

# **OFFICIAL RECORD OF PROCEEDINGS**

**Wednesday, 8 July 1998**

**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.

THE HONOURABLE LEE KAI-MING, 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

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

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 CHIM PUI-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.

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

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

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

THE HONOURABLE LAW CHI-KWONG, J.P.

THE HONOURABLE TAM YIU-CHUNG, J.P.

**MEMBER ABSENT:**

DR THE HONOURABLE PHILIP WONG YU-HONG

**PUBLIC OFFICERS ATTENDING:**

THE HONOURABLE MRS ANSON CHAN, 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 MICHAEL SUEN MING-YEUNG, J.P.  
SECRETARY FOR CONSTITUTIONAL AFFAIRS

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

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

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

MR PETER LAI HING-LING, J.P.  
SECRETARY FOR SECURITY

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

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

**CLERKS IN ATTENDANCE:**

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

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT SECRETARY  
GENERAL

MR RAY CHAN YUM-MOU, 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>
Waste Disposal (Designated Waste Disposal Facility) (Amendment) Regulation 1998 .....	260/98
Merchant Shipping (Launches and Ferry Vessels) (Amendment) Regulation 1998 .....	261/98
Merchant Shipping (Miscellaneous Craft) (Amendment) Regulation 1998 .....	262/98
Fugitive Offenders (New Zealand) Order .....	263/98
Exemption from Profits Tax (Interest Income) Order .....	264/98
Road Traffic (Traffic Control) (Designation of Prohibited and Restricted Zones) Notice .....	266/98
Air Passenger Departure Tax (Amendment) Ordinance 1998 (20 of 1998) (Commencement) Notice 1998 .....	267/98

**Sessional Papers**

- No. 1 — Schedule of revisions to the 1997-98 Estimates approved by the Provisional Urban Council during the fourth quarter of the 1997-98 financial year
- No. 2 — Revised list of works of the Provisional Urban Council for the 1997-98 financial year (during the fourth quarter ended 31 March 1998)

- No. 3 — Revised Estimates of Expenditure of the Provisional Regional Council for the 1997-98 financial year
- No. 4 — Revised list of works of the Provisional Regional Council for the 1997-98 financial year (during the fourth quarter ended 31 March 1998)

### ORAL ANSWERS TO QUESTIONS

**PRESIDENT** (in Cantonese): Questions. I would like to inform Members that question time normally does not exceed one hour and 30 minutes, with each question being allocated about 15 minutes. Supplementaries should be as concise as possible so that more supplementaries may be asked by Members. Members should not make statements when asking supplementaries, as this contravenes Rule 26(5) of the Rules of Procedure.

First question. Mr James TO.

#### **Improvement to Complaints Against Police System**

1. **MR JAMES TO** (in Cantonese): *Regarding the complaint against the police's broadcasting of music to subdue the voice of demonstrators on the Handover night last year, the Complaints Against Police Office (CAPO) considered that the police had not made any mistake. However, the Independent Police Complaints Council (IPCC), upon investigation, considered the complaint substantiated and submitted a report to the Chief Executive. In this connection, will the Government inform this Council:*

- (a) *whether the Chief Executive will respond to the investigation report;*
- (b) *given the different conclusions of CAPO and IPCC over the complaint, what measures the authority will take to improve the existing complaints against police system, so that it can win the trust of members of the public;*

- (c) *how the police will, in formulating the procedures and guidelines regarding the handling of demonstrations, implement the recommendations of IPCC in this respect, so as to safeguard the demonstrators' freedom of speech; and*
- (d) *in regard to the posting of the police officer under investigation as head of CAPO when the case was still being investigated by CAPO, has the authority considered whether such an arrangement would affect the operation and credibility of CAPO in investigating the case; if the credibility of CAPO is affected as a result, what remedial measures will be adopted?*

**PRESIDENT** (in Cantonese): Secretary for Security.

**SECRETARY FOR SECURITY** (in Cantonese): Madam President,

- (a) The Chief Executive has already replied to the Chairman of the IPCC. In his reply, he emphasized that Hong Kong is a free and open society where freedom of expression and assembly are guaranteed by law. In handling public demonstrations, the Police Force have a difficult task of balancing personal freedom and public order/social stability. This is particularly so given the unprecedented scale and significance of the Handover Ceremony held last year. Noting that the Commissioner of Police has accepted the recommendations of the Council regarding the handling of demonstrations in future, the Chief Executive has assured the Council that the Police Force will continue to carry out their duties in a professional manner and handle demonstrations in accordance with the law.
- (b) Whilst CAPO and IPCC have different conclusions over this case, the broader and more important issue is what experience we could learn from the incident to enable the Police Force to handle demonstrations even better in future. In this regard, the Commissioner of Police has accepted the recommendations made by the IPCC.



The fact that the IPCC has disputed the findings of the CAPO over a complaint against a senior police officer underlines the independence of the Council and reflects that the existing police complaints system is one with checks and balances. Indeed, a comparative study on overseas police complaints system conducted in 1996 has revealed that our system is not out of step with the rest of the world. We are one of the few Asian territories where there is a civilian oversight body.

The Government has implemented over 40 improvement measures since 1996 to enhance the transparency and credibility of the system. These include, for example, setting up a special IPCC panel to monitor serious cases on which it will submit its findings in a special report to the Chief Executive. We have also expanded the IPCC Interviewing Witnesses Scheme so that IPCC members may interview witnesses including not only the complainants and the complainees but also professionals such as forensic pathologists for expert advice. In addition, we have introduced the IPCC Observers Scheme under which IPCC members can conduct scheduled or surprise observations of CAPO's investigations in persons. We will continue our efforts in further improving the existing system. Measures in the pipeline include the expansion of the IPCC Observers Scheme under which lay observers other than the IPCC members are appointed to conduct visits to observe CAPO's investigations.

- (c) The Commissioner of Police will incorporate the recommendations of the IPCC in the existing procedures and guidelines for handling public processions and meetings.
- (d) According to the established procedures for handling complaints against police officers, the person in charge of an investigation must be at least one rank higher than the officer being investigated. There is absolutely no question of the complainees being allowed to take part in the investigation of the complaint concerning himself irrespective of his rank or post. Investigation of the complaint in question by the CAPO had in fact been conducted by an officer senior to the complainees and was completed before the complainees took up his new appointment as the Director of Management

Services. The complainee has never been involved in the handling of the complaint against him and there is no question of any conflict of interest.

**PRESIDENT** (in Cantonese): Mr James TO.

**MR JAMES TO** (in Cantonese): *Madam President, in part (b) of the main reply, it was mentioned clearly that CAPO and IPCC had different conclusions over the case. But strangely, according to paragraph (a) of the reply, as the Chief Executive responded to the IPCC or as the Secretary for Security responded to questions raised by this Council, it seems every party was right. The Administration appears to be trying to please everybody or even provide an ambivalent conclusion in which there is no right or wrong. May I ask the Security Bureau or the Government whether the Chief Executive has reached a point where he cannot distinguish right from wrong or is confused. Are both of them trying to dodge such an important issue which can affect the community and the credibility of the police?*

**PRESIDENT** (in Cantonese): Secretary for Security.

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, the IPCC wrote a letter to the Chief Executive about the case. In the letter there was no request made of the Chief Executive for a ruling on the categorization of the case. From a public policy viewpoint, I think the most important thing is the Commissioner of Police has accepted the IPCC recommendations regarding the procedures in the handling of demonstrations and processions in future. I have also mentioned in the main reply the Hong Kong Police Force are incorporating the recommendations of the IPCC in the existing procedures and guidelines for handling public processions and meetings. I believe we will fare better in future with continuous improvements over the many years of experience in handling demonstrations and processions.

**PRESIDENT** (in Cantonese): Mr TO, do you mean to follow up?

**MR JAMES TO** (in Cantonese): *I would like you, Madam President, to make a ruling as to whether the Secretary has answered my question.*

**PRESIDENT** (in Cantonese): I would not do that. If you think the Secretary has not answered a certain part of your question, you can repeat your question.

**MR JAMES TO** (in Cantonese): *I do not think the Secretary has answered my question. The main point of my question is that the Chief Executive has not come up with any conclusion on the different conclusions of the bodies. The Secretary has not stated his answer clearly enough to the effect that the Chief Executive has not come up with any conclusion. Was that because the IPCC had not ask the Chief Executive to draw a conclusion? Was the matter as simple as that?*

**PRESIDENT** (in Cantonese): Secretary, could you try to be clearer in answering Mr TO's question?

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, as I said, the IPCC wrote a letter to the Chief Executive about the case. In the letter there was no request made of the Chief Executive for a ruling on the categorization of the case and the Chief Executive did not do so either. The most important point, I think, is that after considering the case, we have accepted the recommendations on the handling of demonstrations and processions in future.

**PRESIDENT** (in Cantonese): Mr CHEUNG Man-kwong.

**MR CHEUNG MAN-KWONG** (in Cantonese): *Madam President, on the Handover night, Mr LEE Ming-kwai used Beethoven music to subdue the voice of the demonstrators on the ground that he wanted to ease the pressure on the police officers. The reason given by Mr HUI Ki-on was to prevent international celebrities from being embarrassed. If Mr HUI was telling the*

*truth, then Mr LEE was lying. However, Mr HUI Ki-on did not think Mr LEE Ming-kwai was wrong. Furthermore, Mr LEE was recently commended for his service by the Chief Executive by granting him an award. Will the Government inform this Council whether Mr LEE has made a mistake? Did he lie? Should one be awarded for lying? If it was proven that Mr LEE lied or did the wrong thing, would the Government take disciplinary action against him or remove his award?*

**PRESIDENT** (in Cantonese): Secretary for Security.

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, I do not think Mr LEE Ming-kwai has done anything in this case that warrants an apology or disciplinary action. Our view, which is also that of the Commissioner of Police, is that we have done our best in discharging our duties. We did what we could to the best of our knowledge, to meet the demands of any international treaty expected of us, and we tried our best to do what we thought was the best. The results might not be perfect, of course. There might be those in the community who would take exception to what we did. That, however, does not mean Mr LEE Ming-kwai has done anything in this case that warrants an apology or disciplinary action against him.

**PRESIDENT** (in Cantonese): Mr CHEUNG Man-kwong.

**MR CHEUNG MAN-KWONG** (in Cantonese): *Madam President, the Secretary has not answered part of my question: Did Mr LEE Ming-kwai lie? Yes or no?. Was Mr LEE right or was Mr HUI right? The Secretary has not answered this part of the question.*

**PRESIDENT** (in Cantonese): Secretary for Security.

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, as far as I know the relevant report did not show any evidence of lying by Mr LEE.

What the Honourable CHEUNG Man-kwong said about the reason given by Mr HUI in his letter to the Chairman of the IPCC was just a point mentioned in the exchange of opinions between the IPCC and the police. That, taken out of context, can barely be regarded as an inconsistency with Mr LEE's remarks.

**PRESIDENT** (in Cantonese): Mr LEUNG Yiu-chung.

**MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, the IPCC and the CAPO had totally different conclusions on the broadcasting of music on the Handover night. From past annual reports of the CAPO, we understand that less than 10% of the complaints among the 3 000-odd complaint cases were substantiated. We cannot help doubting the objectiveness, independence and fairness of the CAPO practice of having police officers investigating the conduct or integrity of fellow police officers. Therefore, will the Hong Kong Special Administrative Region Government inform this Council whether it will conduct fresh consultation with the public as to the appropriateness of the CAPO practice mentioned above?*

**PRESIDENT** (in Cantonese): Secretary for Security.

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, we simply cannot jump to a decision on whether CAPO is doing the right thing or not on the strength of certain figures. We must not forget that those police officers against whom complaints are lodged have the right to "presumed innocence", unless we have evidence to the contrary after careful investigation. In that case the complaint can be regarded as substantiated. In answer to the Honourable LEUNG Yiu-chung's question on the Government's views regarding the current practice of CAPO, my response is that we feel that in general it is a body that suits the job. There is of course still room for improvement and in the main reply I said the Government had implemented over 40 improvement measures since 1996. There are about six major improvements in the pipeline. Certainly, we cannot say the present system or any system is perfect. But from the comments we have received so far, we think a gradual improvement to a current system that is functioning is more

desirable than doing away with the present system drastically and introducing an untried system that may not possibly do a better job.

**PRESIDENT** (in Cantonese): Mr LEUNG Yiu-chung, which part of your question has not been answered? Please just repeat only that part because we have spent over 16 minutes on this question already.

**MR LEUNG YIU-CHUNG** (in Cantonese): *My question was that the current CAPO practice of police officers investigating the conduct or integrity of police officers is not fair. Therefore, I would like to know whether the Secretary would conduct public consultation again for the matter. But the Secretary just referred to the IPCC without mentioning the CAPO. So, can the Secretary say clearly whether there will be fresh consultation with the public about CAPO?*

**PRESIDENT** (in Cantonese): Secretary for Security.

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, perhaps I should make a small clarification. My reply just now not only referred to the CAPO or the IPCC. It covered the whole system of complaints against the police, of which the CAPO and the IPCC form a part.

**PRESIDENT** (in Cantonese): Honourable Members, there are still seven Members who would like to ask supplementary questions but we have already spent 17 minutes on this question. Therefore, I suggest that Members use other channels to follow up.

Second question. Dr Raymond HO.

### **Operation of New Airport under Typhoons**

2. **DR RAYMOND HO** (in Cantonese): *It is learnt that there are no travellers' lounges in the new airport at Chek Lap Kok, and that the hotels in the vicinity of the new airport will only be opened around September and*

*October this year. As the Lantau Link that leads to the new airport will be closed during the onslaught of typhoons, will the Government inform this Council, in the event of typhoons:*

- (a) how the accommodation needs of travellers' will be met when hotels in the vicinity of the new airport are not yet opened for business;*
- (b) of the standing measures in place to disperse people stranded in the new airport; and*
- (c) whether contingency measures have been formulated to prevent the operation of the new airport from being affected by surface transport conditions?*

**PRESIDENT** (in Cantonese): Secretary for Economics Services.

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, a comprehensive surface transportation network is in place to provide easy access between the airport and other parts of Hong Kong. The Lantau Link, well-served by public transport services and the Airport Railway, provides the main access on land.

The Lantau Link has been designed to deal with inclement weather conditions including the onslaught of typhoons. Under normal conditions, road traffic moves on the upper deck and rail traffic moves on the lower deck. Under high wind conditions, the upper deck will be closed and traffic will be redirected to the lower deck. Normally, it will not be necessary to consider closing the lower deck unless wind speed reaches 90 km/h.

Contingency measures have been formulated for handling the disruption of traffic to and from the new airport during inclement weather. The general approach is that when the Airport Railway is disrupted, the other transport services will be mobilized to use the road to help clear the traffic. Conversely, when road links are disrupted, the Airport Express Line and Tung Chung Line will be mobilized to provide the additional transport capacity to keep the traffic to and from the airport moving.

Close communication will be maintained between the Airport Authority, the transport authorities and transport providers to ensure that as long as the airport opens for operation, appropriate transport links and services will be provided to serve the travelling public.

The likelihood of passengers being stranded at the airport will be, therefore, very small. In the unlikely event of complete closure of the Lantau Link, air passengers will be taken care of in the passenger terminal building which provides ample space and a variety of facilities. The building has almost 13 000 seats. There are some 140 retail and catering outlets which could stay open. There is also a common-use lounge in which passengers may pay a fee to access additional facilities such as special seating areas, snacks, beverages and business and secretarial assistance.

Once the Lantau Link is open again, the Airport Authority, Transport Department and public transport service operators will co-ordinate for the orderly transfer of passengers stranded at the new airport to other parts of Hong Kong using the railway and other vehicles. The public will also be kept informed of any special transportation arrangements through the electronic media.

**PRESIDENT** (in Cantonese): Dr Raymond HO.

**DR RAYMOND HO** (in Cantonese): Madam President, when I raised a motion debate on 11 February, the Administration had given certain undertakings. So, as I put forward this oral question I thought the airport was 100% completed and would be running smoothly. But that is not the case, as we could see in the last couple of days. A lot of the basic facilities and systems in the airport were found to have problems. It is now the typhoon season. Would the Administration set up as soon as possible an ad hoc group, in the light of what has transpired recently, to look into what contingency measures are needed? At present, the basic facilities at the airport have not been completed, quite contrary to what the Secretary said. So, would the Administration devise more meticulous measures to cope with emergencies?

**PRESIDENT** (in Cantonese): Secretary for Economics Services.



**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, the facilities I mentioned are all in the airport, such as the seats, the retail and catering outlets, the common-use lounge, and the business centres. They are all open already. We certainly understand that Dr Raymond HO is worried about the inconvenience brought to the travellers. But since 1995 there have only been six occasions on which the Number 9 typhoon signal was hoisted for one to three hours. I am not trying to play down the effects of typhoons but since we have the facilities I mentioned at the new airport, they can be of service to travellers when the need arises.

**PRESIDENT** (in Cantonese): Mr Howard YOUNG.

**MR HOWARD YOUNG** (in Cantonese): *Madam President, in the fifth paragraph of the main answer the Secretary mentioned there were 13 000 seats in the passenger terminal building. But as far as I know most of them are located in the prohibited zone. Out-going passengers cannot enter the zone without having checked in. In addition, travellers are prevented from entering the zone after clearing customs. If roads are closed, are there contingency measures to fully utilize the 13 000 seats?*

**PRESIDENT** (in Cantonese): Secretary for Economics Services.

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, indeed the Honourable Member was right. Most of the 13 000 seats are in the prohibited zone. But typhoons do not come within an hour or two. Travellers and the public will know in advance. If the situation mentioned arises, we understand from the Airport Authority it will make special arrangements for visitors to wait at the zone when typhoon signal Number 9 or above is hoisted.

**PRESIDENT** (in Cantonese): Miss Emily LAU.

**MISS EMILY LAU** (in Cantonese): *Madam President, I have a question about the facilities at the airport. Without any typhoon, the airport is already in a mess and we lose face in front of the world. Will the Secretary tell us whether the facilities should be improved?*

**PRESIDENT** (in Cantonese): Secretary for Economics Services.

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, I believe what Miss LAU was asking was not related to typhoon, but it relates to the facilities of the airport. I believe Members and the Government are both very much concerned about the operation and facilities of the airport. Members may have known there will be a special meeting tomorrow for detailed discussions about the operation of the new airport. Representatives of the Airport Authority and the Hong Kong Air Cargo Terminals Limited will be present. So, I suggest Members wait till then to discuss details about the facilities and the operation of the new airport.

**PRESIDENT** (in Cantonese): Mr Andrew CHENG.

**MR ANDREW CHENG** (in Cantonese): *Madam President, in the fifth paragraph of the main answer the Government mentioned there were some 140 retail and catering outlets. The number appears to be more than sufficient. But this morning several of us went there and spoke to some visitors and patrons there. We learned they needed to wait more than an hour to get a seat. On a usual day like today ("usual" in terms of the weather, not the condition of the airport), the catering outlets were in such a poor condition. And water was cut off from time to time. Will the Administration inform this Council how it would solve the problem? For example, do we need more catering outlets? How should we arrive at an appropriate number of catering outlets? How can we make sure there is a steady supply of water and power? I understand there is going to be a special meeting tomorrow but water is obviously an imminent and important issue. So, I hope the Government can give us a brief answer.*

**PRESIDENT** (in Cantonese): Secretary for Economics Services.

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, I believe Members will appreciate that the number of catering outlets has been greatly increased, when compared with Kai Tak. In these couple of days, many people may go to the airport to take a look at what it is like, but that does not mean we will have more people during a typhoon. We were talking about the facilities required when passengers get stranded in the airport. As I explained, typhoons do not come all of a sudden. With advance warning of an approaching typhoon, people will simply not go to the airport. If we compare the number of catering outlets in the new airport with Kai Tak, we will know there are ample catering facilities. Furthermore, the Airport Authority has contracts with the operators of catering outlets specifying that they will continue their operation and their service to customers during a typhoon.

**PRESIDENT** (in Cantonese): Mr Gary CHENG.

**MR GARY CHENG** (in Cantonese): *Madam President, Members asked about the number of catering and retail outlets, which was mentioned in the main reply. What about toilets? During a typhoon, many people will be stranded at the airport. Not only do we have insufficient catering facilities, we also have insufficient toilet facilities. I had first-hand experience last night. Will there be any improvement?*

**PRESIDENT** (in Cantonese): Secretary for Economics Services.

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, I agree we need improvements on both toilet facilities and other services. As I said at the meeting tomorrow the Airport Authority will brief everybody on the facilities and operation of the airport. Madam President, I would suggest that Members pursue the matter at the meeting tomorrow which will last an hour or so.

**PRESIDENT** (in Cantonese): I understand Members and government officials are concerned about the issue but the present subject is the operation of the new airport under typhoons. Therefore I hope supplementary questions should relate to the subject as far as possible. Mr Ambrose CHEUNG.

**MR AMBROSE CHEUNG** (in Cantonese): *Madam President, I am concerned about the safety of passengers and workers in the relevant facilities at the airport. I understand that there are medical facilities at the airport but other hospital facilities are at some distance away. Will the Government inform this Council what special arrangement will be available to provide medical services for passengers and the relevant personnel at the airport if the Lantau Link has to be completely closed during a typhoon?*

**PRESIDENT** (in Cantonese): Secretary for Economics Services.

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, typhoons are one of the emergencies. There are other circumstances under which people may be injured and need to use medical facilities. There are two medical centres at the airport to cope with emergencies. During a typhoon people will take great care. Passengers will stay at the passenger terminal building. I suppose just like what we do in any other emergencies we have in place a set of contingency plans, which include facilities such as nearby hospitals, fire engines and so on. If the Honourable Ambrose CHEUNG is interested, I will give him a detailed reply in writing. (Annex)

**PRESIDENT** (in Cantonese): Any further supplementary questions? If not, we will go to the third question.

Third question. Mr Howard YOUNG.

