Would Members please stand up when the Chief Executive leaves the Chamber.

Adjourned accordingly at nineteen minutes to One o'clock.