**Unlicensed Guesthouses**

3. **MR HOWARD YOUNG** (in Cantonese): *Will the Government inform this Council:*

- (a) *whether it is aware of the existence of unlicensed guesthouses; if so, of the estimated number of such guesthouses and how this compares to that of licensed guesthouses; and*
- (b) *of the actions it has taken against unlicensed guesthouses?*

**PRESIDENT** (in Cantonese): Secretary for Home Affairs.

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, my reply to the question is as follows:

- (a) The Government is aware of the existence of unlicensed guesthouses. The Office of the Licensing Authority of the Home Affairs Department has kept a list of suspected unlicensed guesthouses. The list has derived from complaints from the public, referrals from government departments and inspections by staff of the Home Affairs Department. These data are stored in computer and will be followed up and investigated. Firm law enforcement action against unlicensed guesthouses will continue to be taken. As at 1 July 1998, there were 690 licensed guesthouses and about 200 suspected unlicensed guesthouses.
- (b) The Office of the Licensing Authority of the Home Affairs Department is responsible for implementing the statutory licensing scheme for hotels and guesthouses under the Hotel and Guesthouse Accommodation Ordinance (Cap. 349). A Policing and Prosecution Unit has been set up in the Office of the Licensing Authority to investigate into, and take enforcement action against, suspected unlicensed guesthouses. In addition, the Office of the Licensing Authority has carried out eight blitz operations in conjunction with the police. A total of 106 premises were raided

during the blitz operations. Operators of the suspected unlicensed guesthouses were prosecuted.

We have so far instigated 31 prosecutions. All of them have resulted in conviction.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr Howard YOUNG.

**MR HOWARD YOUNG** (in Cantonese): *Madam President, the Secretary said a total of 106 premises were raided during the blitz operations, but then he said only 31 prosecutions were instigated. Assuming the 106 premises were unlicensed guesthouses, will the Government inform this Council why the number of prosecution was so small?*

**PRESIDENT** (in Cantonese): Secretary for Home Affairs.

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, I mentioned that we had carried out eight blitz operations in which 106 premises were raided. We could not be sure the 106 premises were operating without licences as we needed a lot of evidence at times. We were quite sure there were over 36 cases that merited detailed investigation. But after studying the cases with the Attorney General, some cases could not be pursued further probably due to insufficient evidence. We managed to have 31 successful prosecutions for the cases which were pursued and were regarded as suitable for prosecution. The rest of the cases could not be prosecuted probably due to insufficient evidence or to the fact that the extent of unlicensed operation was not serious.

**PRESIDENT** (in Cantonese): Mr CHAN Wing-chan.

**MR CHAN WING-CHAN** (in Cantonese): *Madam President, in paragraph (b) of the main reply, it was said that a total of 106 premises were raided during*

*the blitz operations, while in paragraph (a) it was pointed out that there were about 200 suspected unlicensed guesthouses and 690 licensed ones. Why were there so many suspected unlicensed guesthouses? Would this cause inconvenience or unfairness to the licensed ones?*

**PRESIDENT** (in Cantonese): Secretary for Home Affairs.

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, there were about 200 suspected unlicensed guesthouses and that number is correct as at today. The number may well change as some may close, some operators may decide to terminate their unlicensed operations and switch to operate other businesses. We are now collecting information about the 106 raided premises in preparation for prosecution. So, the two numbers are different. However, I can assure Members we will continue to check on suspected unlicensed guesthouses. Once sufficient evidence is available, we will request the Attorney General to initiate prosecution.

**PRESIDENT** (in Cantonese): Mrs Selina CHOW.

**MRS SELINA CHOW** (in Cantonese): *Madam President, according to information from operators of licensed guesthouses, the Government has not adopted stringent measures to eradicate unlicensed guesthouses. Rather, it has strengthened the raiding of licensed guesthouses. The police often conducted raids in the evening or even late at night. Sometimes they did it five times a night, causing nuisance to occupants. The people who conducted the raids also behaved in a very unfriendly manner and that scared the occupants. Is the Secretary aware of this real situation? Does the Secretary think this is not fair? Will the Administration do something to put this right?*

**PRESIDENT** (in Cantonese): Mrs Selina CHOW, the question is about unlicensed guesthouses rather than the nuisance caused by police raids on licensed guesthouses. So, strictly speaking, your supplementary question has strayed away from the subject. Secretary, are you willing to answer it?

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, I will follow up if I can obtain true information of the cases in question or if the Honourable Mrs Selina CHOW can provide such information to me.

**PRESIDENT** (in Cantonese): Mrs Miriam LAU.

**MRS MIRIAM LAU** (in Cantonese): *Madam President, the Secretary's answer makes me feel the Government is doing a poor job in dealing with the unlicensed guesthouses. Although the Administration is aware of the existence of some 200 unlicensed guesthouses, it has only made 31 prosecutions. The Secretary's answer was he was not sure whether that was due to insufficient evidence or he was not sure what to do. Will the Secretary inform this Council whether the Government is at a loss as to what to do or hamstrung despite having tricks up its sleeves?*

**PRESIDENT** (in Cantonese): Secretary for Home Affairs.

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, we know what to do and we will do our best. We have rather limited staff in our Policing and Prosecution Unit. There are one professional, three other staff and one staff from the Fire Services Department. During an operation they do not prosecute the offender as soon as they arrive at the scene. We need to collect a lot of evidence and information. At any rate, we have done our best.

**PRESIDENT** (in Cantonese): Mr Edward HO.

**MR EDWARD HO** (in Cantonese): *Madam President, will the Secretary inform this Council whether there are any three-star hotels among the suspected unlicensed guesthouses? If so, why have they not been able to obtain licences?*



**PRESIDENT** (in Cantonese): Secretary for Home Affairs.

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, as far as I know, it is difficult to tell to which class the suspected guesthouses belong because if they are unlicensed they should have no star at all. *(Laughter)* All I can say is that we will do our best to eradicate unlicensed guesthouses.

**PRESIDENT** (in Cantonese): Mr Edward HO.

**MR EDWARD HO** (in Cantonese): *Madam President, I asked the supplementary question because when the relevant ordinance was passed even some five-star hotels had some difficulties in obtaining licences. Will the Secretary inform this Council whether among the 200 suspected unlicensed guesthouses there are any established hotels which cannot obtain licences? What are their difficulties?*

**PRESIDENT** (in Cantonese): Secretary for Home Affairs.

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, among the cases I am aware of there are no established four-star or five-star hotels without licences. I knew of a hotel, very well-established, which failed to meet our requirements in certain respects. But in general after some mutual efforts the hotel could eventually reach the required standards. Even if there are special case we will treat every case equally. We will not give preference to a hotel just because it is a five-star one.

**PRESIDENT** (in Cantonese): Mr CHAN Kam-lam.

**MR CHAN KAM-LAM** (in Cantonese): *Madam President, I learned from the newspaper today that an unlicensed restaurant had just been closed by the Urban Council after operating without a licence for two years. Will the*

*Secretary inform this Council whether there are unlicensed guesthouses which have been in operation for several years but the Government still cannot conduct any investigation into their operation or successfully prosecute them? The Secretary said there was a shortage of manpower. Will the Secretary inform this Council whether the Government has any plans to check out all guesthouses suspected of unlicensed operation?*

**PRESIDENT** (in Cantonese): Secretary for Home Affairs.

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, we will continue to follow up on the issue of manpower shortage to see if we can obtain more resources. I cannot give an answer right away to the Honourable CHAN Kam-lam's supplementary question on whether there are unlicensed guesthouses which have been in operation for some time and which have not been spotted by the Government. As I said, we came to know of suspected cases through various sources such as complaints by the public, investigation by our own staff, or evidence collected on information provided by other departments. I believe it is unlikely there are many unlicensed guesthouses which have been in operation for some time and which escape our attention. If we find such cases we will surely follow up.

**PRESIDENT** (in Cantonese): Mr CHAN Kam-lam.

**MR CHAN KAM-LAM** (in Cantonese): *Madam President, the Secretary has not answered my supplementary question. I asked whether he had plans to check out the 200 suspected unlicensed guesthouses soon. In the main reply it was said there were 200 suspected unlicensed guesthouses but only 106 were checked in eight blitz operations. That means nearly 100 guesthouses have not been checked. I understand the reason for this is insufficient manpower, but does the Secretary have plans to tackle this?*

**PRESIDENT** (in Cantonese): Secretary for Home Affairs.

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, I think I have answered the supplementary question. I will try to obtain resources. In addition, I am determined to take follow-up action on all of the 200 suspected unlicensed guesthouses.

**PRESIDENT** (in Cantonese): Mr Kenneth TING.

**MR KENNETH TING** (in Cantonese): *Madam President, it has been reported that some Hong Kong residents of Indian, Pakistani or Nepalese nationalities are operating unlicensed guesthouses. Even without any publicity, some visitors coming to Hong Kong can find them, perhaps through a middleman. Is the Government aware of the situation? Do the 200 suspected unlicensed guesthouses include these guesthouses?*

**PRESIDENT** (in Cantonese): Secretary for Home Affairs.

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, it is difficult to tell whether the 200 suspected unlicensed guesthouses include those operated by the people mentioned by the Honourable Member. We treat all unlicensed guesthouses the same, irrespective of the nationalities of the operators. We will follow up when we have the information.

**PRESIDENT** (in Cantonese): Fourth question. Miss Emily LAU.

### **Issuance of Home Visit Permits**

4. **MISS EMILY LAU** (in Cantonese): *As some Hong Kong citizens (including certain Members of this Council) have been denied issuance of Home Visit Permits (HVPs) by the Central People's Government, will the Government inform this Council whether:*

- (a) *it knows the number of Hong Kong citizens who have been denied issuance of HVPs;*

- (b) *it has enquired of the Central People's Government the reasons for these people's being denied issuance of HVPs; and*
- (c) *it has any plan to assist these people in obtaining HVPs?*

**PRESIDENT** (in Cantonese): Secretary for Constitutional Affairs.

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in Cantonese): Madam President, the Government of the Hong Kong Special Administrative Region (SAR) does not have information regarding the number of Hong Kong citizens who have not been successful in applying for HVPs. But we have learned from press reports that there are such cases.

The SAR Government has brought the matter up with the Central People's Government with a view to gaining a better understanding of the issue as a whole. We understand the Central People's Government is of the view that in accordance with the principle of "one country, two systems", the mainland authorities and the SAR Government should each on its own decide on immigration matters. The mainland authorities and the SAR Government should thus respect each other's decision.

That said, if anyone seeks help from the SAR Government on his or her own case, we will provide information on the channels for redress or, at his or her request, refer the complaint to the relevant mainland authorities.

**PRESIDENT** (in Cantonese): Miss Emily LAU.

**MISS EMILY LAU** (in Cantonese): *Madam President, I think we all understand the principle of "one country, two systems" and respect the decisions of the Central People's Government. We are not asking the Government to interfere with the decisions of mainland authorities. However, the Government should understand that it is, I believe, a serious problem if democratically elected Members are not allowed entry into the Mainland. Will the Secretary inform this Council whether the Government will discuss the*

*matter with the Central People's Government again? The Secretary said in his reply the Government had asked about the matter once but there was no discussion. Would you find this acceptable or satisfactory? Will the Government discuss with the Central People's Government again? If the Legislative Council formed a delegation to visit mainland China and more than a dozen of the Members are not allowed entry, would the Government find this acceptable? Could it help the six million-odd of us understand what is going on?*

**PRESIDENT** (in Cantonese): Secretary for Constitutional Affairs.

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in Cantonese): Madam President, I fully understand the Honourable Emily LAU's point. In answering her question, I already said we have brought the matter up with the Central People's Government with a view to gaining a better understanding of the issue generally. At the time it was a general discussion, not one targeted at any individual incident. I have also mentioned in the last paragraph of my main reply that if anyone should seek help from us on his or her own case, we would take the circumstances into consideration and provide information on the channels for redress or refer the complaint to the relevant mainland authorities. Should there be more specific cases or complaints of the nature, we would deal with them appropriately.

**PRESIDENT** (in Cantonese): Mr LAU Chin-shek.

**MR LAU CHIN-SHEK** (in Cantonese): *Madam President, I am a citizen of the SAR and a Member of the SAR Legislative Council. My 92-year-old mother is now living in Guangzhou and in bad health. She has been asking why I do not pay her a visit. When I met with Mr TUNG Chee-hwa, he said I should get to know more about China. I would like to see my mother more often, so I sought Mr TUNG's help. But so far there has not been any response.*

*In answering Miss Emily LAU's supplementary question just now, the Secretary repeatedly referred to the "issue generally". I would like to know what does that mean. May I know whether some of us are denied entry to China, or there is a "one country, two systems" policy on immigration matters so that each side has its own way of dealing with immigration matters? Could the Secretary explain what is meant by the "issue generally"?*

**PRESIDENT** (in Cantonese): Secretary for Constitutional Affairs.

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in Cantonese): Madam President, as I said before, we did not just focus on the incident mentioned in the question. We knew of the situation in the past and that is why we tried to gain a general understanding of the issue as whole from the Central People's Government. The result has been fully described in my main reply. That was a general enquiry, not focused on any specific cases or problems encountered by certain people. As such, the matter was dealt with in accordance with the principle of "one country, two systems".

Just now I have also added in the third paragraph of my main reply that if anyone sought help from the Government, we will deal with each case on its merit. So, if the Honourable LAU Chin-shek is confronted with such a problem he may of course bring his case to our attention and seek help. However, if the case is referred to at this meeting today in a supplementary question, naturally the matter cannot be regarded as a complaint. If we receive a complaint of this nature, we will certainly deal with it.

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

**MR LAU CHIN-SHEK** (in Cantonese): *Madam President, the more explanation I hear the more I find it difficult to understand what the "issue generally", "general understanding", and the principle of "one country, two systems" mean.*

*Madam President, will the Secretary inform this Council how the "general principle" was discussed then, how the matter was raised, and what was raised? What were the responses received? Will the Secretary please enlighten me on what was going on?*

**PRESIDENT** (in Cantonese): Secretary for Constitutional Affairs.

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in Cantonese): Madam President, perhaps I will be giving the same answer. Let me try to explain more clearly. In the past, we learned from press reports that some Hong Kong residents were denied issuance of HVPs. So, we sought to gain a general understanding of the whole issue instead of focusing on any individual case about how the matter was dealt with. As I have set out quite clearly in the second paragraph of my main reply, we understand that due to the many differences between Hong Kong and the Mainland, immigration matters are dealt with in accordance with the principle of "one country, two systems". We did not pursue any clarification in respect of the difficulties encountered by Mr A or Miss B. Since no one has lodged any complaint with us in this regard, we have not dealt with such matters.

**PRESIDENT** (in Cantonese): Mr LEE Cheuk-yan.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, I do not think we are asking about individual cases. We want to know exactly what understanding the Government has gained. Was the Secretary inefficient in making his inquiry or was he reluctant to tell this Council though he knew the answer? The way in which the Secretary has answered our questions gave me the impression that he had tried to say as little as possible so as to make as few mistakes as possible.*

*The thrust of part (b) of the main question lies in whether the Government has enquired of the Central People's Government the reasons for these people's being denied issuance of HVPs. Is the Secretary aware of the reasons? The Secretary may answer in general terms but what were the*

*reasons? What were they? Were there any explanations after the enquiries had been made? Did the Central People's Government provide the Hong Kong Government with any explanations? What were the explanations? Would the Secretary just tell us either he did not ask for the reasons or he cannot tell us the reasons which have already been provided by the Central People's Government? What we most want to know now is whether the Central People's Government has provided any reasons for denying these people HVPs. Could the Secretary answer this supplementary directly?*

**PRESIDENT** (in Cantonese): Secretary for Constitutional Affairs.

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in Cantonese): Madam President, perhaps I need to reiterate that we did not inquire into the reasons why individual persons were denied HVPs as no one has lodged any complaints with us in that respect. Today I am answering the enquiries because it has been raised by a Member. It was not that I did not put forward the question clearly to the Central People's Government or that I did not know how to raise the enquiries. Of course, Mr LEE Cheuk-yan may well say that he is more experienced than I am in this respect, but I do know how the question should be answered. The question put forward by Miss LAU was whether the Government had inquired of the Central People's Government the reasons for these people being denied issuance of HVPs. I said no because no one has requested us to do so. The fact remains that the enquiries we had raised were about the issue as a whole and the principles involved but not on specific cases. That is the difference. I have repeatedly explained in this direction just now and I hope Honourable Members will find my explanations acceptable.

**PRESIDENT** (in Cantonese): Mr LEE Cheuk-yan.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, I repeat I am not asking about individual cases. My concern is that there have been cases in which Hong Kong residents, I mean residents in general, being denied issuance of HVPs. Has the Secretary tried to find out the reasons?*



**PRESIDENT** (in Cantonese): Secretary for Constitutional Affairs.

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in Cantonese): Madam President, I think I need to clarify that the mainland authorities responsible for the issuance of HVPs is the Ministry of Public Security, which delegates the authority to the Public Security Bureau of the Guangdong Province; the latter will in turn request the China Travel Service to assist in collecting applications in Hong Kong. As such, we and the general public alike need to direct all applications, enquiries and complaints concerning HVPs to the Public Security Bureau of the Guangdong Province. In addition to the counter for compatriots in Hong Kong, Macau and Taiwan to lodge complaints against police-related matters, the Public Security Bureau has also set up a 24-hour telephone hotline to receive complaints of all kinds, including unreasonable delays or deliberate obstacles encountered in exit-entry processes such as applications for documents and passports. Our understanding is that the matters will be dealt with in accordance with the relevant regulations in the Mainland. The mainland authorities have their own regulations which are based on the "Tentative Administration Procedures for Chinese Nationals Travelling to Hong Kong or Macau". Members please understand that the mainland authorities are working under their own regulations, I therefore could not and should not speak on their behalf here. For this reason, I have all along been saying that we tried to gain some understanding of the issue. Now that I have disclosed the relevant authorities with which we have contacted, my explanation should be clearer. So, that was the department of which we have enquired and the process in which we have tried to gain some understanding of the issue. As to the final decisions concerned and whether or not the documents would be issued, I am afraid Hong Kong should not speak on their behalf. All I could do is to explain our enquiry processes and the understanding we have gained.

**PRESIDENT** (in Cantonese): Miss Cyd HO.

**MISS CYD HO** (in Cantonese): *Madam President, just now the Secretary has referred to a number of authorities in the Mainland. Are these the channels for redress as mentioned in the main reply? If these channels eventually*

*refused to handle the complaints lodged by those people who had been denied of their HVPs, would the Government let the matter rest out of mutual respect and in view of the principle of "one country, two systems"? In other words, if the Central People's Government was determined to refuse to issue HVPs to a certain category of persons, could the SAR Government help them? I wish to point out that this is by no means an individual case, as more than 10 persons in this Chamber have been denied HVPs. They have one thing in common, and, that is, they are democratically elected Members of this Council. What is the view of the Government about that?*

**PRESIDENT** (in Cantonese): Secretary for Constitutional Affairs.

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in Cantonese): Madam President, I have read the relevant reports too. In the past couple of days, an English language newspaper reported that 12 Members of the Legislative Council had been denied issuance of HVPs. As far as I understand it, things may not be so. That may perhaps be a projection or a conjecture only. Maybe only some among the 12 Members have met such fate. According to my understanding, some of the Members have not filed their applications while some have considered that they would not be issued HVPs anyhow. As such, the list in fact includes different kinds of people. Nevertheless, that was something in the past and we do not know what the present position is. I do not know what will happen if they apply for HVPs again now. If we knew of any Members of this Council who had needs and difficulties in this respect, as I said in the main reply, we would help Members gain some understanding of the matter. We should not assert subjectively at this moment that a certain scenario will certainly arise or otherwise. We do not have grounds to say here why something happens. Moreover, we are not in the position to make those decisions. If Members need to visit the Mainland but encounter difficulties, we will try to enquire about the circumstances. Should there be complaints lodged by Members in the future, we will take follow-up actions.

**PRESIDENT** (in Cantonese): Mr Andrew WONG.

**MR ANDREW WONG** (in Cantonese): *Madam President, I think the matter is very simple. We are not asking for an answer on behalf of the Central People's Government. We are asking whether the Hong Kong Government has inquired of the Central People's Government the number of people having been denied of HVPs and the reasons for the denial. If the Government has made such an inquiry and was not given an answer, then just say so to the Council. If it has not, will it promise to do so in future?*

*My supplementary may stray a bit away from the subject matter. According to the main reply supplied by the Secretary, the mainland authorities and the SAR Government should each on its own decide on immigration matters. However, I would like to ask the question the other way round. If the Central People's Government can refuse Hong Kong people holding HVPs entry into the various parts of the Mainland, are we entitled to deal with our own immigration matters our own way? Can we refuse holders of one-way exit permits issued by the Central People's Government or the Guangdong authorities entry into Hong Kong?*

**PRESIDENT** (in Cantonese): You were right, Mr Andrew WONG. Your supplementary question does stray a bit. But I think many Members would like to know what answer the Government may give. Secretary would you please try to provide an answer if you have the relevant materials at hand?

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in Cantonese): Madam President, I think I need to defer to my colleague, the Secretary for Security, the last part of the question, which is: Can we refuse holders of one-way exit permits entry into Hong Kong?

I think Mr Andrew WONG's question may be generalized into "Why Hong Kong people cannot travel freely in the Mainland?" We need to understand that under the concept of "one country, two systems", there are many things which the SAR could not share with the Mainland, legal tender is but one example. Members could raise a lot of questions on this issue. Why do we need the concept of "one country, two systems"? This, I think we all understand very well. In immigration matters, we may see things from our own house and think that we are just going to the Mainland. The fact is, for people from the Mainland entering Hong Kong, we have our own requirements

as well. We have two sets of independent and completely different immigration control requirements under our respective laws and policies? The people of Hong Kong certainly need to meet mainland immigration requirements as they enter the Mainland, but then people from the Mainland are also required to meet the requirements set out in Article 22 of the Basic Law and the relevant immigration control requirements of Hong Kong if they are to enter the territory. Perhaps I shall now invite my colleague to speak on our immigration control requirements in this respect.

**PRESIDENT** (in Cantonese): Secretary for Security.

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, the Honourable Mr Andrew WONG asked whether we had refused holders of one-way exit permits entry into Hong Kong for settlement. I believe many Members do understand the historical background of one-way exit permits and that they are totally unrelated to HVPs. The former is related to entry for settlement while the latter entry for sight-seeing or business. But I can tell Mr WONG that we did refuse holders of one-way exit permits entry into Hong Kong. I wish to mention also another document similar to HVPs, which is the two-way exit permit for visiting Hong Kong for visiting relatives, sight-seeing or other business. Have we refused holders of such documents entry into the territory? The answer is yes.

**PRESIDENT** (in Cantonese): Honourable Members, we have spent almost 19 minutes on this question and there are still six more Members who would like to raise supplementary questions. I suggest Members follow up the matter through other appropriate channels. Mr Andrew WONG.

**MR ANDREW WONG** (in Cantonese): *Madam President, just now the Secretary did not answer my simple question on whether inquiries had been made. He kept talking about principles repeatedly without answering my question.*

**PRESIDENT** (in Cantonese): Thank you for that point, Mr WONG. But I think it is more appropriate to follow up the matter through other channels as I believe Members' questions are multi-faceted and probing greater depths. The matter could be followed up at greater length by the appropriate Panel.

Fifth question. Mr TAM Yiu-chung.

**Employment Visa Requirement of Immediate Family Members of Foreigners Working in Hong Kong**

5. **MR TAM YIU-CHUNG** (in Cantonese): *Will the Government inform this Council:*

- (a) *of the number of foreigners who came to work in Hong Kong with an employment visa in each of the past three years;*
- (b) *of the number of immediate family members of these foreigners who came to reside in Hong Kong on application by the foreigners concerned during the same period, and the number of these family members who were at the age of 14 or above; and*
- (c) *whether such family members are not required to apply for an employment visa to work in Hong Kong; if so, what the reasons are; and whether the relevant authorities will formulate any measures to require these members to obtain an employment visa before they are allowed to work in Hong Kong?*

**PRESIDENT** (in Cantonese): Secretary for Security.

**SECRETARY FOR SECURITY** (in Cantonese): Madam President,

- (a) In the past three years, the number of foreigners who have been granted employment visas under the general employment policy is as follows:

1995	16 038
1996	14 384
1997	16 561
1998 (January to May)	5 818

- (b) We do not keep separate statistics on the number of foreign dependants approved to join expatriates working in Hong Kong. The total number of foreign dependants approved entry for residence to join Hong Kong residents are as follows:

1995	16 114
1996	18 547
1997	19 848
1998 (January to May)	7 560

We do not have a breakdown on the number of foreign dependants who are at the age of 14 or above.

- (c) With some exceptions, the existing immigration policy provides that Hong Kong residents may bring in foreign dependants for family reunion provided that they can maintain and support their dependants. This policy applies to both permanent residents and expatriates who are allowed to work in Hong Kong as the latter may apply to become permanent residents under the relevant provisions of the Immigration Ordinance and the Basic Law after seven years' continuous residence. The policy does not apply to persons admitted under special schemes such as workers coming under the importation of labour schemes and foreign domestic helpers.

The policy to allow dependants to take up employment is a long-standing practice. As an international centre of trade and finance, Hong Kong is the site of regional headquarters for some 900 multinational corporations which are engaged in various areas of business and investment. Foreign nationals granted employment visas are those possessing skills of value to but not readily available in Hong Kong. Their presence contributes to the economic well-being of the territory and underlines Hong Kong's international status. Not allowing their dependants to work in Hong Kong would discourage these expatriates from coming to Hong Kong and it would not be in Hong Kong's interest to do so.

**PRESIDENT** (in Cantonese): Mr TAM Yiu-chung.

**MR TAM YIU-CHUNG** (in Cantonese): *Madam President, according to the reply given by the Secretary, expatriates allowed to work in Hong Kong can apply for their dependants to come to Hong Kong to work without restrictions whatsoever. These expatriates may become permanent residents after seven years continuous residence. Is this a loophole? Is this not labour importation in disguise and will this increase the local population?*

**PRESIDENT** (in Cantonese): Secretary for Security.

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, this is definitely not labour importation in disguise because we are talking about two entirely different categories of people. What we are referring to are people who come to Hong Kong to work under a general employment policy. They are in the main some professionals or businessmen. However, under the importation of labour schemes, those workers imported are people in totally different trades and of totally different abilities. So, they are two separate issues. The expatriates mentioned may usually obtain permanent residence under the relevant provisions of the Immigration Ordinance and the Basic Law after seven years of continuous residence. This is a right conferred upon them to enter and stay by the laws of Hong Kong. In the long run, the population of Hong Kong will indeed increase, but there are many ways through which our population can increase, just as there are many ways through which our population can decrease. We should not say this will bring a burden to Hong Kong. As I have said in my main reply, the presence of these expatriates can benefit Hong Kong, contribute to the economic well-being of the territory, and create more job opportunities.

**PRESIDENT** (in Cantonese): Miss CHAN Yuen-han.

**MISS CHAN YUEN-HAN** (in Cantonese): *Madam President, according to part (c) of the Secretary's reply, foreign nationals granted employment visas are those possessing skills of value to but not readily available in Hong Kong.*

*My follow-up question is: Do people who work at pubs and bars mixing wine belong to this category of persons?*

**PRESIDENT** (in Cantonese): Secretary for Security.

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, under very special circumstances, I cannot say for sure people holding certain jobs lack special abilities or skills of value to but not readily available in Hong Kong. I think we must take account of the special circumstances, but in general bar-tending does not come under such category. I trust the Honourable Member must have read press reports about expatriates working in bars and they might not possess sophisticated skills. But we must not forget the position in 1996 or early 1997 was different from the present position. During that time, there was a special policy for British subjects under which special arrangement was made for them in terms of obtaining residence in Hong Kong. These arrangements have since been abolished policy-wise and in the statutes in the first two quarters of 1997. I think the Honourable Member was serving on this Council then.

**PRESIDENT** (in Cantonese): Miss CHAN, which part of your question has not been answered?

**MISS CHAN YUEN-HAN** (in Cantonese): *The Secretary has not answered my question. After 1 April 1997 when the new law came into effect, we could still find 10 persons who came to take up the kind of work mentioned. I asked whether these people possessed skills of value to but not readily available in Hong Kong. These people are different from the people whom the Secretary said had come to Hong Kong before 1 April 1997 for economic reasons. We can still find the Government allowing such people to come to Hong Kong. Do they really possess skills not available in Hong Kong? I wanted to follow up on the question asked by Mr TAM Yiu-chung. He asked whether the Government had assessed the present policy and in response the Government indicated it was not necessary to do so as that was beneficial to the economy of Hong Kong as a whole. However, I find that there are still many loopholes in*



*it. Madam President, it is not an issue connected with British subjects. The fact is after 1 April 1997 the Government has continued to allow expatriates to come to Hong Kong. I understand that 10 expatriates have come to Hong Kong to do bar-tending jobs.*

**PRESIDENT** (in Cantonese): Miss CHAN, I do not think the Secretary has to answer your follow-up as what you have been doing is supplying some information to show that the Secretary has not answered your question. Miss CHAN, do you want the Secretary to take follow-up action?

**MISS CHAN YUEN-HAN** (in Cantonese): *Madam President, I think the question is rather complicated. I meant to ask what criteria the Administration used in allowing the relevant persons to work in Hong Kong. The Secretary has not answered my question and so I cited the bar-tending job as an example. He did not respond to that either, but mentioned instead the situation before 1 April 1997.*

**PRESIDENT** (in Cantonese): Secretary for Security.

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, in this context I can only try my best to explain the relevant policy and practice. In the main reply I mentioned that there were thousands of such cases approved under the policy and I cannot follow up each case one by one here. But if the Honourable Member thinks the approvals for entry given to some of the employees under the general policy are inconsistent with our policy guideline, we will be glad to follow up. I will need more information from the Honourable Member then.

**PRESIDENT** (in Cantonese): Miss CHOY So-yuk.

**MISS CHOY SO-YUK** (in Cantonese): *Madam President, we certainly know that the qualifications of the dependants of these expatriates will not be the same as their principals themselves. In fact, I understand many dependants of*

*these expatriates work as typists or clerks. Will the Secretary inform this Council whether with a very high unemployment rate in Hong Kong the Government is determined to maintain the present policy as it is?*

**PRESIDENT** (in Cantonese): Secretary for Security.

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, the Honourable Member's question is based on a conclusion or an opinion that the dependants of these expatriates must possess abilities or professional skills different from or not as good as those of the principal applicants. I find this untenable. As regards the Honourable Member's question about whether we should hold fast to our present policy in the light of a high unemployment rate and difficult economic conditions, I think this involves a host of issues. Why is the Hong Kong economy so bad? It beats me. But I trust that on the many occasions recently, the Financial Secretary or other colleagues have tried to explain why. In the context of immigration policy, we do not see any strong reasons to change our present practice. We must not forget that allowing some expatriates who can contribute to the economic well-being of the territory to come to work may bring economic benefits to Hong Kong, more economic activities and hence more job opportunities.

**PRESIDENT** (in Cantonese): Miss CHOY, has the Secretary for Security not answered your question?

**MISS CHOY SO-YUK** (in Cantonese): *I just wanted to ask the Secretary whether he agreed that the qualifications of the dependants of these expatriates might not be the same as those of the expatriates themselves.*

**PRESIDENT** (in Cantonese): I think the Secretary has indicated that the qualifications of the dependants of these expatriates might not necessarily be better or worse than those of the expatriates themselves. Do you have anything to add, Secretary?

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, you were absolutely correct. *(Laughter)*

**PRESIDENT** (in Cantonese): Mr NG Leung-sing.

**MR NG LEUNG-SING** (in Cantonese): *I would like to ask whether part (b) of the main reply and paragraph (b) of the main question refer to the same issue. The former provides the total number of foreign dependants approved to join expatriates in Hong Kong while the latter relates to the number of immediate family members of expatriates in Hong Kong with employment visas. Is the former responding to the latter? If not, will the Administration supplement its answer with some other figures?*

**PRESIDENT** (in Cantonese): Secretary for Security.

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, at the beginning of paragraph (b) of the reply, I explained we did not have the specific data asked for in the question. We could only provide the number of foreign dependants approved to join expatriates in Hong Kong. Among these foreign dependants must be some temporary residents in Hong Kong who are allowed to reside here for reasons of work. But the number is not the same as that required in the question. Our records and our computer programme preclude further classification of the number and the possibility of marking the population off at the age of 14.

**PRESIDENT** (in Cantonese): Mr Howard YOUNG.

**MR HOWARD YOUNG**: *Madam President, with regard to the standing practice to allow those dependants to take up employment, I would like to know procedure-wise, whether such an approval is given as a blanket approval which may be stamped onto their travel documents on entry, or will they have to individually and specifically apply on a case by case basis if they need an*

*employment visa as well? If so, whether the criteria are all the same as those nationals who need to possess skills of value but not readily available in Hong Kong?*

**PRESIDENT** (in Cantonese): Secretary for Security.

**SECRETARY FOR SECURITY:** Madam President, before I answer the question, I would like to ask for clarification. Is the Honourable Member asking about the criteria and procedures for dependants of persons admitted into Hong Kong for employment and whether they are given blanket approval, or is he asking for the criteria for the entry for employment in the first place?

**PRESIDENT** (in Cantonese): Mr Howard YOUNG.

**MR HOWARD YOUNG:** *Perhaps I have spoken too fast. The Secretary said that it was a standing practice to allow such dependants to take up employment. So, what I am asking is when you allow these dependants to take up employment, whether approval is automatically given to all the dependants when they come in, or whether these dependants just come in as dependants and if they want to work, they have to make an application to you and say "I want an employment visa as well"?*

**PRESIDENT** (in Cantonese): Secretary for Security.

**SECRETARY FOR SECURITY:** Madam President, let me try to explain the system. Anybody who is a dependant of a person who is admitted into Hong Kong for employment may apply for permission to enter Hong Kong to join that person. That requires an application. It is not a blanket approval. He does have to fulfil certain minimum or basic criteria. But once his application for approval to join his family member who resides in Hong Kong succeeded, he does not need to apply for any separate permission to take up employment here because when he enters Hong Kong, he is only given a restriction on the time that he may stay in Hong Kong, which is normally coinciding with the length of stay of his principal family member in Hong Kong. He is not

restricted from taking up employment in Hong Kong. So, there is no need for him to seek any further approval or application.

**PRESIDENT** (in Cantonese): We have spent more than 17 minutes on this question. Let us go to the sixth question.

### **Regulation of Securities Companies**

6. **MR SIN CHUNG-KAI** (in Cantonese): *There have been a number of incidents since August last year in which securities companies were suspected to have deceived their clients or embezzled the clients' stocks placed in their care. In this connection, will the Government inform this Council:*

- (a) *whether it is aware of the major reasons for the occurrence of such incidents;*
- (b) *whether it has studied ways to improve the existing regulatory system and central clearing system; if so, what the results are; if not, why not;*
- (c) *whether it has considered what responsibility the Financial Services Bureau (FSB), the Securities and Futures Commission (SFC) and the Stock Exchange of Hong Kong Limited (SEHK) should bear in these incidents; if so, what the findings are; if not, why not;*
- (d) *whether it has any plan to set up an independent committee to review the responsibilities of the FSB, SFC and SEHK in regulating the operation of securities companies; if so, when the committee will be set up; if not, why not; and*
- (e) *of the measures it will take to avoid the recurrence of similar incidents in future?*

**PRESIDENT** (in Cantonese): Secretary for Financial Services.

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, the question raised by Mr SIN can in fact be regarded as several different questions. The question also covers a rather wide scope. As such, my reply will be a little long too. I would be grateful for your and Members' understanding. I will read out my reply as quickly as possible.

- (a) Our information indicates that there have been five securities companies involved in incidents of default since August last year. These include Foreground Securities Company Limited, Hing Shing Investments Company, C.A. Pacific Securities Company Limited, Forlux Securities Limited and Chark Fung Securities Company Limited.

Among these companies, Foreground could not continue operating due to corporate financial problems. It is our understanding that there is at present no evidence to indicate that there has been deception or embezzlement of clients' stocks placed in the company's care.

In the case of Hing Shing, the reason for clients' losses was that a dealer's representative had embezzled his clients' assets. The incident reflects possible inadequate regulation within the company. In addition, it seems that quite a number of the clients of that company had carried on transactions without first completing all the account opening procedures and had no contract notes. This also shows that investors may lack sufficient knowledge of how to protect their own interests.

With regard to the cases of Forlux and Chark Fung, we suspect that certain directors or members of the staff of the companies may have embezzled clients' assets. The matter is being investigated by the police.

With regard to C.A. Pacific, the police have already pressed charges in respect of this case, alleging that someone has obtained advantages through falsifying records. However, there is no concrete evidence for the time being to indicate that the case involves fraud and embezzlement of clients' assets. The collapse

of the company, as we understand it, is due to operation mistakes on the part of its subsidiary financial company.

As has been said, the circumstances of the incidents vary. Some involved the personal integrity of the companies' managers or staff and the lack of supervision within the broker firms, while others involved operational mistakes on the part of the subsidiary financial companies which in turn affected the finances of the securities company and caused liquidity problems. Since four of the cases are either under police investigation or being heard, I should perhaps refrain from giving my views on them here so as not to obstruct the course of justice. What is worth noting, however, is that all these incidents involved, to varying degrees, the problems of inadequate liquidity and integrity of stock brokers which surfaced as the market conditions took a drastic downturn. The case of C.A. Pacific also reflected the existing loopholes in the mode of regulation of margin trading activities, which have brought about certain adverse effects.

Now, I would like to take (b) and (e) together in my response.

The existing regulatory system was established in accordance with the recommendations made in the 1988 Report of the Securities Review Committee. The system has achieved a right balance between protection of investors and the need to maintain market efficiency and flexibility. A special feature of the Hong Kong securities market is that it has a very active local retail market. Retail investors play a bigger part than their counterparts do in other mature markets. Such factors contribute to the demand of the local securities market for the service of intermediaries. Stock brokers facilitate investors in the latter's transactions. They take instructions from their clients and carry out transactions in the market. They then settle the transactions through an account in the central clearing system for their clients. Finally, they carry out cash settlement or keep the assets of their clients in safe custody as per the clients' instructions.

In this process, the broker and the client would inevitably need to bear certain risks for each other. The present regulatory system is a reflection of the special features and demands of the local market. While the brokerage industry has a fair amount of room for operation and clients can continue to enjoy the convenience of transactions, investors are also given adequate and reasonable protection. With regard to the regulation of margin trading activities, we have already undertaken to step up regulation and formally published a consultation document on 8 May. The consultation period just closed yesterday. We expect to submit the bill on the proposal for regulation to the Legislative Council before the end of the year.

With regard to the finances of brokers, their integrity and credibility, the SFC and the SEHK have also joined hands to step up regulation of the brokers' business. For instance, with effect from April 1997, the SFC has introduced a computerized risk-weighted targeting system to facilitate identification and monitoring of intermediaries with high risk, in order that the priority and frequency of inspection thereof may be determined. In view of the sharp increase in transactions and the massive fluctuations in the market, the SFC increased the number of routine inspection visits and special inspection visits from the second quarter of 1997 onwards. It has also implemented some theme inspection plans to ensure that intermediaries comply with the requirements regarding protection of clients' assets as stipulated in the Securities Ordinance. It also reviewed the regulatory functions of the members of the SEHK last March.

The review shows that the present regulatory system of SEHK members is adequate and effective. Still, the SFC has proposed a number of measures to further strengthen the regulatory function of the SEHK. It also plans to conduct similar inspection visits to the Hong Kong Futures Exchange (HKFE) in due course.

The Hong Kong Securities Clearing Company Limited (HKSCC) was established following the recommendation made in the Report of the Securities Review Committee 1988. Under its Central Clearing and Settlement System (CCASS), all securities



transactions concluded in the SEHK are automatically transmitted to the HKSCC through computers and the CCASS calculates the net position for settlement of each broker on that trading day. Stock brokers then process the clearing and settlement with the HKSCC on the day after trading in accordance with the Settlement Instructions issued by the HKSCC.

The CCASS is one of the most important developments of Hong Kong's securities market. Since the HKSCC has acted as a counterparty to transactions, if clearing and settlement cannot be completed due to default on the part of the buyer or seller, it will also have to bear the responsibility of performing the clearing duties for the defaulting party in a transaction with the other counterparty. In this way, the HKSCC not only plays the role of a "fire resistance wall" among brokers by significantly reducing the systemic risk that may be caused by individual defaults to the market as a whole, but also protects clients from the risks brought about by brokers and clients of the counterparties to the transactions.

The central clearing and settlement system is the standard system adopted by most of the world's major and advanced financial centres. During the financial turmoil, the HKSCC has functioned very well with its clearing and settlement system operating efficiently all along.

In fact, since its introduction in 1992, the CCASS has been greatly improved in various aspects. For example, a few years ago, the system began accepting the opening of "segregated accounts" by brokers for their clients under their central clearing accounts. The operation of "segregated accounts" is similar to the depositing of stocks by clients with their brokers. Any movements of the stocks have to be handled by the brokers. However, the HKSCC will provide clients of segregated accounts with information on withdrawal and deposit of stocks so that they would have a clearer picture of the movements of their stocks.

Starting from 8 May this year, investors can open their own accounts directly with the CCASS through the Investor

Participation Scheme so that they can manage and control movements of their stocks directly. This provides investors with better protection and greater convenience.

I believe that the above measures will help reduce the occurrence of similar incidents to some extent. However, no system or measure can be absolutely effective in stopping or preventing a person from committing an offence intentionally. By the same token, if we agree that brokers should continue to act as intermediaries in the market, there is no measure that can completely prevent problems arising from intentional deceit by a very small number of brokers.

As regards the regulatory system, there is, of course, a need to minimize the possibility of occurrence of defaults, and more important, the system should minimize any systemic risk that individual incident may bring to the market as a whole.

Furthermore, to tie in with the regulatory system, investor education is certainly an aspect that should not be overlooked.

- (c) First of all, I would like to point out that in formulating policies on the securities market, the Government often has to take into account different objectives and considerations. Such considerations may be self-contradictory. We therefore have to strike a balance between all the objectives and seek a solution which suits the market conditions and development needs of Hong Kong, helps maintain the stability of our financial system and serves the long-term and overall economic interest of Hong Kong. One of the principles that we strictly adhere to is maintaining the vitality of the market on the one hand and giving proper and reasonable protection to investors on the other.

The responsibility of the FSB is, therefore, to strike a proper balance between various policy objectives and to make necessary adjustments in response to the changes in the objective market factors. The SFC, being the overall regulatory authority of the stock market, and the SEHK, being the frontline market regulator, have the responsibility of maintaining the fair and effective operation of the market.

The above incidents do not reflect any default on the part of the SFC and the SEHK. Actually, since early last year, the participation of retail investors has increased significantly and the SFC and the SEHK have taken the initiative to step up regulation of the operation of brokers, their financial resources and liquid capital. They have also given proper guidance and assistance to individual brokers and even requested them to increase capital or reduce risk. However, as I have just mentioned, in the event of deliberate breach of regulatory rules, no regulatory measures can prevent the occurrence of such problems. Most important of all, the market must have an adequate mechanism to prevent particular incidents from triggering overall systemic risks. In this regard, I think that the two regulatory bodies have already tried their very best and been very effective in maintaining the overall stability of the market.

Madam President, certainly, nobody would like to see the collapse of any securities companies. For those aggrieved clients, these incidents are very painful experiences. We deeply regret for those investors who have suffered losses in these incidents. We will make proper arrangement under the existing compensatory mechanism.

As the policy-maker, the Government has the responsibility to find solutions and improvement measures for the problems. In this respect, we have reviewed the loopholes in our regulation over margin financing activities, and it is hoped that the relevant measures can be implemented by the end of this year.

However, I have to emphasize that a total ban on these market activities will only deprive the market of its dynamics. In the end, it may not be the best solution to the problems for either the market or the investors.

- (d) As mentioned above, the basic policy on the existing regulatory system works well from the FSB's point of view. If the relevant government departments, SFC and SEHK are inadequate in any way in carrying out the policy, investors or market participants can fight for their interests by lodging complaints and calling the organizations concerned to account through different channels,

including legal proceedings, the Office of the Ombudsman and the Legislative Council. The Government, therefore, does not deem it necessary to set up an independent committee to review the regulatory responsibility of the relevant departments or organization concerned in relation to the above individual incidents. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr SIN Chung-kai.

**MR SIN CHUNG-KAI** (in Cantonese): *Madam President, the Secretary took 12 minutes to answer my question. Will you exercise your discretion and give us more time to ask questions?*

**PRESIDENT** (in Cantonese): I will give you two more minutes later. *(Laughter)*

**MR SIN CHUNG-KAI** (in Cantonese): *In answering another of my question, the Secretary pointed out that there were over 7 400 claims at present, which involved a sum of \$5.3 billion. In part (c) of the main reply, he said that there was no default on the part of the SFC and the SEHK. In part (d), he said there was nothing wrong with the central clearing and settlement system, while in parts (b) and (e), he said there was no means of preventing the above incidents from recurring. The only more active measure proposed by the Government is investor education. May I ask if the Secretary for Financial Services thinks that under the present circumstances, one can only teach investors to "choose the right broker firm"?*

**PRESIDENT** (in Cantonese): Secretary for Financial Services.

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, the answer is "no". My reply might have been too long. However, it was not my intention to cut short the time for Members to ask supplementary questions. Mr SIN might have read only one or two passages

of my long reply. Having found something he considered "provocative", he asked the foregoing supplementary question. The Government is responsible in many aspects and not just for educating investors, although this is one of the most important aspects.

First, in terms of the whole regulatory framework, is there a need to amend laws to cope with the different circumstances now? The answer is yes. By the end of this year, we will further tighten up the regulation of the operation of subsidiary financial companies of securities dealers and margin trading activities. Next year, the Composite Securities and Futures Bill will be introduced to the Legislative Council for scrutiny. By then, Members will realize that we have made improvements to deal with many problems of risks and integrity that arose during the past, especially during the financial turmoil and the massive fluctuations in the stock market.

Lastly, of course there must be compensation. No matter what mechanism is used or how sound the regulation is, one cannot rule out that someone might commit an offence intentionally. Therefore, there must be a compensatory mechanism. The existing compensatory mechanism was established in 1982. What we must do now is to see whether we can expand the existing mechanism or give it greater flexibility, in order to deal with more large-scale collapses or other default problems. Therefore, the Administration is doing various kinds of work and has various kinds of responsibilities, instead of one single responsibility, as Mr SIN suggested.

**PRESIDENT** (in Cantonese): Mr CHIM Pui-chung.

**MR CHIM PUI-CHUNG** (in Cantonese): *Madam President, part (c) of the question asks whether the Government has considered whether the FSB should bear responsibility in these incidents. The Secretary has talked much about theory in his reply of almost 3 200 words. However, has he directly answered whether it should bear responsibility? If he cannot take the responsibility, many investors would ask him to resign. Has he considered these questions? If he cannot, he should consider them.*

(Someone clapped his hands in the public gallery)

**PRESIDENT** (in Cantonese): No clapping. (Pause) Secretary for Financial Services.

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, the first point of Mr CHIM's supplementary question is about the question of responsibility. Actually, I have explained very clearly the responsibility of the organizations concerned, including the FSB, in the main reply. In terms of policy, it is of course responsible for ensuring the fair and effective operation of the market and the minimization of risks. It should also maintain the protection for investors at a reasonable and practical level. I have already explained these responsibilities very clearly in the main reply.

The second point of the supplementary question is whether there are remedies and what measures are adopted in the wake of these incidents. Again, this has something to do with responsibility. We have fulfilled our responsibilities in this regard and we will continue to do so. On those personal references, it is improper to explain them to Mr CHIM in this venue. I do not think I need to answer the last part of the supplementary question. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Dr YEUNG Sum.

**DR YEUNG SUM** (in Cantonese): *Madam President, just now the Secretary said that no system or measure could entirely rule out or prevent intentional offences against the law. If Heaven wishes it to rain or your mother wishes to remarry, there is no way to stop them. The inevitable is bound to happen. We are not after a perfect system. The Government also admits that regulation is inadequate, albeit rather reactively. Therefore, some bills need to be introduced now. Actually, the Government feels that it has a responsibility to regulate. Still, I am disappointed. Why does the Government not set up an independent committee to investigate the relevant matters?*

**PRESIDENT** (in Cantonese): Secretary for Financial Services.

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, the first point I would like to make is that it is not that there are loopholes due to inadequate regulation. Of the five cases discussed earlier, only the case of C.A. Pacific Securities Company Limited involved problems caused by the subsidiary financial company of the securities dealer. Financial companies have been providing margin trading services and lending services for more than a decade. In 1993, to implement the requirements on margin trading in the Davison Report, the SFC established a set of rules on liquidity for compliance by securities dealers. They have done so accordingly. In other words, the above rules make it easier for dealers and clients to carry out transactions through lending and borrowing and thus make the market more active. This is the objective of the policy. Up to now, we consider that this objective should basically not be changed. Otherwise, the market will lose much of its dynamics. Now, the C.A. Pacific case has brought out the question of whether we have given these subsidiary financial companies too much room. Actually, last year, starting from April 1997, the stock market was becoming extremely active, though not quite crazy yet. Since that time, the SFC and the SEHK began to pay attention to the problem of lending which might become a bigger problem than ever before. Therefore, they adopted a series of measures, requiring the majority of dealers, including their subsidiary financial organizations, to reduce their lending or capital injection. Almost all of the over 200 dealers involved in these activities met the new requirements. This was before the incident of C.A. Pacific occurred. In November/December last year, the Government also set up an internal working group to draft and implement legislation in order to exercise stricter control over financial companies. Therefore, I do not agree with the Member's remark about reactivity.

As to the second point about an independent committee, I already answered it and explained the reasons in my main reply. In terms of the basic policy and our basic overall regulatory framework, there is no need to set up such an independent committee since we have other channels. Besides, after the financial turmoil this year and last, we have worked out a series of improvement measures to reduce the possibility of the recurrence of such incidents in the future. It is of course impossible to eliminate such incidents entirely. The series of relevant measures were announced in April this year by the Financial Secretary. There are also detailed explanations in the review report. If Members are interested, we will give detailed explanations on the content of this report as far as possible. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Five Members are waiting to ask supplementary questions. However, I hope Members will understand that we have already spent 22 minutes on this question. Please follow this up on other occasions.

## **WRITTEN ANSWERS TO QUESTIONS**

### **Projected Supply of Public Housing**

7. **MR NG LEUNG-SING** (in Chinese): *It is reported that the projected public housing supply for 1999-2000, 2000-2001 and 2001-2002 are 60 000, 130 000 and 50 700 units respectively. In this connection, will the Government inform this Council whether it has studied the impact of such uneven supply on the construction industry in terms of demand for manpower and materials, and of the measures it will adopt to deal with the situation?*

**SECRETARY FOR HOUSING** (in Chinese): Madam President, housing production rates affect the demand for labour and materials of the construction industry. The Government has duly considered the adequacy of the supply of labour and materials to meet the needs of the construction industry when the housing and infrastructural development programmes are drawn up.

The construction labour required for the public sector housing programme only forms a small part of the overall labour supply for the construction industry. As such, the increase in labour demand during the peak period of the public sector housing programme and the decrease in labour demand after the peak would not have a great impact on the overall construction labour supply.

The Government is stepping up the training and retraining of construction workers to meet the needs of the local construction industry over the next few years arising from Hong Kong's housing and infrastructural development programmes. In the circumstances where there is a genuine need, the Government will allow importation of skilled construction workers in specific trades with proven shortages to ease any bottleneck in the labour supply during specific periods, subject to the priority of employment for local workers.



As for the supply of materials, the majority of construction materials are imported from overseas and the Mainland. The supply of materials will automatically adjust itself to an appropriate level in response to demand. It is envisaged that there will not be any problem in the supply of materials.

The Housing Bureau, together with the Education and Manpower Bureau, the Works Bureau and the Housing Department, will closely observe the market situation to avoid problems in the supply of labour and materials in Hong Kong.

### **Import of Live Chickens**

8. **MR FRED LI** (in Chinese): *It is learnt that the current selling price of live chickens in Hong Kong is higher than that before the outbreak of the "avian flu", and that there is only one importer responsible for the import of live chickens from the Mainland to the territory. In this connection, will the Government inform this Council:*

- (a) *of the specific measures in place to ensure that the price of live chickens is maintained at a reasonable level, so as to safeguard consumers' rights; and*
- (b) *whether it will consider allowing other merchants to import live chickens directly from the Mainland to the territory, so as to bring in market competition and price adjustment; if not, why not?*

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

- (a) Chicken prices are determined by market forces, which provide the best way to safeguard consumers' rights and interests. On our part, we will continue to ensure that there is adequate supply of live chickens to Hong Kong to meet demand; and
- (b) There are no restrictions on the import of live chickens into Hong Kong except that they are required to be accompanied by health

certificates under the Public Health (Animals and Birds) Regulations. Chicken traders in Hong Kong may and many do order live chicken supply directly from food exporting companies in the Mainland.

### **Jerry-building Practices of Contractors**

9. **MR LEE KAI-MING** (in Chinese): *It is reported that jerry-building practices have been used by the contractor in carrying out the foundation works of the superstructure of the Kowloon Station of the Airport Railway, adversely affecting the building quality of the project. In this connection, will the Government inform this Council of:*

- (a) *the mechanism in place to ensure that the construction works in question comply with the prescribed standards;*
- (b) *the penalties to be imposed on the contractor involved in jerry-building practices; and*
- (c) *the role of the Buildings Department in this incident?*

**SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS** (in Chinese):

- (a) Under the Buildings Ordinance, a developer or any person intending to carry out building works is required to appoint an Authorized Person (AP) as the co-ordinator for the works, a Registered Structural Engineer (RSE) for the structural elements, and a Registered Contractor (RC) to carry out the works. During construction, the AP, RSE and RC are required by law to carry out periodical and continuous supervision to ensure that the works are carried out in accordance with the Ordinance and the plans approved by the Building Authority (BA), which, under the Ordinance, means the Director of Building. They must also certify that the works are completed in accordance with the plans and are structurally safe.

The AP, RSE and RC are therefore required to carry out proof tests to demonstrate that the completed works can perform the function they have been designed for in the approved plans, and to submit such test reports to the BA. To fulfil their duties of supervision, they are required to report to the BA any contravention of the Ordinance.

The BA monitors the performance of the AP, RSE and RC in supervising construction works by auditing the certificates and test reports submitted by them. Where there is any doubt, the BA may require the building professionals to carry out further tests to verify the adequacy of the completed works. If any works are found to be not in accordance with the Ordinance or the approved plan, the BA will require the removal of such works or the carrying out of works to remove any risk of danger;

- (b) Section 40(2A) of the Ordinance provides that any person who permits or authorizes to be incorporated in the carrying out of any building works any materials which are defective or have not been treated in the manner required by the Ordinance, who deviates in any material way from the approved plans, or who knowingly misrepresents a material fact in any plan or report to the BA shall be guilty of an offence and shall be liable on conviction to a fine of \$250,000 and to imprisonment for three years; and
- (c) As explained in (a) above, the role of the Buildings Department is to monitor the performance of the AP, RSE and RC and ensure that they carry out their statutory responsibilities for supervising the construction works. Specifically, in respect of the Airport Railway Kowloon Station property development site, the RSE reported to the Department the deficiencies in the foundations. The BA is examining the proposals submitted by the RSE to remedy the problem. The BA will also take whether further action necessary to ensure public safety and to establish the responsibilities of the parties involved for any irregularities.

**Breeding of Termites in Public Housing Units**

10. **DR TANG SIU-TONG** (in Chinese): *Will the Government inform this Council:*

- (a) *of the total number of complaints that the Housing Department (HD) received during the past three years about the breeding of termites in its public housing units and, among them, the number involving Leung King Estate;*
- (b) *among those housing estates, which of them are included in the "Tenants Purchase Scheme";*
- (c) *of the reasons for the breeding of termites in the public housing units; whether they are related to the wooden materials used in construction; and*
- (d) *of the methods adopted by the Housing Department to prevent the breeding of termites in public housing units?*

**SECRETARY FOR HOUSING** (in Cantonese): Madam President, during the past three years, the HD received 1 164 complaints about the breeding of termites in public housing units. Sixty-four cases involved Leung King Estate.

255 cases were reported by residents in nine estates included in the Tenants Purchase Scheme, namely, Fung Tak, Heng On, Hin Keng, Tin King, Wah Ming, Choi Ha, Tai Wo, Leung King and Tsing Yi Estates.

Breeding of termites in wooden materials is a common phenomenon in tropical areas like Hong Kong. As termites breed in warm and moist environment, timbers used by the Housing Department are properly seasoned to be free from active infestation. There is no evidence to show that the termite problem in public housing flats is related to the type of timbers used by the HD.

To prevent breeding of termites in public housing estates, tenants are advised to keep their flats clean and properly ventilated, and to carry out proper maintenance of wooden materials and furniture. The HD has also commissioned anti-termites contractors to exterminate termites once they are detected.

### **Measures to Prevent Students from being Physically Abused by Teachers**

11. **MR YEUNG YIU-CHUNG** (in Chinese): *Will the Government inform this Council:*

- (a) *of the total number of complaints received by the Education Department (ED) in the past three years about students being physically abused by teachers and, among them, the respective number of those referred to the police for follow-up action and those resulting in successful prosecution;*
- (b) *of the measures the ED has put in place to prevent students from being physically abused by teachers; and*
- (c) *whether it has studied the adequacy of the existing legislation in protecting students from being physically abused by teachers; if so, what the findings are?*

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

- (a) According to the ED's record, there were a total of 22 complaints about teachers' administering corporal punishment to students and eight complaints about indecent assault of students by teachers in the past three years.

Of the complaints referred by the schools or the "victims" concerned to the police for follow-up action and prosecution, three cases were about corporal punishment, in which all the three teachers involved were found guilty; six cases were about students being indecently assaulted by teachers, and the teachers involved in three of the six cases were found guilty.

- (b) The Government amended Regulation 58 of the Education Regulations in September 1991, stipulating clearly that no teacher shall administer corporal punishment to a pupil.

To prevent teachers from administering corporal punishment and to encourage them to adopt a proactive and positive approach in handling student problems, the ED includes the prohibition of corporal punishment in the agenda of its annual Small Group Discussion organized for teachers. Since 1995, the ED has issued circulars to schools providing advice and guidelines to teachers on how to handle student problems and take disciplinary measures.

Also, social workers of the Child Protection Services Unit of the Social Welfare Department and police officers pay regular visits to schools to give talks and hold discussions on the prevention of child abuse, and teach students how to protect themselves from being harmed.

- (c) There is now adequate legislation to protect students from being physically abused by teachers. Under the Offences against the Person Ordinance (Cap. 212) and the Crimes Ordinance (Cap. 200), any person, including any teacher, who wilfully beats, ill-treats or sexually abuses children, shall be guilty of an offence. As mentioned in Part (b) above, it is stipulated clearly in Regulation 58 of the Education Regulations that no teacher shall administer corporal punishment to a pupil.

In addition, the Education Ordinance stipulates that any person who applies to register as a teacher or to employ a person as a permitted teacher, shall disclose in the application form whether the applicant or the person in respect of whom the application is made has any record of criminal offence. If he/she has been convicted of an offence liable to imprisonment, the Director of Education may refuse that application. For the same reason, the Director may cancel the registration of any teacher or any permit to teach.

**Bankruptcy or Closure of Companies Engaged in Industrial Production**

12. **MR LEUNG YIU-CHUNG** (in Chinese): *Will the Government inform this Council:*

- (a) *whether it is aware of the number of companies engaged in industrial production that went bankrupt or closed down in each of the past two years; of the trades that had the largest number of such companies;*
- (b) *whether it is aware of the number of employees affected as a result and their average age;*
- (c) *whether it has tried to find out and analyze the reasons for the bankruptcy or closure of such companies; if so, what the findings are; and*
- (d) *of the measures and support schemes which the authority has in place to provide assistance to these trades?*

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

- (a) The Government does not have actual figures on the number of the relevant companies that closed down. As regards the number of bankruptcy and liquidation cases in the manufacturing/trading business in the past two years, please refer to Annex I (statistics by "trades in industrial production" are not available). As shown in the table, Garment, Knitting and Textile had the largest number of bankruptcy and liquidation cases in the past two years.
- (b) The Government does not have statistics on the number and the average age of the employees so affected.

- (c) According to the information given by the businesses concerned, the six major causes of failure in the past two years are set out in Annex II. As shown in the table, the most common cause for bankruptcy in the past two years is "Personal guarantee liabilities" while that for liquidation is "Decline in business".
- (d) The Government has been making every effort to provide a business-friendly environment for the business sector through various measures such as tax system, manpower training and the provision of infrastructural facilities. We have also set up various industrial support organizations, such as the Hong Kong Productivity Council, Hong Kong Industrial Estates Corporation and Hong Kong Industrial Technology Centre, to provide support to industries and to enhance their productivity and competitiveness. Besides, through various funding schemes, we have provided financial support to projects that are beneficial to the overall development of Hong Kong industries (including manufacturing and service industries). We believe that these measures can give the most effective support and the best development opportunities to our industries. The Government will keep on providing various kinds of support and improving its service. The establishment of the Chief Executive's Commission on Innovation and Technology is a case in point. The Commission is carefully considering how to develop Hong Kong into an innovation centre in the region, as well as to enhance the value-added capacity and competitiveness of our industries.

The Government will neither rescue industries which are no longer competitive nor provide special financial assistance to individual companies which are facing bankruptcy or closing-down. Any such attempt will contravene the principle of free market and will not be in line with the long-term interests of Hong Kong's economic development.



## Annex I

<i>Business type (Manufacturing/Trading)</i>	<i>1996-97</i>		<i>1997-98</i>	
	<i>Bankruptcy</i>	<i>Liquidation</i>	<i>Bankruptcy</i>	<i>Liquidation</i>
Camera and Optical Goods	0	5	2	3
Design, Decoration Furniture	15	13	11	11
Electrical and Electronic Products	10	38	11	32
Food	3	12	10	6
Garment, Knitting and Textile	38	108	41	58
Jewellery	8	7	2	4
Leather and Leather Products	4	9	5	10
Machinery	4	7	3	1
Metalware	9	2	8	5
Office Machines	2	5	0	3
Paper	1	1	1	2
Plastic Products	13	15	6	3
Shoes	2	6	4	1
Watch	0	3	4	5
Wood and/or Cork Product	0	0	0	2
Sub-total for manufacturing/trading business:	109	231	108	146
Total no. of cases in the year	562	557	643	459

<i>Causes of failure</i>	<i>1996-97</i>		<i>1997-98</i>	
	<i>Bankruptcy</i>	<i>Liquidation</i>	<i>Bankruptcy</i>	<i>Liquidation</i>
Decline in business	56	132	63	105
Cash flow problem	59	94	78	78
Personal guarantee liabilities	102	2	123	0
Poor management	12	47	9	18
Excessive use of credit facilities	43	2	33	0
High operating costs	6	33	7	30

### **Draft Central District (Extension) Outline Zoning Plan**

13. **MISS CHRISTINE LOH:** *Regarding the Draft Central District (Extension) Outline Zoning Plan gazetted on 29 May 1998, will the Government inform the Council:*

- (a) *of the minimum land area required to provide the necessary transport infrastructure, including the Central-Wan Chai Bypass, an extension eastwards of the Mass Transit Railway (MTR) North Hong Kong Island Line and an airport railway overrun tunnel extension;*
- (b) *given the presumption against reclamation in the central harbour provided for by the Protection of the Harbour Ordinance, whether it will propose a minimum reclamation plan to the Town Planning Board and if not, why not; and*
- (c) *how it has observed and complied with the Protection of the Harbour Ordinance?*

**SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS:** Madam President, the need for reclamation in Central and Wan Chai Districts was first identified in the Harbour Reclamation and Urban Growth Study in 1983 and later confirmed by the Territorial Development Strategy in 1984, Metroplan in 1991 and Territorial Development Strategy Review in 1996.

The Central and Wan Chai Reclamation is divided into five phases. Phases 1 and 2 of Central Reclamation and Phase 1 of Wan Chai Reclamation had been completed. Detailed engineering investigation and design work for Central Reclamation Phase 3 was completed in 1997.

The Protection of the Harbour Ordinance establishes the principle of "presumption against reclamation", which states that "The central harbour is to be protected and preserved as a special public asset and natural heritage of Hong Kong people". The Ordinance does not prohibit reclamation but imposes a public law duty on all public officers or bodies, in deciding on reclamation, to have regard to this principle. In compliance with the Ordinance, consideration on the remaining phases of the Central and Wan Chai Reclamation will have to be given by weighing the public benefit which they can bring about against the preservation of the central harbour.

In determining the need for and the scale of the remaining phases of the Central and Wan Chai Reclamation, the Government has, therefore, taken two principal considerations into account:

- (a) the need for the reclamation on the basis of the requirements of the community in terms of infrastructural and land use which must be located within the proposed reclamation area; and
- (b) the scale of the reclamation should not unreasonably diminish the attributes of the central harbour as a special public asset and heritage of the Hong Kong people.

Based on previous studies and the Territorial Development Strategy Review in 1996, the Hong Kong Island West Development Statement, which was recently completed, concludes that for the long-term development benefit of Hong Kong, an additional 80 hectares of land would need to be reclaimed in Central and Wan Chai Districts for constructing key transport infrastructure, transforming the existing waterfront to make it more accessible for the

enjoyment and use of the public, and providing space for the future expansion of the Central Business District to enable Hong Kong to continue to maintain its role as a highly competitive international financial and services centre.

The conclusion of the Hong Kong Island West Development Statement has been critically reviewed by the Government in line with the principle set out in the Protection of the Harbour Ordinance. The review concludes that reclamation will be needed to provide land for the following:

- (a) key transport infrastructure such as the Central and Wan Chai By-Pass (to alleviate traffic along Connaught Road/Harcourt Road/Gloucester Road corridor which would exceed their design capacity by 100% by early 2000s), overrun tunnel of the Airport Railway (which will need to be in place by 2004 to improve safety for the Airport Railway), and North Hong Kong Island Line of the MTR (to provide relief to the anticipated congestion in the MTR Island Line in the next several years), as well as route protection areas for the underground sections of these transport infrastructure.
- (b) Public amenities and assets such as harbour front promenades, pedestrian areas, open space, and other cultural and recreational facilities so as to enable the public to have access to and enjoy the amenities of the harbour. The existing waterfront is dull and inaccessible to the general public.
- (c) Future expansion of the Central Business District (CBD) — the existing CBD is almost fully developed and with very limited space for expansion. Studies have indicated that it is essential to maintain a strong CBD to enhance Hong Kong's role as an international business and services hub, and to provide space to meet its expansion needs in future.

Through realigning and integrating some land uses, and taking into account other engineering requirements, relocation for some harbour front facilities, construction programming, environmental mitigation proposals, the Government considers that the scale of reclamation in Central Phase 3 can be scaled down but that a minimum of 38 hectares will be required to meet the identified land needs and engineering requirements.

In making the proposal, the Government has also thoroughly considered the findings of other studies which have recently been completed, namely, the Cumulative Effects of Reclamation on Harbour Regime, the Wave Modelling Study and the Comprehensive Study on Marine Activities, Associated Risk Assessment and Development of a Future Strategy for the Optimum Usage of Hong Kong Waters, environmental impact assessments and water quality, hydraulic mathematic models on tidal regime and currents, wave climate, water quality, vessel navigation, sedimentation and erosion of the seabed, and the findings of associated studies such as visual impact assessment.

The proposed boundary of the reclamation as well as its land use have been promulgated in a draft Outline Zoning Plan for the extension of Central District which was gazetted on 29 May 1998 for public consultation. The draft plan does not itself authorize any reclamation. Any proposed reclamation has to be authorized by the Chief Executive in Council under the Foreshore and Seabed (Reclamations) Ordinance (Cap. 127). No authorization has yet been made. In considering whether any proposed reclamation should be authorized, the Chief Executive in Council will consider any specific objection and will weigh the presumption against reclamation under section 3 of the Protection of the Harbour Ordinance against the public benefits of any proposed reclamation in the central harbour.

### **The "Millennium Bug"**

14. **MR HOWARD YOUNG:** *Will the Government inform this Council whether it has resolved the problem of the "millennium bug" where government computer systems:*

- (a) have interactions with those of commercial users, such as land registry search, and whether such users have been informed of the situation; and*
- (b) are related to the tourism industry, such as the immigration control system of the Immigration Department and the aeronautical systems of the Civil Aviation Department?*

**SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING:** Madam President,

- (a) We have embarked on a comprehensive rectification programme for government computer systems and equipment to resolve the Year 2000 problem (commonly called the "millennium bug"). Over 50% of our systems are now Year 2000 compliant. We are working on the remainder and expect to achieve compliance well within 1999.

The rectification programme mentioned in the foregoing paragraph includes government computer systems which have interactions with those of commercial users, such as land registry search. In the case of land registry search in particular, we are liaising with the service provider to ascertain the compliance status of the hardware and software currently used by the Direct Access Services (DAS) subscribers. We will inform DAS subscribers of the progress in August 1998 when the compliance position has been confirmed.

- (b) The Government's Year 2000 compliance programme also covers computer systems which are used by departments whose functions are related to the tourism industry. In the case of the Immigration Department, a comprehensive technical study on all its systems was completed in January 1998. Rectification work is underway. All critical systems which include systems managing arrival and departure of visitors, as well as computer interfaces with systems of other parties, will be compliant by June 1999. As regards the aeronautical systems of the Civil Aviation Department, they have all been tested and confirmed to be Year 2000 compliant.

**Services of New World Bus**

15. **DR RAYMOND HO** (in Chinese): *It is learnt that the New World First Bus Services Limited (NWFB) will start providing bus services from 1 September this year. In this connection, will the Government inform this Council:*

- (a) *whether it has formulated contingency measures to deal with any traffic chaos that may arise during the initial service period of the NWFB; if so, what the details are; and*
- (b) *whether it has considered allowing the NWFB to provide services at an earlier date, so as to avoid unnecessary traffic chaos when schools open in early September?*

**SECRETARY FOR TRANSPORT** (in Chinese): Madam President, the franchise of NWFB will come into effect on 1 September 1998. The NWFB is now gearing up in full momentum to operate 88 bus routes on 1 September 1998. Good progress has been made on the preparation work which includes the recruitment of staff of China Motor Bus Company Limited (CMB) and negotiations with the management of the CMB on the acquisition of the bus fleet, the lease of depots and other transition-related arrangements. In view of the progress of the preparation work, the Administration has no plan, at this stage, to request the NWFB to take over the bus routes at an earlier date.

To minimize the possibility of traffic chaos and to facilitate the smooth takeover of the bus operation, the NWFB will follow the existing *modus operandi* during the initial period by maintaining CMB's existing bus routings and keeping to the roster system of drivers and buses. Thereafter, the NWFB will improve and extend its bus services to cater for the needs of commuters and the traffic demand.

The Transport Department has drawn up a series of contingency measures, involving the co-operation of other public transport operators, to facilitate the takeover of the bus routes by the NWFB as scheduled. When necessary, the TD will implement and co-ordinate these measures as appropriate and will arrange wide publicity of the related arrangements through the media with a view to minimizing the impact of the changeover on the public.

### **Claims by Clients of Securities Companies for Compensation**

16. **MR SIN CHUNG KAI** (in Chinese): *With regard to the claims made by clients of securities companies for compensation under the Securities Compensation Fund, will the Government inform this Council of:*

- (a) *the number of such claims in each of the past five years; and*
- (b) *the following information concerning the claims:*
- (i) *the reasons for making the claims;*
- (ii) *the amounts of compensation claimed and granted;*
- (iii) *the number of clients involved;*
- (iv) *the computation of the amount of compensation; and*
- (v) *the time taken from the filing of claims to the granting of compensation?*

**SECRETARY FOR FINANCIAL SERVICES** (in Chinese): Madam President,

- (a) From 1993 through June 1998, the Stock Exchange of Hong Kong (SEHK) received a total of 7 577 claims against the Unified Exchange Compensation Fund (UECF) involving a total of 19 cases. The breakdown by year is as follow:

<i>Year</i>	<i>No. of Cases</i>	<i>Number of claims received</i>
1993	1	1
1994	3	3
1995	0	0
1996	7	163
1997	3	3
1998 (up to June)	5	7 407

Of the 7 407 claims received in 1998, 5 200 claims were made against the C.A. Pacific Securities Limited. Claims in respect of Forluxe and Chark Fung may be filed until 18 and 31 August 1998.



- (b) (i) The UECF is set up under part X of the Securities Ordinance (Cap. 333). The Ordinance provides that the Securities and Futures Commission (SFC) shall establish and maintain a compensation fund, to be known as the UECF and contains provisions that enable a client of a stockbroker who is a member of the SEHK to claim compensation against the UECF for pecuniary loss suffered as a result of a "default" on the part of the stockbroker in relation to the client's money, securities or other property entrusted to him. According to the record of previous claims, these defaults generally involved collapses of securities companies or infidelity acts by their directors or employees.
- (b) (ii) Under section 109(3) of the Securities Ordinance, the total amount of compensation which may be paid out of the UECF is limited to \$8 million per defaulting broker. From 1993 to June 1998, a total of \$24 million have been paid out of the UECF. The breakdown by year is as follows:

<i>Year</i>	<i>Amount of Claims Received</i>	<i>Amount of Claims Granted</i>	<i>Amount of Claims to be determined</i>
1993	\$5,670	Nil	-
1994	\$2 million	Nil	-
1995	Nil	Nil	-
1996	\$119 million	\$24 million	\$4.5 million
1997	\$2 million	-	\$2 million
1998 (up to June)	\$5,353 million	-	\$5,353 million

There was no successful claim made to the UECF from 1993 to 1994 as the claims received were either disallowed, or subsequently withdrawn. In 1996, a total of about \$119 million worth of claims were made against the defaults of seven brokers. Two claims were subsequently closed due to disallowance or withdrawal of the claims in question. Claims against three of the cases have already been

approved and the maximum compensation of \$8 million awarded against each of them. The remaining cases are still being considered and processed.

- (b) (iii) The UECF works on the basis of claims received instead of clients involved. The data regarding claims received by the SEHK against the UECF are already provided in the answer to part (a) above.
- (b) (iv) As a matter of general practice, claims received by the SEHK against the UECF will be verified against the internal records of the "default" broker, on the basis on which the SEHK will determine the final amount of compensation to be made for each claim. If the total amount of the allowed claims is less than \$8 million, all allowed claims will be met in full. If the total of all allowed claims for compensation exceeds the limit allowed for each defaulting broker (that is, \$8 million), the maximum pay out of \$8 million will be apportioned equitably amongst the allowed claims in accordance with section 120(2) of the Securities Ordinance. Section 115 of the same Ordinance provides that any claimant whose claim has been disallowed or only partially allowed may bring the matter to the Court for a ruling.
- (b) (v) The time required for processing the claims and effecting payment inevitably varies from case to case, depending on the complexity of the case and the adequacy of information submitted by the claimants. So far payments to 21 claimants in respect of two cases had been made out of the UECF and in these cases, payments were made roughly nine months after the closing of the claim period. In six other cases, the claims were either disallowed or withdrawn. The remaining 11 cases are still being considered and processed by the SEHK. There is one case in which claims have been determined and payments would be effected to 12 claimants in the next few months.

**Ageing of MTR System**

17. **MR FRED LI** (in Chinese): *In connection with the recent successive incidents of power line failure resulting in the suspension of service on the Kwun Tong Line of the Mass Transit Railway (MTR), will the Government inform this Council:*

- (a) *whether it is aware of any correlation between these incidents and the ageing of power lines;*
- (b) *whether it will request the MTR Corporation to comprehensively review the ageing of the MTR system; if so, of the review timetable; if not, why not; and*
- (c) *whether it is aware of any concrete improvement measures adopted by the MTR Corporation to prevent the recurrence of similar incidents?*

**SECRETARY FOR TRANSPORT** (in Chinese): Madam President,

- (a) As the power lines of the MTR are subject to a regular maintenance and replacement programme, "ageing of power lines" should not occur. The first incident on 13 June was caused by insulation breakdown of a high voltage cable. Insulation breakdown can occur despite the fact that the cables are regularly maintained. The second incident on 19 June was caused by water leakage at the tunnel wall. The water caused a short circuit of the overhead line and power was automatically cut out by protection device.
- (b) The MTR Corporation has a proactive and effective maintenance regime supported by a renewal and replacement programme which takes into account the age of the railway and its current and future usage. This system was comprehensively reviewed by an outside consultant of the independent Hong Kong Railway Inspectorate in August 1996. The review has confirmed that the maintenance programme of the MTR is as safe and effective as reasonably

practicable. The system is subject to inspection by the Inspectorate from time to time.

- (c) The MTR Corporation has taken concrete improvement measures to deal with the incidents on 13 and 19 June and to prevent their re-occurrence. In respect of the first incident, the cable was immediately replaced after train service hour on the same day. According to MTR Corporation maintenance procedures, the insulation resistance, which is a measure of the insulation capability of the cable, is checked every four months. Any cable failing the check will be replaced. In respect of the second incident, the MTR Corporation carried out repair at the section of the tunnel between Choi Hung and Kowloon Bay immediately after the incident and has in place a tunnel wall refurbishment programme for tunnels to reduce water leakage.

### **Assisting Graduates from Teacher Education Programmes in Seeking Employment**

18. **MR YEUNG YIU-CHUNG** (in Chinese): *Will the Government inform this Council of:*

- (a) *the respective numbers of vacant teaching posts in government and aided primary schools and secondary schools in each of the past three academic years; the number of applicants for these teaching posts each year, together with the number of successful applicants and, among the latter, the number of fresh graduates from the teacher education programmes of various tertiary institutions;*
- (b) *the total number of graduates from the teacher education programmes of all tertiary institutions in the current academic year; and*
- (c) *the measures in place to assist these graduates in seeking employment?*

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

- (a) A breakdown of the number of teaching vacancies available at the beginning of each school year in government and aided primary and secondary schools, and the number of successful applicants for these teaching posts in each of the past three academic years are tabulated as follows:

(1) *Government Schools\**

	1995		1996		1997	
	<i>Secondary</i>	<i>Primary</i>	<i>Secondary</i>	<i>Primary</i>	<i>Secondary</i>	<i>Primary</i>
No. of Teaching Vacancies	197	509	96	359	68	159
No. of Successful Applicants	172	279	93	303	63	142
No. of Successful Applicants who were Fresh Graduates of Teacher Education Programmes	40	91	23	125	16	48

(2) *Aided Schools\**

	1995		1996		1997	
	<i>Secondary</i>	<i>Primary</i>	<i>Secondary</i>	<i>Primary</i>	<i>Secondary</i>	<i>Primary</i>
No. of Teaching Vacancies	1 914	1 407	1 342	1 345	1 182	1 290
No. of Successful Applicants	1 807	1 248	1 257	1 207	1 118	1 237
No. of Successful Applicants who were Fresh Graduates of Teacher Education Programmes	352	492	257	535	232	552

Note\*: The Education Department does not have statistics on the total number of persons applying for teaching posts.

- (b) Details of the number of graduates from full-time teacher education programmes provided by various institutions funded by the University Grants Committee (UGC) in the 1997-98 academic year are as follows:

	<i>No. of graduates from Full-time Programmes</i>
The Hong Kong Institute of Education:	
Certificate in Education (Primary) programmes	784
Certificate in Education (Secondary) programmes	536
Other UGC-funded institutions:	
Bachelor of Education programmes	184
Post-Graduate Diploma in Education programmes	173
Total	1 677

- (c) The Education Department (ED) encourages schools to give preference to persons who have received teacher education in the recruitment of teachers. Unless in exceptional circumstances, it is the Government's policy that government schools should recruit trained teachers. In order to help potential teachers to secure jobs, the ED provides Teacher Recruitment Information Service to schools in May each year. Graduates of teacher education programmes may provide the ED with their personal particulars and academic qualifications for storage in the computer data bank. Where teaching vacancies arise, schools may ask for the particulars of potential teachers from the Teacher Recruitment Information Service and contact them directly for interview arrangements. Besides, the ED will reserve a quota from the additional graduate primary teaching posts to be created each year for teachers who have received pre-service training. In the 1998-99 academic year, 138 posts are reserved in the Primary School Master/Mistress grade for such purpose.

In addition, the student affairs units of various tertiary institutions also offer employment counselling services to prospective graduates. Apart from organizing career talks and advice on interview techniques as well as providing information on prospective employers, the seven UGC-funded institutions have also set up a joint-institution career data bank to facilitate students' search for the most comprehensive and updated employment information. The Hong Kong Institute of Education (HKIEd) takes a further step by sending letters to the heads of all primary and secondary schools in Hong Kong annually to invite them to provide information on teaching vacancies. The HKIEd also takes the initiative to liaise with the relevant social service organizations in order to obtain updated job information for students' reference. According to a survey conducted by the tertiary institutions on the employment situation of the 1997 graduates, as at the end of December 1997 only about 6% of HKIEd graduates were still seeking employment. As for students who had completed teacher education programmes provided by the University of Hong Kong and the Chinese University of Hong Kong, only 4.1% and 3.4% respectively were still looking for employment as at late December 1997.

## **BILL**

### **First Reading of Bill**

**PRESIDENT** (in Cantonese): Bill. First Reading.

### **HOLIDAYS (AMENDMENT) BILL 1998**

**CLERK** (in Cantonese): Holidays (Amendment) Bill 1998.

*Bill 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 Bill**

**PRESIDENT** (in Cantonese): Bill. Second Reading. Secretary for Education and Manpower.

**HOLIDAYS (AMENDMENT) BILL 1998**

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, I move the Second Reading of the Holidays (Amendment) Bill 1998.

The main purpose of this Bill is to replace two of the general holidays observed in 1997 and 1998, that is the Sino-Japanese War Victory Day (the third Monday in August) and 2 October (the day after National Day) by Labour Day (1 May) and the Buddha's Birthday (the eighth day of the fourth lunar month) from 1999 onwards. The Bill also aims to consolidate the list of general holidays observed since 1 July 1997 with the proposed changes from 1999 onwards by replacing the Schedule to the Holidays Ordinance with a new one.

*Background*

While the legal aspects of the Holidays (Amendment) Bill 1998 are relatively simple, for the benefit of those Members who may be unfamiliar with the background to this subject, I should like to take this opportunity to explain the background to the introduction of the Bill into this Council.

There are two kinds of holidays in Hong Kong:

- (a) general holidays, provided in the Schedule to the Holidays Ordinance, are holidays kept by all banks, schools, public offices and government departments; and
- (b) statutory holidays, provided under the Employment Ordinance are employment benefits which must be granted to employees.



Following a decision of the Chief Executive in Council on 18 November 1997, we announced that:

- (a) the total number of general holidays (other than Sundays) under the Holidays Ordinance would be capped at the existing level of 17 days a year;
- (b) Labour Day (1 May) and the Buddha's Birthday (the eighth day of the fourth lunar month) should be designated as general holidays from 1999 onwards; and
- (c) To make way for the proposed new holidays, we would seek the views of employers' and employees' organizations, the financial services sector and religious bodies as to which two existing general but not statutory holidays might be deleted.

The general holidays which could be offset are:

- Good Friday
- The day following Good Friday
- Easter Monday
- Sino-Japanese War Victory Day (the third Monday in August)
- 2 October
- The first weekday after Christmas Day

Late last year, we conducted a consultation exercise and wrote to 34 organizations covering the major employers' and employees' groups, as well as the financial services and the religious sectors. We asked them which of the existing six general but not statutory holidays should be used to offset the two new general holidays. Thirty-three of these organizations responded, of which five had no special preferences, leaving a total of 28 respondents who indicated a clear preference as to which two days should be deleted.

The majority of respondents opted for deleting as general holidays the Sino-Japanese War Victory Day, and 2 October. They took the view that the general public had become accustomed to the longer breaks at Easter and Christmas, so holidays at these times should not be deleted; and that our holidays should be brought into line with our major trading partners, thus reducing disruption to our financial markets. We have accepted these views, which are reflected in the Holidays (Amendment) Bill 1998.

I should point out that although the third Monday of August will no longer be a general holiday from 1999 onwards as now proposed, it will remain as the Sino-Japanese War Victory Day to commemorate those who took part in the resistance movement.

### *The Bill*

I shall turn now to the main provisions of the Bill itself.

- (a) Clause 3 of the Bill designates as an additional general holiday the day following two general holidays that fall on the same day unless the Chief Executive in Council appoints another day in substitution.
- (b) Clause 4 of the Bill provides for a new schedule of general holidays from 1999 onwards. This will consolidate the general holidays observed since 1 July 1997 with the changes proposed for 1999 onwards.

### *Conclusion*

In conclusion, I should like to emphasize that it will facilitate the general public to plan ahead if the details of the general holidays for 1999 and beyond can be confirmed as early as possible. I hope therefore that Members will examine the Holidays (Amendment) Bill expeditiously and support its early passage.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the Holidays (Amendment) Bill 1998 be read the Second time.

In accordance with Rule 54(4) of the Rules of Procedure, the debate is now adjourned and the Bill referred to the House Committee.

## **MEMBERS' MOTIONS**

**PRESIDENT** (in Cantonese): Members' Motions. Four resolutions under the Interpretation and General Clauses Ordinance. Dr LEONG Che-hung.

## **INTERPRETATION AND GENERAL CLAUSES ORDINANCE**

**DR LEONG CHE-HUNG** (in Cantonese): Madam President, I move the first of four similar motions standing in my name on the Agenda.

At the House Committee meeting held on 6 July 1998, Members agreed to form a Subcommittee to study 63 items of subsidiary legislation, which included the four items of subsidiary legislation tabled at the meeting of the Provisional Legislative Council on 18 March 1998. To allow time for the Subcommittee to study the four items of subsidiary legislation concerned, it is necessary to further extend, under section 34(4) of the Interpretation and General Clauses Ordinance, the period for amending these four items of subsidiary legislation, which was deemed to be extended under section 34(3) thereof to 8 July 1998, to the Legislative Council meeting of 15 July 1998.

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

**Dr LEONG Che-hung moved the following resolution:**

"That in relation to -

- (a) Housing (Amendment) Ordinance 1997 (108 of 1997) (Commencement) Notice 1998, published as Legal Notice No. 180 of 1998;

- (b) Housing (Amendment) Ordinance 1998 (3 of 1998) (Commencement) Notice 1998, published as Legal Notice No. 181 of 1998;
- (c) Consumer Goods Safety Regulation (L.N. 110 of 1997) (Commencement) Notice 1998, published as Legal Notice No. 182 of 1998; and
- (d) Toys and Children's Products Safety Regulation (L.N. 111 of 1997) (Commencement) Notice 1998, published as Legal Notice No. 183 of 1998,

and laid on the table of the Provisional Legislative Council on 18 March 1998, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1), as extended under section 34(3) thereof, be extended under section 34(4) thereof to the meeting of 15 July 1998."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the resolution moved by Dr LEONG Che-hung, 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 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 respectively from 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 resolution passed.

**PRESIDENT** (in Cantonese): Second resolution under the Interpretation and General Clauses Ordinance. Dr LEONG Che-hung.

### **INTERPRETATION AND GENERAL CLAUSES ORDINANCE**

**DR LEONG CHE-HUNG** (in Cantonese): Madam President, this is the second of four similar motions standing in my name on the Agenda.

At the House Committee meeting held on 6 July 1998, Members agreed to form a Subcommittee to study 63 items of subsidiary legislation, which included the six items of subsidiary legislation tabled at the meeting of the Provisional Legislative Council on 25 March 1998. To allow time for the Subcommittee to study the six items of subsidiary legislation concerned, it is necessary to further extend, under section 34(4) of the Interpretation and General Clauses Ordinance, the period for amending these six items of subsidiary legislation, which was deemed to be extended under section 34(3) thereof to 8 July 1998, to the meeting of 15 July 1998.

With these remarks, Madam President, I beg to move.

**Dr LEONG Che-hung moved the following resolution:**

"That in relation to the -

- (a) Designation of Libraries (Urban Council Area) Order 1998, published as Legal Notice No. 188 of 1998;
- (b) Declaration of Markets in the Urban Council Area (Amendment) Declaration 1998, published as Legal Notice No. 189 of 1998;

- (c) Public Health and Municipal Services Ordinance (Public Markets) (Designation and Amendment of Tenth Schedule) Order 1998, published as Legal Notice No. 190 of 1998;
- (d) Banking Ordinance (Declaration under section 2(14)(d)) (No. 3) Notice 1997 (Amendment) Notice 1998, published as Legal Notice No. 191 of 1998,
- (e) Declaration of Change of Title (Secretary for Broadcasting, Culture and Sport) Notice 1998, published as Legal Notice No. 192 of 1998, and
- (f) Animals and Plants (Protection of Endangered Species) Ordinance (Amendment of Schedules) Notice 1998 (L.N. 69 of 1998) (Commencement) Notice 1998, published as Legal Notice No. 193 of 1998,

and laid on the table of the Provisional Legislative Council on 25 March 1998, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1), as extended under section 34(3) thereof, be extended under section 34(4) thereof to the meeting of 15 July 1998."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the resolution moved by Dr LEONG Che-hung, 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 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 respectively from 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 resolution passed.

**PRESIDENT** (in Cantonese): Third resolution under the Interpretation and General Clauses Ordinance. Dr LEONG Che-hung.

### **INTERPRETATION AND GENERAL CLAUSES ORDINANCE**

**DR LEONG CHE-HUNG** (in Cantonese): Thank you, Madam President. This is the third of four similar motions standing in my name on the Agenda.

At the House Committee meeting held on 6 July 1998, Members agreed to form a Subcommittee to study 63 items of subsidiary legislation, which included one item of subsidiary legislation tabled at the meeting of the Provisional Legislative Council on 1 April 1998. To allow time for the Subcommittee to study the subsidiary legislation concerned, it is necessary to further extend, under section 34(4) of the Interpretation and General Clauses Ordinance, the period for amending the item of subsidiary legislation, which was deemed to be extended under section 34(3) thereof to 8 July 1998, to the meeting of 15 July 1998.

Madam President, I beg to move.

**Dr LEONG Che-hung moved the following resolution:**

"That in relation to the Air Pollution Control (Vehicle Design Standards) (Emission) (Amendment) Regulation 1998 (L.N. 96 of 1998) (Commencement) Notice 1998, published as Legal Notice No. 196 of 1998 and laid on the table of the Provisional Legislative Council on 1 April 1998, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1), as extended under section 34(3) thereof, be extended under section 34(4) thereof to the meeting of 15 July 1998."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the resolution moved by Dr LEONG Che-hung, 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 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 respectively from 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 resolution passed.

**PRESIDENT** (in Cantonese): Fourth resolution under the Interpretation and General Clauses Ordinance. Dr LEONG Che-hung.

## **INTERPRETATION AND GENERAL CLAUSES ORDINANCE**

**DR LEONG CHE-HUNG** (in Cantonese): Thank you, Madam President. This is the fourth resolution of a similar nature standing in my name in the Agenda.

At the House Committee meeting held on 6 July 1998, Members agreed to form a Subcommittee to study 63 items of subsidiary legislation, which included one item of subsidiary legislation tabled at the meeting of the Provisional Legislative Council on 7 April 1998. To allow time for the



Subcommittee to study the subsidiary legislation concerned, it is necessary to further extend, under section 34(4) of the Interpretation and General Clauses Ordinance, the period for amending the item of subsidiary legislation which was deemed to be extended under section 34(3) thereof to 8 July 1998, to the meeting of 15 July 1998.

Madam President, I beg to move.

**Dr LEONG Che-hung moved the following motion:**

"That in relation to the Marriage and Children (Miscellaneous Amendments) Ordinance 1997 (69 of 1997) (Commencement) Notice 1998, published as Legal Notice No. 199 of 1998 and laid on the table of the Provisional Legislative Council on 7 April 1998, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1), as extended under section 34(3) thereof, be extended under section 34(4) thereof to the meeting of 15 July 1998."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the resolution moved by Dr LEONG Che-hung, 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 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 respectively from 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 resolution passed.

**PRESIDENT** (in Cantonese): Resolution concerning Members' registration of interests. Dr LEONG Che-hung.

### **TIMING OF REGISTRATION OF INTERESTS BY MEMBERS OF THE LEGISLATIVE COUNCIL**

**DR LEONG CHE-HUNG** (in Cantonese): Madam President, I move the resolution on the "Timing of registration of interests by Members of the Legislative Council" which has been printed on the Agenda. According to Rule 83(1) of the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region, every Member of the Legislative Council shall, not later than the date specified by resolution made and passed by the Legislative Council, furnish to the Clerk, in such form as may be approved by the President, particulars of his registrable interests. The purpose of this resolution is to set 24 July 1998 as the specified deadline for the furnishing of those particulars by Members.

I urge Members to support this resolution.

Thank you, Madam President.

#### **Dr LEONG Che-hung moved the following resolution:**

"That pursuant to and for the purpose of Rule 83(1) of the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region, every Member of the Legislative Council shall, not later than 24 July 1998, furnish to the Clerk to the Legislative Council particulars of his/her registrable interests in the form as set out in the Schedule, which has been approved by the President."

Appendix II

***LEGISLATIVE COUNCIL OF THE  
HONG KONG SPECIAL ADMINISTRATIVE REGION***



***Registration Form on Members' Interests***



***JULY 1998***

**Category**

1. Directorships
2. Remunerated Employment, Offices, etc.
3. Clients
4. Financial Sponsorships
5. Overseas Visits
6. Payments, benefits and advantages received from any Government or organisation of a place outside Hong Kong or from any person who does not qualify as a "Hong Kong permanent resident"
7. Land and Property
8. Shareholdings
9. Miscellaneous

Name of Member : \_\_\_\_\_

<i>Registrable Interest</i>
<p><b><i>Directorships</i></b></p> <p><b>1.</b> Do you have any remunerated directorships in any public or private company?</p> <p><b>YES/NO</b> (<i>Please delete as appropriate</i>)</p> <p>If so, please list below.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>

- Notes:**
- (a) "Remunerated directorships" include all directorships for which a fee, honorarium, allowance or other material benefit is payable.
  - (b) The term "material benefit" refers to (i) interests received from a single source in the course of one year where the total value of such interests exceeds 5% of the annual salary\* of a Member of the Council (\* excluding the general expenses allowance which covers expenses incurred by a Member in his work); or (ii) one-off material benefits exceeding \$10,000 in value. (This definition also applies to the term "material benefit" in categories 2, 4 and 6.)
  - (c) Remunerated directorships of both local and overseas companies are registrable.
  - (d) Remunerated directorships through corporate directors are also registrable. However, particulars of remunerated directorships through corporate directors need only be updated on an annual basis, at the beginning of each legislative session.
  - (e) Where you are a remunerated director of a company, all subsidiary or associated directorships which you hold within the same group, whether remunerated or not, should also be registered.
  - (f) You should give the name of the company, briefly stating the nature of the business of the company in each case.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

*Registrable Interest*

*Remunerated Employment, Offices, etc.*

2. Are you receiving any remuneration from any employment, office, trade, profession or vocation (apart from membership of the Legislative Council)?

**YES/NO**

If so, please list the name of the employment, office, trade, or profession.

Where a firm is named, please briefly indicate the nature of the firm's business.

---



---



---



---



---



---



---



---

- Notes:** (a) An employment, office, trade or profession is "remunerated" where a salary, honorarium, allowance or other material benefit is payable.
- (b) Please refer to note (b) of Category 1 for the definition of "material benefit".
- (c) "Remunerated offices" should include all "remunerated" public offices.
- (d) Members who have paid posts as consultants or advisers should indicate the nature of the consultancy in the register: for example, "management consultant", "legal adviser", etc.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

***Registrable Interest******Clients***

3. Does any of the paid employment registered in categories 1 or 2 above entail the provision to clients of services which arise out of or relate in any manner to your position as a Member of the Legislative Council?

**YES/NO**

If so, please list out such employment and state in each case the nature of the client's business.

---



---



---



---



---



---



---



---

- Notes:** (a) Please provide the name(s) of client(s). Services in this context include those rendered by you personally or those, to your knowledge, rendered by an organization of which you are a partner, director, employee or office holder. Some examples of registrable interests under this category are given in the Guidelines on Registration of Interests for the purpose of illustration.
- (b) Under this category of registrable interests, a Member's obligation is to register those interests within his knowledge. It would not be necessary for the Member to find out the names of all the clients in respect of whom remunerated services were rendered by the Member's organization.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

*Registrable Interest*

*Financial Sponsorships*

4. Have you or your spouse received any payment, or any material benefit or advantage (see Notes below) from any person or organization which in any way relates to your membership of the Legislative Council?

**YES/NO**

If so, please give details.

---



---



---

- Notes:**
- (a) A Member is expected to make the necessary enquiries of his spouse in order to make a full and timely return on the registration of interests relating to financial sponsorships.
  - (b) Where a company is named as sponsor, please indicate briefly the nature of its business.
  - (c) You should include any material benefit or advantage received *gratis* or at a price below that generally available to members of the public.
  - (d) Please refer to note (b) of Category 1 for the definition of "material benefit".

Signature: \_\_\_\_\_

Date: \_\_\_\_\_



***Registrable Interest******Overseas Visits***

5. Have you or your spouse made any overseas visits relating to or in any way arising out of your membership of the Legislative Council where the cost of the visit was not wholly borne by yourself or by public funds of Hong Kong?

**YES/NO**

If so, please provide the following details :

<b>Dates of Visit &amp; Countries Visited</b>	<b>Purpose of Visit &amp; Name(s) of Sponsor(s)</b>	<b>Nature of Interest Received</b>

- Notes:**
- (a) A Member is expected to make the necessary enquiries of his spouse in order to make a return on the registration of interests relating to overseas visits.
  - (b) Under "Nature of Interest Received" please specify whether the interest relates to the provision of passage, accommodation, and/or subsistence allowance.
  - (c) "Overseas visits" is interpreted to include all visits outside Hong Kong.
  - (d) An interest under this category should be registered within fourteen days of the conclusion of the visit.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

*Registrable Interest*

*Payments, benefits and advantages received from any Government or organisation of a place outside Hong Kong or from any person who does not qualify as a "Hong Kong permanent resident"*

- 6 (1)** Have you or your spouse received any payments, or material benefits or advantages from or on behalf of any Government or organisation of a place outside Hong Kong, which in any way relates to your membership of the Legislative Council?

**YES/NO**

If so, please give details.

---



---



---

- 6 (2)** Have you or your spouse received any payments, or material benefits or advantages from or on behalf of any person who does not qualify as a "Hong Kong permanent resident" under the Basic Law, which in any way relates to your membership of the Legislative Council?

**YES/NO**

If so, please give details.

---



---



---

- Notes:**
- (a) A Member is expected to make the necessary enquiries of his spouse in order to make a return on the registration of interests under this category.
  - (b) Overseas hospitality and travel facilities should be entered under category 5.
  - (c) The definition of "Hong Kong permanent resident" is given in the Guidelines on Registration of Interests.
  - (d) Payments or material benefits include such benefits received by a company in which a Member has a controlling interest, or the largest shareholding, as well as payments or material benefits received by the Member personally.
  - (e) Please refer to note (b) of Category 1 for the definition of "material benefit".

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

*Registrable Interest**Land and Property*

7. Do you have any land or property (excluding the only or principal residence in Hong Kong which you own and ordinarily live in)?

YES/NO

If so, please list the location of the property e.g. "A property on Hong Kong Island" or "Properties in Hong Kong, Canada and the United Kingdom".

---



---



---



---



---



---



---



---



---



---

**Notes:** Registrable interest includes land or property owned by a Member directly or indirectly, such as through a company in which he has control or has more than 50% shares, or through a third person. The requirement is to register the general nature of the interest rather than a detailed list of the holdings. The only or principal residence in Hong Kong which a Member owns and ordinarily lives in need not be registered unless he also derives an income from it.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

*Registrable Interest*

***Shareholdings***

8. Do you have (either yourself or with or on behalf of your spouse or dependent children) interests in shareholdings in any public or private company which have a **nominal** value greater than 1 per cent of the issued share capital of the company?

**YES/NO**

If so, please list each company, indicating in each case the nature of its business.

---



---



---



---



---



---



---



---



---



---

- Notes:**
- (a) There is no need to register the size, or value of the shareholdings.
  - (b) "Shareholdings" is defined as personal shareholdings and do not include shareholdings held by a Member in the capacity of a nominee shareholder.
  - (c) It is the obligation of a Member to register interests under this category within his knowledge.
  - (d) Shareholdings held by a Member's spouse are not registrable unless such holdings were within the knowledge of the Member, and were held by the Member "with or on behalf of" his spouse. This guideline is equally applicable to shareholdings in respect of a Member's infant children.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

***Registrable Interest******Miscellaneous***

9. If, bearing in mind the definition of purpose set out in the Guidelines on Registration of Interests, you have any relevant interests which you consider should be disclosed but which do not fall within the eight categories set out above, please provide the details.

---



---



---



---



---



---



---



---



---



---



---

**Signature :** \_\_\_\_\_

**Name :** \_\_\_\_\_

**Date :** \_\_\_\_\_

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the resolution moved by Dr LEONG Che-hung 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 resolution moved by Dr LEONG Che-hung 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 that the question is agreed by a majority respectively from 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 resolution passed.

**PRESIDENT** (in Cantonese): Motion concerning the formation of Panels. Dr LEONG Che-hung.

## **FORMATION OF PANELS**

**DR LEONG CHE-HUNG** (in Cantonese): Madam President, I move the motion standing in my name on the Agenda, that is, that pursuant to Rule 77(1) and (2) of the Rules of Procedure, 17 Panels may be formed and their terms of reference be determined. The terms of reference of the 17 Panels are set out in the Schedule of the motion. The functions of the Legislative Council of the Hong Kong Special Administrative Region (SAR) include monitoring the operation of the Government and giving views on the formulation of government policies. In order to effectively discharge these functions, Members agreed at the House Committee meeting held on 6 July 1998 on the need to form Panels in respect of the specified policy areas of the corresponding Policy Bureaux and proposed that such Panels should have the following terms of reference:

- (1) to monitor and examine relevant government policies and issues of public concern;
- (2) to provide a forum for the exchange and dissemination of relevant policy matters;
- (3) to receive briefings and to formulate views on any major legislative or financial proposals in the relevant policy area(s) prior to their formal introduction to the Council or Finance Committee; and
- (4) to examine and to report on any major issues of wide public concern in the relevant policy area(s) as referred by the Council or House Committee or as raised by the Panel itself.

According to Rule 77(8) of the Rules of Procedure, each Panel should consist of not less than six members including the chairman. Members agreed that in case there are insufficient members to form a certain Panel, the matters that need to be considered may be handled by other Panels which have been formed, according to circumstances, or the House Committee can decide whether there is a need to form a subcommittee to study the issue.

I hope that Members will support this motion, agree to the formation of 17 Panels, and adopt the proposed terms of reference, in order to help the Legislative Council monitor the operation of the Government. Thank you, Madam President.

**DR LEONG Che-hung moved the following motion:**

"That pursuant to Rule 77 (1) and (2) of the Rules of Procedure of this Council, 17 Panels may be formed in respect of the specified policy areas of the corresponding bureaux and other Government bodies in accordance with the Schedule with the following terms of reference:

- (a) to monitor and examine relevant Government policies and issues of public concern;

- (b) to provide a forum for the exchange and dissemination of relevant policy matters;
- (c) to receive briefings and to formulate views on any major legislative or financial proposals in the relevant policy area(s) prior to their formal introduction to the Council or Finance Committee; and
- (d) to examine and to report on any major issues of wide public concern in the relevant policy area(s) as referred by the Council or House Committee or as raised by the Panel itself.

#### SCHEDULE

<i>Panel</i>	<i>Corresponding Bureau/Body</i>	<i>Policy Area</i>
1. Manpower	Education & Manpower Bureau	Labour and manpower planning matters
2. Public Service	Civil Service Bureau	Matters relating to the civil service and Government-funded public bodies, and other public service matters
3. Administration of Justice and Legal Services	(a) Judiciary (b) Department of Justice	Matters relating to the administration of justice and legal services
4. Home Affairs	Home Affairs Bureau	District, community and rural matters, human rights, civic education, data protection, press freedom, building management, youth and women matters and matters relating to development of arts and culture, public entertainment, sport and recreation



	<i>Panel</i>	<i>Corresponding Bureau/Body</i>	<i>Policy Area</i>
5.	Transport	Transport Bureau	Transport matters
6.	Housing	Housing Bureau	Private and public housing matters
7.	Security	(a) Security Bureau	Security, public order, public safety, corruption-related issues, and nationality and immigration matters
		(b) Independent Commission Against Corruption	
8.	Constitutional Affairs	Constitutional Affairs Bureau	Matters relating to implementation of the Joint Declaration and the Basic Law, relations between the HKSAR Government and the Central People's Government and other Mainland authorities, electoral matters and district organizations
9.	Financial Affairs	(a) Finance Bureau	Financial and finance matters
		(b) Financial Services Bureau	
10.	Education	Education and Manpower Bureau	Education matters
11.	Trade and Industry	Trade and Industry Bureau	Trade and industry matters
12.	Planning, Lands and Works	(a) Planning, Environment and Lands Bureau	Lands, buildings and planning matters, works and water supply and Public Works Programme
		(b) Works Bureau	

	<i>Panel</i>	<i>Corresponding Bureau/Body</i>	<i>Policy Area</i>
13.	Welfare Services	Health and Welfare Bureau	Welfare and rehabilitation services matters
14.	Information Technology and Broadcasting	Information Technology and Broadcasting Bureau	Matters relating to information technology, telecommunications, broadcasting, film censorship and services
15.	Economic Services	Economic Services Bureau	Economic matters
16.	Health Services	Health and Welfare Bureau	Medical and health services matters
17.	Environmental Affairs	Planning, Environment and Lands Bureau	Environmental and conservation affairs"

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Dr LEONG Che-hung, as set out in Appendix I of 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 LEONG Che-hung 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 that the question is approved by a majority respectively from 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): Resolution concerning the Legislative Council Commission. Dr LEONG Che-hung.

### **THE LEGISLATIVE COUNCIL COMMISSION ORDINANCE**

**DR LEONG CHE-HUNG** (in Cantonese): Thank you, Madam President. This is the last motion I am moving on behalf of the House Committee.

Madam President, I move the motion which has been printed on the Agenda.

In accordance with section 4(1) and (2) of the Legislative Council Commission Ordinance, apart from the President of the Legislative Council and the Chairman and Deputy Chairman of the House Committee of the Legislative Council, the Legislative Council Commission (the Commission) shall also include not more than 10 other members elected, in such manner as the Council may determine, by and from amongst the Members of the Council.

Besides, in accordance with section 5(4) of that Ordinance, the terms of the office of the members elected shall be such period not exceeding one year as the Council may determine.

The House Committee has discussed the electoral arrangements of the Commission and proposed that the Legislative Council should determine the manner of election and term of office of members of the Commission by passing the motion in the Appendix to the Agenda. I would like to briefly state the main points of the proposal:

- (1) An election of members of the Commission shall be held at a meeting of the House Committee, the date of which shall be appointed by the House Committee;

- (2) The maximum number of members of the Commission to be elected shall be 10. The term of office of members shall be one year or until the next election of Commission members, or until the next dissolution of the Legislative Council, whichever is the earlier;
- (3) The Legislative Council Secretariat shall issue a circular to Members at least seven days before the date of the meeting at which the election will be held, inviting Members to make written nominations. Nomination forms shall be delivered to the Legislative Council Secretariat at least three days before the election date. If the number of nominations received is less than 10, further nominations may be proposed on the spot by members attending the House Committee meeting at which the election is conducted.
- (4) In cases where the number of nominations is more than 10, a poll shall be taken, at which voting shall be by secret ballot. The election will be conducted in accordance with the simple or relative majority system; and

Lastly, if the number of nominations received is less than 10, the Chairman of the House Committee shall declare the nominees duly elected.

Madam President, I beg to move.

**Dr LEONG Che-hung moved the following resolution:**

"That with effect from 8 July 1998 the membership of the Legislative Council Commission, the election of members thereof and their term of office, be determined as follows:

**Membership**

1. In accordance with section 4(1)(e) of the Legislative Council Commission Ordinance (the Ordinance), the maximum number of members to be elected shall be 10.

**Manner of election**

2. An election of members referred to in section 4(1)(e) of the Ordinance shall be held at a meeting of the House Committee, the date of which (election date) shall be appointed by the House Committee.
3. The Legislative Council Secretariat shall issue a circular and a nomination form to the Members of the Legislative Council at least seven clear days before the election date, inviting nominations to be made.
4. Each nomination form shall be for the nomination of one Member and shall be signed by one Member as the proposer, one Member as the seconder, and by the nominee Member to signify his consent to the nomination.
5. Duly completed nomination forms shall be delivered to the Legislative Council Secretariat at least three clear days before the election date.
6. In cases where the number of nominations received by the Legislative Council Secretariat by the deadline for nomination is less than the number referred to in paragraph 1, further nominations may be proposed, at the House Committee meeting at which the election is conducted, by any Member and seconded by another, with the proposed nominee signifying his consent to the nomination.
7. In cases where the number of nominations received under paragraphs 5 and 6 is less than or equal to the number referred to in paragraph 1, the Chairman of the House Committee shall declare the nominees duly elected.
8. In cases where the number of nominations received under paragraphs 5 and 6 is more than the number referred to in paragraph 1, a poll shall be taken at the House Committee meeting at which the election is conducted; voting at which shall be by secret ballot and counted in accordance with the simple or relative majority system of election (otherwise known as "first-past-the-post" system of election), whereby a

Member may vote for as many nominees as the number of vacancies and no more and the nominees who get the highest numbers of votes will be declared elected.

9. In cases where a nominee would have been elected but for there being one or more other nominees having been given the same number of votes, a separate poll shall be taken in respect of that nominee and such other nominee(s) in accordance with the system of election mentioned in paragraph 8 above until all the remaining vacancy or vacancies are filled.

### **Term of Office**

10. Unless otherwise determined by the Council by resolution, the term of office of members elected under section 4(1)(e) shall be one year or until the next House Committee meeting held for the election of Commission members, or until the next dissolution of Legislative Council, whichever is the earlier."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the resolution moved by Dr LEONG Che-hung, as set out in Appendix II of 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 resolution moved by Dr LEONG Che-hung 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 approved by a majority of the Members present from each of the two groups respectively, that is, Members returned by functional constituencies and those returned by geographical constituencies through direct elections and by the Election Committee. I declare the resolution passed.

**PRESIDENT** (in Cantonese): Two motions with no legal effect. 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. Under Rule 37 of the Rules of Procedure, I am obliged to direct any Member speaking in excess of the specified time to discontinue.

First motion: Alleviating the hardship of people's livelihood. Mr CHAN Kam-lam.

### **ALLEVIATING THE HARDSHIP OF PEOPLE'S LIVELIHOOD**

**MR CHAN KAM-LAM** (in Cantonese): Madam President, I move the motion which has been printed on the Agenda.

It is now exactly one year after the reunification of Hong Kong with China. It was the year when the financial turmoil unfortunately took place. Apart from external factors, the imbalance of the internal economic structure and the inability to withstand challenges is another main factor for the rapid adjustment of the local economy.

During the past decade or so, the former Government ostensibly adopted a policy of "active non-intervention" in economic development. However, it had been the leading light for the three policies of "high land price, high rent and high property price". This resulted in high costs, high commodity prices, and high rents beyond the people's affordability, the loss of many industries

and industrial workers shifting to the service sector. "Making fast money" and "stock and property speculation" became the trend in society. Even farsighted industrialists followed suit by pulling down their factories and selling the land for housing construction in order to make exorbitant profits.

In view of this unhealthy social phenomenon, the Democratic Alliance for the Betterment of Hong Kong (DAB) had repeatedly cautioned in the Legislative Council and asked the Government to address squarely the grave consequences that might result from the imbalanced economic structure. Unfortunately, the government response was always disappointing, letting the economic bubble keep inflating. The so-called economic adjustment today is nothing but the bursting of the economic bubble. The economic prosperity before the reunification has now been exposed as illusory.

Undoubtedly, while the bursting of the economic bubble has brought considerable economic losses to the general public, it is nevertheless beneficial to the reorganization of the economic structure of Hong Kong and the rectification of internal problems, so that Hong Kong can adapt to the new developments.

The DAB welcomes the 10-odd measures introduced by the Government respectively in May and the end of last month. Actually, we have repeatedly pointed out that the Government should not overlook the support for small and medium sized enterprises (SMEs). The Financial Secretary's latest proposal to assist small and medium sized enterprises in obtaining loans from credit institutions and to introduce an additional credit scheme of \$2 billion is of course fully supported by the DAB. However, since the announcement of the scheme, no concrete details have as yet been given, we just cannot help wondering when SMEs can really benefit from the government proposals.

Actually, in the former Legislative Council and the Provisional Legislative Council, Members made many proposals concerning loans to SMEs. The DAB has also suggested that the Financial Secretary should allocate funds from the fiscal reserves to set up a fund to offer, through strict procedures of examination and approval, low-interest loans to SMEs which suffer from short-term liquidity problems and fail to obtain bank loans, in order to help them overcome their difficulties. Therefore, we think that the \$2 billion credit scheme proposed by the Government must be a substantive allocation



rather than just a guarantee to the banks. Otherwise, given the present uncertain economic prospects, banks will continue to be extremely cautious in approving loans, hence SMEs can hardly obtain the funds they need.

Regarding the proposal to increase the quota of the Home Starter Loan Scheme and Home Purchase Loan Scheme, it is of course great news to those people who intend to purchase their own homes but do not have sufficient money for the downpayment. However, the Government seems to have neglected somehow the prospective owners of the Sandwich Class Housing Scheme who need assistance. The DAB thinks that the Government should consider the realistic difficulties of the prospective owners of the Sandwich Class Housing Scheme by giving them discount options and not to call to account prospective owners with financial difficulties who give up their deposit.

In our view, the Government's proposal to suspend land sales until the end of March next year can achieve the immediate effect of giving clear signals to the market that the Government does not want property prices to continue to drop sharply. However, this decision will have some undesirable consequences. As a result of the suspension of land sales for one year, the supply of flats in three or four years might fall short again, so that property prices will soar once more. Also, while it is true that the suspension of land sales for a long period of time might not have a great impact on big developers who have huge reserve of land for development, small developers who have no land in hand will not be able to bid for land while the land price is low. As a result, after three or four years, the big developers might monopolize the supply of flats, thereby giving rise to unfair competition and consumers might be forced to buy expensive flats.

Madam President, the Government has always maintained a firm stand with regard to Members' proposal to freeze the fuel duty. This time, we are glad that the Financial Secretary has finally heeded good advice and proposed to reduce diesel oil duty by 30%. This falls short of the 50% reduction proposed by the DAB. Even after the duty reduction, diesel oil duty will still account for over 30% of the retail price of diesel oil. The reduction of diesel oil duty will no doubt lower the operating costs of the transport industry, especially minibuses and taxis and is beneficial to the public. However, the several hundred thousand owners of private cars using leaded and unleaded petrol still have to pay heavy taxes.

The Government used to justify its petrol tax increases as a means to control the growth of private vehicles. However, judging from the number of registration of private vehicles, this argument obviously does not hold water. With the Government's active development of the New Territories in recent years, private vehicles are no longer considered a means of transport for the rich. It is very unreasonable for the Government to continue to levy an over 60% tax on petrol, so that private car owners are forced to shoulder heavy taxes while the economy is so depressed. The DAB thinks that the Government should give the same treatment to diesel oil duty and petrol tax and reduce petrol tax by 30%.

In announcing the nine main measures, the Financial Secretary stressed that "one cannot rely entirely on government spending to solve the present economic difficulties of Hong Kong". We agree to this entirely. Even so, we consider that the Government should put money back into the people's pockets when necessary in order to alleviate the hardship of the general public. In our estimation, returning 20% of the salaries and profits tax paid in the beginning of this year would involve a sum of approximately \$16.8 billion. After deducting this sum from the Government's surplus of \$25.6 billion for the year 1996-97, there would still be a balance of \$8.8 billion.

In his Budget speech this year, the Financial Secretary said clearly that "we should not tax more than we need". Therefore, when the public is facing economic difficulties, it is only reasonable and necessary to return a suitable part of the tax money.

Therefore, the DAB very much welcomes the Government's unprecedented decision to return the rates paid for the first quarter of this year to the people of Hong Kong. In announcing this decision, the Financial Secretary stressed that the amount of the rates returned would be equivalent to a reduction of the rates by 1.125%, which exceeds the demands of the political parties and eliminates the need to adjust the rates in this year. However, let us not forget that the Government's proposal is a one-off proposal. Our demand is to adjust the rates percentage charge to 3.5% in the long term, and not "for one year", as the Financial Secretary stated in this year's Budget.

Madam President, apart from the above proposals, we think that the Government should reduce the rents for commercial premises in public housing estates across the board by 30%. It should also set up a Social Welfare Services Development Fund, in order to implement its commitments to social

welfare services, as well as provide more job opportunities. The DAB welcomes the Housing Department's proposal to freeze the rents for public housing flats for one year. Later on, my colleagues of the DAB will go into the relevant proposals and respond to them in greater details. I will now state the views of the DAB in terms of the formulation of a long term industrial policy.

Madam President, in the former Legislative Council, I proposed a motion debate on a long-term industrial policy. Although it was supported by Members, I believe that they were far less concerned about this question than they are today. Therefore, I think that the financial turmoil has also brought us a positive opportunity. It has made us understand more clearly that the economic structure of Hong Kong cannot depend solely on the property and service sector. We should give more serious thought to what place industry should have in the economy of Hong Kong.

In the middle of last month, I attended a discussion on industrial policy held by members of the industrial sector and academic circles. Not only was the importance of industry in the economic development of Hong Kong reaffirmed, many positive suggestions were also made. However, no matter what good suggestions we have, they will never succeed without the active participation and assistance of the Government.

In the former Legislative Council and the Provisional Legislative Council, I criticized numerous times the Government's overemphasis on the property sector and financial services in the past which resulted in the bubble economy. I believe the Special Administrative Region (SAR) Government probably knows more about the role that the government plays in industrial development in Singapore and Taiwan. If the Government is willing to play a role, it would no doubt be great news to the many members of the industrial sector and to Hong Kong people. Therefore, I will just highlight several suggestions made by the DAB in this respect:

*1. To provide a "tax holiday" to investors in the industrial sector*

In order to speed up technology transfer and attract investors, the DAB suggests that the Government should provide a tax holiday of three to four years to local and overseas investors in high technology industries on the model of the Singapore Government, on the condition that they hire a certain number of local engineers and technical personnel.

2. *To allocate more funds to scientific research*

At present, the funds allocated by the Government to research on industrial technology only account for a very meagre percentage of the gross domestic product (GDP) compared with our neighbouring countries. The DAB considers that the rate should be increased to not less than 5% of the GDP.

3. *To stimulate investment and raise capital*

When newly established technological and industrial companies and existing enterprises need to upgrade their technical and technological level, they are often faced with the problem of a shortage of funds. The DAB hopes that the Government can introduce improvement measures, including providing information on investment in Hong Kong to overseas venture capital funds, encouraging the setting up of more venture capital funds and the establishment of a "venture board" by the Stock Exchange of Hong Kong. At the same time, the Government should consider assisting the implementation of projects with a market value by injecting money into "venture capital funds", and using the profit so returned to re-invest in other projects.

4. *To set a concrete target for industrial development*

Ten years ago, the manufacturing industry of Hong Kong accounted for over 20% of the GDP. This dropped rapidly to 8.8% by the year 1996-97. We think that the Government should set a reasonable target for the industrial development of Hong Kong so that its share in the GDP will increase to at least 15% in the next five to 10 years.

Madam President, the people of Hong Kong have suffered financial losses to different degrees and in different areas in this financial turmoil. Therefore, the DAB strongly urges the Government to consider the plight of the people and adopt the measures proposed in this motion to alleviate their hardship.

With these remarks, Madam President, I urge Members of this Council to support my motion.

**Mr CHAN Kam-lam moved the following motion:**

"That, as Hong Kong has entered a period of economic adjustment, this Council urges the Government to face up to the serious impact of the continued economic downturn on people's livelihood and take the following immediate and effective measures to alleviate such hardship:

- (1) freeze the rents for public housing flats for one year across the board and reduce the rents for commercial premises in public housing estates by 30%;
- (2) reduce the petrol tax by 30%;
- (3) return 20% of the salaries tax and profits tax paid for the year 1996-97; and
- (4) establish a Social Welfare Services Development Fund to implement its commitments to social welfare services, and increase employment opportunities;

at the same time, the Government should also formulate a long-term industrial policy to advance Hong Kong's economic development."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That, as Hong Kong has entered a period of economic adjustment, this Council urges the Government to face up to the serious impact of the continued economic downturn on people's livelihood and take the following immediate and effective measures to alleviate such hardship:

- (1) freeze the rents for public housing flats for one year across the board and reduce the rents for commercial premises in public housing estates by 30%;
- (2) reduce the petrol tax by 30%;
- (3) return 20% of the salaries tax and profits tax paid for the year 1996-97; and

- (4) establish a Social Welfare Services Development Fund to implement its commitments to social welfare services, and increase employment opportunities;

at the same time, the Government should also formulate a long-term industrial policy to advance Hong Kong's economic development.

**PRESIDENT** (in Cantonese): Mrs Selina CHOW has given notice to move an amendment to this motion. Her amendment has been printed on the Agenda. In accordance with the Rules of Procedure, the motion and the amendment will be debated together in a joint debate.

**PRESIDENT** (in Cantonese): I now call on Mrs Selina CHOW to speak and to move her amendment. After I have proposed the question on the amendment, Members may express their views on the motion and the amendment. Mrs Selina CHOW.

**MRS SELINA CHOW** (in Cantonese): Madam President, I move that the Honourable CHAN Kam-lam's motion be amended as set out on the Agenda.

I will explain my amendment later. First, I would like to express support for the content of the motion proposed by Mr CHAN Kam-lam today on behalf of the Liberal Party. My speech today will concentrate on the question of reducing the rents for commercial premises in public housing estates by 30%, while my colleagues of the Liberal Party will speak on other main points.

In April, the Liberal Party already proposed that the Housing Authority (HA) should reduce the rents of tenants across the board by 30%. On 23 June, we and several members of the other political parties attended a meeting of the Joint Council of Hong Kong Estates Shopstores Tenants. During the meeting, over 200 commercial tenants from more than 20 public housing estates strongly urged us to support their demand on the HA to reduce their rents across the board by 30%. Representatives of the various political parties present expressed deep sympathy for them and agreed to help them in this cause. Afterwards, we reflected this view to the coalition of "Seven Parties and One

Group". After discussing this question, they agreed that these commercial tenants deserved our support. As a result, we separately expressed our views strongly to HA and Housing Department officials. Unfortunately, I believe that no matter who talks to officials, they repeat the same answers like a tape recorder. The answer they gave was that an assessment must be carried out before any decision on rent reduction could be made.

As far as the assessment is concerned, they have frequently stressed that as commercial premises are rented to tenants based on commercial considerations, there cannot be an across the board solution. However, our view is a bit different. Both Municipal Councils have adopted the formula of 30%. It is true that the rents for many commercial premises under the HA were set through tender. However, the market conditions then were very different from now. Actually, the HA decision to freeze rents early this year was also made in view of the market conditions. By now, the market conditions have further worsened. The HA only needs to lower the bottomline set early this year by 30%. Therefore, we do not agree with the HA.

If Members had come across the cases of these commercial tenants in the former Legislative Council or the Provisional Legislative Council, they would know that many tenants are very much dissatisfied with the assessment mechanism of the HA. In the former Legislative Council, I have made pleas to the HA to set up a fairer mechanism to assess rental value because very often, the rental value assessed is considered too high by commercial tenants. Besides, they have no channels to appeal and are not allowed to hire objective surveyors to assess a reasonable rental value.

In view of the present economic downturn, the HA should play a more active and guiding role. Since the two Municipal Councils have already taken this step, we do not understand why the HA cannot follow suit. Very often, the HA sticks to the so-called commercial principles, whereby giving rise to a frequent phenomenon in which when the HA refuses to reduce the rents for some commercial premises which especially restaurants, have no choice but to close down their businesses. Afterwards, the HA will invite new tenders for the premises, but at a lower rent than the original rent which they wanted to increase. If one follows the practice of private shopping centres, this will simply not happen. With private shopping centres, no one would force the tenants out of business, take back the premises and invite tenders again.

Even in the purely commercial environment, given the present market conditions, there are so-called better and poor landlords. We hope that the HA is a good landlord and can understand that business has dropped considerably under the present market conditions. I hope the HA can help those commercial tenants survive, instead of insisting on its view that they should try to survive on their own and adopting a high-handed approach. Since the commercial tenants have unanimously demanded the HA to reduce rents across the board by 30%, the HA has no reason to insist on rejecting their demand.

As a public sector landlord (although they claim to adopt commercial principles), the HA can play a leading role. As we all know, under the present market conditions, rents are rapidly dropping from a very high level. The public sector landlord should react to this quickly instead of lag behind. The HA has always been criticized by tenants for being a landlord who lags behind and only follows the rent levels of the private market. During the time of an economic downturn, the HA should play a leading role.

I would like to talk about my amendment now. We understand that apart from commercial premises in public housing estates, there are many Government-owned markets, such as food markets, vegetable and fruit markets, fish markets, poultry markets, as well as Government-owned factory buildings. The HA does not serve as their landlord. Rather, the Government serves as landlord through several departments. These tenants have also repeatedly asked for the same treatment, that is, rent reduction by 30%. However, the Government explains in a typically bureaucratic manner, pointing out that the rents paid by tenants are not rents, but fees collected according to the "users pay" principle. Since the Financial Secretary said that fees would be frozen rather than reduced, therefore, although these tenants have been paying rents, they are not considered "rents" by the Government and so will not be reduced. This is absurd. I hope that Members will see from this how the Government remains the same as before. If it says no reduction, then there is no reduction. With regard to this resolute stand, I hope we could follow a fairer principle. Since some Members support an across-the-board rent reduction for other commercial premises, Government-owned commercial premises should receive the same treatment.

Thank you, Madam President.



**Mrs Selina CHOW moved the following amendment:**

"To add "and Government-owned commercial premises, including the wholesale food markets in Hong Kong and factory buildings," after "reduce the rents for commercial premises in public housing estates".

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment moved by Mrs Selina CHOW be made to Mr CHAN Kam-lam's motion. Does any Member wish to speak on the motion and the amendment? Dr YEUNG Sum.

**DR YEUNG SUM** (in Cantonese): Madam President, both the Democratic Party and I support the views expressed by the Honourable Mrs Selina CHOW and Mr CHAN Kam-lam just now. These are words which I believe I seldom used as opening remarks to my speech in the past. In fact, I hope that we will have more opportunities to co-operate in the future on issues of the people's livelihood. Upon joining this Council, the first thing we did was to set up with the other political parties a joint conference of "Seven Parties and One Group" which aims at studying the issue of people's livelihood and the ways to boost economy. I believe our achievement in this aspect is obvious to all. This is a good beginning as well as a good development in the political circles of Hong Kong. I hope that this development can be carried further with the passage of time and we can work together to alleviate the financial straits faced by the people. In the face of the economic problems which are everybody's concern, I believe it would be a healthy direction for political development if Members can put aside their political views or differences and give play to our power in the Council.

In my speech, I shall concentrate only on responding to a few points raised by the Financial Secretary. I believe that he has been under great pressure in tackling this matter and what he said was not entirely untrue. However, I find that his arguments are not soundly footed and I would like to say a few words in response.

The Financial Secretary always lays stress on the principle of prudent financial management. Since he is particularly concerned with foreign rating

companies' assessment of the Hong Kong Government's administration after the return of sovereignty, especially the fiscal policy, he is worried that once the Budget or the fiscal policy changes, Hong Kong's rating assessed by these companies may be different. Secondly, he also stresses that things must be done in accordance with the Basic Law. Being a law-abiding public officer, he has to work in compliance with the Basic Law, stressing that we have to live within our means and public expenditure must be in line with the rate of economic growth without exceeding it. As we have to live within our means, there must be no deficits. He has also emphasized repeatedly that budget deficits are a violation of the Basic Law. How can we ask public officers to openly violate the Basic Law? Besides, he also stresses that the reserves are basically kept to provide against a rainy day. As the old Chinese saying goes, "Be prepared for danger in times of peace", so the reserves cannot be used arbitrarily. For example, the reserves obviously played an important part in the recent stabilization of Hong Kong dollar.

However, Madam President, I would like to particularly stress that the Basic Law does not actually state that once a deficit shows, it is a violation of the Basic Law. May I ask the many Members who are sitting here if there is an industrial country in the world which states in its constitution that it is against the law once a deficit shows, and the constitution has to be amended if there is a deficit budget? It defies common sense for doing this and not a single country will do so because nobody can foretell the political and economic situations of a country. Certain countries may even make use of a deficit budget sometimes to boost economy and enhance employment opportunities. In fact, many advanced industrial countries do do so. Moreover, a momentary deficit does not necessarily mean that there will be a perpetual deficit and it may even bring fiscal surplus next year. In order to boost the economy, it is a common practice in industrial countries to make use of a deficit budget to increase public expenditure.

Moreover, is it a rule that the reserves must not be used? If this is the case, then what is the purpose of having reserves? We have kept them to provide against a rainy day, is it not "the rainy day" yet? It is actually a rainstorm now as the unemployment rate has already topped the highest record in recent years and I believe it will last for quite a while. Under such circumstances, why can the Government not use the reserves? Why can it not increase public expenditure? Why can it not change the practice of living

within our means? Why can it not make use of a momentary deficit to boost the economy and increase employment opportunities? I very much hope that the Financial Secretary will give this a serious thought.

In fact, although in the beginning the Financial Secretary debated with us many times alluding to the three reasons mentioned earlier, yet at the request of the "Seven Parties and One Group", he eventually made some amendments which we regard as positive. For example, he finally agreed to return the rates for last quarter to the public and proposed to reduce the duty on diesel oil by 30%. During those many discussions, we did not suggest a rate of reduction, but he might have estimated our bottomline and therefore proposed to cut the duty on diesel by 30%, which we accept with pleasure. He has also brought forward the implementation of certain infrastructure projects and injects HK\$2 billion more into the loan fund for small and medium enterprises. Madam President, I would like to express my approval here for the Financial Secretary's responses to these four aspects.

However, I want to highlight two points. For the expenditure on social services, I am afraid that it will be influenced by the so-called principle of "living within our means" or "limiting the increase in public expenditure to the rate of economic growth". We all know that our economic growth in the days to come may not reach 5%, and it may even drop to just 3% or 2%. If this is the case, then according to the principle of "living within our means", the increase in public expenditure will be under great restriction. With regard to the social service programmes which the Government has already promised to carry out, no matter whether they are in the area of welfare, health care, medicine or housing, I very much hope that the Government will advance their implementation instead of postponing or cutting them. There are several advantages of doing so. As a start, employment opportunities will of course be increased. Secondly, in times of economic downturn, the recipients of social service will be the first victims, so I hope that the Government will advance the implementation of the promised social service programmes. For example, I found the "one social worker for one school" policy mentioned recently very disappointing because even the proposal put forward by the Social Welfare Department could not be realized.

Besides, I also hope that the Government will give particular consideration to the possibility of a tax rebate, that is, to return 20% of the salaries tax and profits tax for the year 1996-97 to Hong Kong citizens. If the

Government can carry out this proposal, the citizens will have more money at their disposal on the one hand and the liquidity of banks will be improved on the other. The economic downturn or recession faced by Hong Kong at the moment is rarely seen in recent years. I hope that the Government will make use of our reserves to alleviate the hardship of people's livelihood, and that it will grant tax rebates so that the wealth can be returned to the people.

Our general impression of the Financial Secretary is that he is a very obstinate person, however, he does not choose the good to be obstinate in. There is no problem with "choosing the good and insisting on it". However, if he does not try to understand the people's hardship and just holds on to the outdated, blind, monotonous and ossified principles, I believe he has to make certain adjustments. I trust that the Financial Secretary is not working to draw applause, but he must feel for himself the hardship faced by the people. I believe he will be able to do so. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr CHENG Kai-nam.

**MR CHENG KAI-NAM** (in Cantonese): Madam President, I will also speak on the substantive content of Mr CHAN Kam-lam's motion. I will focus on the issue of the rents of public housing estates.

Hong Kong is now undergoing an economic adjustment. While the unemployment rate has already exceeded 4% and the economy will see a negative growth, industries such as retailing and catering are facing an extremely difficult business environment.

At present, more than half of the families in Hong Kong live in public housing estates. It is therefore conceivable how great a pressure they are bearing. The Democratic Alliance for the Betterment of Hong Kong (DAB) has proposed to freeze the rents of public housing estates for one year. And in its meeting tomorrow, the Housing Authority (HA) will discuss this issue and consider freezing the rate of rent increase for 84 public housing estates. The DAB agrees to and supports this measure because it will not only relieve the pressure on public housing tenants in times of an economic downturn, but will also alleviate their psychological burden.

However, if the measure is to be implemented, the DAB thinks that the Government needs not hastily set the future rate of rent increase at 18% to 23% as soon as it freezes the rent for one year. This will give the public an impression that the Government is only buying an insurance for itself ignoring the psychological pressure thus brought to bear on the public housing tenants. The Government and certain economists have predicted that the economy of Hong Kong will not recover until two or three years later. At present, news of staff being laid off abound, wage increase becomes an extravagant hope for employees, assets depreciate, all these obscure factors and bad news are threats hanging over our heads. Announcing in advance the rate of increase for the coming year will only bring about negative effects. We cannot agree to such a way of doing things.

Besides, we think that the HA should treat all the housing estates equally without discrimination, so that those estates which are presently excluded from the list of estates of which the rents will be frozen should also have their rents frozen for one year in order to achieve the same effect. With the huge reserves of the HA and the Government, we believe the financial problems can well be solved.

On the other hand, the prospects of public housing commercial tenants' business warrant our concern as they are closely linked with the daily lives of public housing tenants. The financial turmoil has caused a serious drop in the business of most Hong Kong merchants, especially the small ones. The rescue measures introduced by the Special Administrative Region Government recently do not only aim at boosting the economy, but also stabilizing the confidence of Hong Kong people. Under such circumstances, the Government should take the lead and put into genuine practice its slogan of "riding out the storm". Therefore, in February this year, the DAB had already said that it hoped the Government would accede to the public housing commercial tenants' demand of reducing their rents by 30%.

The DAB understands as much as all the Hong Kong people that the spirit of contract and commercial principles have to be approved of and respected. However, with the present economic situation, the Government, landlords, commercial tenants and the public should work hand in hand to overcome the crisis. The Government should therefore adopt flexible, practical and adaptable measures to alleviate the people's plight. It has to

understand that if the commercial tenants are unable to cover their costs and have to close down their businesses, a wave of terminating tenancy is very likely to start. Many commercial tenants, in our discussions together with the government departments concerned, told us that in the past decade or so, they had never asked the Government for help but just kept doing their small business honestly and diligently. They have been forced to make the request this year only because they cannot hold on anymore. The Government may think that the commercial tenants will not terminate their tenancies and so it sticks to its own view. In fact, I believe the situation this year is extraordinary and the Government may really have to be fully prepared for a wave of tenancy terminations. I hope that the Government will take these problems into practical and realistic consideration.

We are of the view that, under the present circumstances in which spending power is poor, reducing rents by 30% can help the commercial tenants to cut their overheads and tide over the difficulty for the moment.

We hope that the Government will listen to the public's views sincerely, accept our proposal and implement the measures of freezing the rents of all public housing estates for one year as well as reducing the rents of commercial tenants by 30%. I also hope that Honourable colleagues in this Council will support the original motion.

I so submit.

**PRESIDENT** (in Cantonese): Miss Cyd HO.

**MISS CYD HO** (in Cantonese): Madam President, on behalf of the Frontier, I support the motion and the amendment moved respectively by Mr CHAN Kam-lam and Mrs Selina CHOW.

Hong Kong is now facing an unprecedented economic morass. Six demands were therefore made to the Administration by several political groups and parties. To put it correctly, it should be six political parties, the Frontier (which is not a political party yet) and one political group.

These six demands seek to alleviate the people's hardship, return wealth to the people, stimulate domestic consumption and urge the Administration to create a favourable business environment in order to boost employment opportunities.

However, we can see that the Administration is very slow in responding to the people's demands. The only relatively specific and prominent response is the refund of \$3.8 billion of rates and the 30% reduction in diesel oil duty. Compared with the care the Government has given to the property developers such as the immediate enhancement of home purchase loan schemes and the just-on-time suspension of land sales prior to the scheduled day of land auction, its concern for the ordinary citizens is far from being adequate. Has it not proved that the Special Administrative Region (SAR) Government tends to keep the interests of the businessmen at heart rather than those of the ordinary citizens?

Hence, we urge the Administration once again to take immediate and effective measures, which should include offering an immediate 30% cut in rents of commercial premises in commercial complexes managed by the Government, in order to alleviate the people's hardship. This will enable the Government to take the lead in exerting pressure on private commercial premises to lower the rents in general.

We do not support any assessment. Instead, we propose an across-the-board reduction in rents, irrespective of the trades and their business situation. This is because rent reduction will not only enable those who are experiencing difficulties to survive but also enable those tenants who are making a profit to have better confidence in the future. In so doing, they will be able to remove any pessimistic factors in estimating their operating costs in the short and medium terms. They will also feel relieved in developing their business, and this will in turn help expedite the recovery of our economy.

We also hope that the Administration will respond actively to our demand for a 20% tax rebate. The Administration has been insisting on the prudent financial management principle of spending no more than its revenue. In formulating this proposal, the six parties, the Frontier and the political group have exercised their collective wisdom and done some calculations for the Financial Secretary. With a surplus of \$25.2 billion for the year 1996-97, we will still have a net surplus of \$8.4 billion after refunding \$16.8 billion to

the taxpayers. Thus according to the figures, a tax rebate is absolutely practicable. The only question is whether it is absolutely impossible for our surplus to be retrieved once it is set aside as reserves. As we have said earlier, Hong Kong is now in a critical situation and if we cannot even make use of the surplus in such a difficult situation, what is the point of painstakingly saving the money?

Of course, officials responsible for monetary and financial matters will maintain that huge reserves are necessary for the defence of our linked exchange rate. However I consider this practice no different from putting the cart before the horse or walking with our backs to the front. The linked exchange rate was introduced in the middle of a confidence crisis and now we are precisely having a confidence problem. After the Sino-British Joint Declaration was signed, people felt uncertain about the future and there was an outflow of capital, causing a dramatic drop in the value of Hong Kong dollar. It was for that reason that the Government adopted the linked exchange rate to stabilize our currency.

Our economy subsequently flourished and the actual value of the Hong Kong dollar was higher than 7.8. At that time, we had virtually no problem in defending the linked exchange rate. What is more, there was no need to consider backing up the exchange rate of Hong Kong dollar with our reserves. This proves that there is no close relationship between the exchange rate and the amount of reserves we have. The most important point lies in the confidence of the Hong Kong people and the strength of our economy.

Unfortunately, the Administration is now stepping into a vicious cycle, thinking that the linked exchange rate can be maintained by holding on tightly to the reserves regardless of what happens. As a result, the interest rate soars and fluctuates so sharply that banks have shrunk their extension of credit. Our reserves can thus be maintained temporarily, but the overall economy was badly hurt and our confidence dropped. Eventually, the linked exchange rate will become even more fragile and the price we have to pay increasingly high.

Many academics, including Merton MILLER, the nobelist, and John HOPKINS, and university scholars, have pointed out that the Hong Kong Monetary Authority (HKMA) has adopted a wrong approach to deal with the recent financial turmoil. This is not only the scholars' views. The business sector has also expressed the same views. However, the officials concerned



have turned a deaf ear to these comments. I think we need to conduct an independent review to see if the approach adopted by the HKMA and the Government in handling the financial turmoil is questionable.

For these reasons, the Administration should not only hold on tightly to the reserves, thinking that the linked exchange rate can thus be supported. On the contrary, it should make the best use of our reserves to stimulate our economy to revive as soon as possible.

I hope the Financial Secretary can understand that we have to spend at least a small sum of money in order to get more in return. He should therefore feel free to make use of the \$16.8 billion reserves to stimulate consumer spending and the internal economy.

Concerning social welfare services, we see it not only as an employment issue, but also a social need.

As people are subject to tremendous financial pressure recently, their needs for psychological counselling and social services have increased. At present, a social worker has to handle over 80 cases on average. But according to a report published by the Hong Kong Council of Social Service, the optimal planning ratio should be 1:60. If we do not provide sufficient manpower to deal with the unrest sentiment, it can turn into a time-bomb.

Another astonishing figure is that one clinical psychologist has to handle 1 356 family cases. How can they follow up those problematic families in a meticulous manner? As such, this is not just a problem of employment. The Administration has to face up to such a social need.

Concerning the long-term industrial development, we hope the Administration can serve as an intermediary by creating an environment conducive to fair competition and eradicating any system that may give rise to monopoly. Meanwhile, we have to pay attention to enhancing the quality of Hong Kong people. Competitiveness does not confine to language proficiency and computer literacy only. It is more important for us to have independent thinking and unrestrained imagination to enable Hong Kong to maintain its vitality and creativity. Setting up too many doctrines or forbidden areas in our minds are indeed unnecessary.

We should bear in mind that we are better than our neighbouring countries because we have the rule of law and a clean government. This is an important factor that enables international investors to maintain confidence in Hong Kong for long-term investment. Given these advantages, I hope the Government can uphold the rule of law and freedom with the same determination it has for defending our linked exchange rate. A shocking debate will be held in this Chamber tomorrow because the Administration's interpretation of the Basic Law is totally different from that of the Legislative Council. In this connection, I hope the Administration can see to it that international investors will not lose their confidence in Hong Kong because of this issue.

**PRESIDENT** (in Cantonese): Miss Cyd HO, I am afraid your time is up. Mr Andrew WONG.

**MR ANDREW WONG** (in Cantonese): Madam President, I originally did not intend to speak because the two motions have been agreed upon by the "Seven Parties and One Group" (like the forum held during the election campaign). I have no doubt that Members will take the floor enthusiastically, but I still want to make my points more clearly.

Even if the Honourable Miss Cyd HO considers the Frontier not a political party, it is at least a faction. She has been speaking on behalf of a faction. In other words, we have six political parties and one faction. The Breakfast Group is only an association. It is not a faction because we do not have a common stance.

Miss Cyd HO has made it very clear that she entirely supports a 30% reduction in rents across the board as a rescue measure to stop bleeding. We all agree with her. If these shops close down, more and more people will lose their jobs. So we have to take bold and resolute measures rather than reassessing the rental values.

I would like to provide one more rationale and that is the management of some markets has been contracted out. Firstly, even if the Government chooses to reassess the rents of each shop instead of reducing the rents by 30% across the board, it has no authority to do so. Even if the Government has the

authority to do so and even if the contractors are willing to comply, it may not be able to impose, after the reassessment, a requirement stipulating that all shops assessed eligible for rent reduction should be granted the reduction because the tenancy agreement is a contractual relationship between the contractor and the tenants. On the contrary, if the Administration reduces the rents of all contractors by 30%, it can require the contractors to give each commercial tenant a 30% reduction in rents. Some markets, such as the Hau Tak Market, have been contracted out to Majorluck and this has given us many headaches. I hope Members can understand that a 30% reduction in rents is a rescue measure. We will not be able to rescue the market if we do not take bold and resolute action. Besides, a uniform reduction in rents by 30% can resolve the problems arising from some contracted out markets. Markets in housing estates under the Housing Society, which are owned by the Government, are in a different situation and should be handled in a different manner.

I support Mr CHAN Kam-lam's motion and Mrs Selina CHOW's amendment. I would like to add one more interpretation to the "Government-owned commercial premises", but it has no bearing on the Housing Department. I hope that those who have built factories on farmland leased under a short-term tenancy or short-term wavier can also enjoy a 30% reduction in licence fees. As we all know, there are many such factories in New Territories North, be it the northeastern or northwestern part. They can hardly survive without a reduction in licence fees. In that case, more and more people will join our unemployment army. So, I hope in interpreting "Government-owned commercial premises", we can include the holders of short-term tenancy or short-term wavier as well.

Finally, I hope Members can convince the Administration because we do not want to see too many people staging protests by ceasing their business or going on strikes. The Housing Department and the Housing Authority may consider it correct to reassess the rents because some shops and fast-food shops might be able to make more profits if restaurants lose all their business. All in all, if this is meant to be a rescue measure, the rent reassessment should be conducted during the next rent increase exercise rather than at this moment. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr LAU Chin-shek.

**MR LAU CHIN-SHEK** (in Cantonese): Madam President, I believe now even the senior officers of the Special Administrative Region (SAR) Government sitting opposite to me cannot but admit that Hong Kong has entered an economic recession, and we cannot expect to get out of the "economic doldrums" in a short time. In times of economic recession, the ordinary people and the general "wage earners" are the first ones to get hit since they do not have such huge "fiscal reserves" as the SAR Government does. For the "wage earners", most of the time they can barely make ends meet. Once they are faced with unemployment or pay reduction in disguise, they will immediately feel the burden of life.

The proposal for rent and tax reduction put forward in the motion of "alleviating the hardship of people's livelihood" is of course a way to relieve the pressure on the public. However, a most worrying trend in the last half year or so, to me, is that the "right to work" of the local working class has been increasingly crippled and challenged, and I think this is exactly the crux of the present "hardship of people's livelihood".

When an economic depression sets in, I believe the whole community would agree that "people in the same boat should help each other" and we should "ride out the storm together". However, in reality, the "wage earners" are the first to be "butchered" in an economic downturn. Later we will debate on the motion on "Unemployment" moved by the Honourable LEUNG Yiu-chung. But I think what the working class faces today is not only "the threat of unemployment", but also "the threat of pay reduction", "the threat of increasing workload" and so on.

A week or so ago, the Chief Executive, Mr TUNG Chee-hwa, said, "Over the past years, Hong Kong saw the incessant soar of property prices, the constant high level of inflation and the year-after-year rise in pay. These phenomena have to be changed, otherwise our long-term economic development will be hampered." According to the Chief Executive, it seems that the wages of local employees are already too high and if they are not adjusted downwards, the long-term economic development of Hong Kong will suffer. I would like to point out here very clearly that to say that local

workers' wages are so high that they affect our economic development is nothing but a paradox aimed at reducing the "wage earners" to be the "scapegoats" of economic depression!

In the last decade, Hong Kong has been enjoying a rate of economic growth as high as 5% annually on the average. However, the rate of growth of local employees' pay was only about 1% to 2% per year, lagging far behind the economic growth. In individual industries such as the manufacturing industry, the wages even saw a "negative growth". In brief, the "wage earners" have not been able to reasonably share the fruits of prosperity, and a large part of it went into the "pockets" of big employers, investors and property developers. In the face of high inflation, high property price and high rent, the living condition of the ordinary "wage earners" has not improved much in essence. The so-called "high wages" is just a false impression.

Today when the economic situation takes a slight turn for the worse, the "wage earners" are the first to be hit and threatened by "business closing down", "laying off", "cutting of bonus", "pay cuts" and "overtime work". I find it hard to take when enterprises and organizations which made huge fortunes in the past and are still making money at present unilaterally decide to lay off or slash the wages of their staff without caring the least about their livelihood. While large-scale retail groups cut down the number of their branches and many employees are thus laid off and forced to join the ranks of the unemployed mass, big banks require their staff to promote the sale of credit cards or other banking services on Sundays, holidays or after work without giving them any overtime pay. Now that the new airport is opened and banks are setting up branches there, but they only transfer staff from other offices without actually increasing the manpower. When an employer unilaterally decides to cut the pay or commission of an employee, has he ever pondered that the mere one or two thousand dollars are still very helpful to the employee who faces an increased mortgage interest rate? Or has it crossed his mind that some members of the employee's family may also be out of work? Under such unfavourable circumstances, all an employee can do now is just to "tolerate in silence".

The above examples are cases I personally came across during the past few months. This trend of development shows that the "wage earners" have become the biggest "victims" in the current economic depression. The

already frail "right to work" of local workers is now further crippled. Under the shadow of unemployment, the "bargaining power" of the "wage earners" is getting less and less and it is more and more common for employees to be forced to put up with unreasonable treatment. If even the Chief Executive is of the view that local employees' wages are too high, the employers will naturally be more bold and assured to "suppress the pay". Is this an honourable act in times of "riding out the storm together"?

Today, the exploitation of the "right to work" of the working class turns out to be the greatest "hardship of people's livelihood" in Hong Kong. I think it is something this Council and the SAR Government should face squarely. Madam President, I so submit. Thank you!

**PRESIDENT** (in Cantonese): Miss Christine LOH.

**MISS CHRISTINE LOH:** Madam President, I speak to support the motion and the amendment since the various points raised essentially covers what the seven political parties have agreed upon. The one new issue seems to be the Honourable CHAN Kam-lam's call for the establishment of a Social Welfare Services Development Fund. I do not believe that it is necessary to set up such a fund for the Government to implement its commitments to social welfare services. Mr CHAN Kam-lam also spoke about the Government's proposal to provide a \$2 billion government guarantee scheme to small and medium sized enterprises. The Citizens Party has provided a detailed proposal on exactly such a scheme for the Government back in May. We are pleased the idea has been accepted. We differ from the Democratic Alliance for the Betterment of Hong Kong on how the scheme should work. We believe that the scheme should be implemented via the banks but Mr CHAN seems to think that it should not be. We look forward also to the Government advising us exactly how the scheme should work. As I said, the Citizens Party has already provided a detailed format.

I would like to use this opportunity to say that these measures proposed by us and other measures proposed by the Government are essentially short-term measures to help stimulate the economy. At this stage, we know that the Government has to use fiscal measures to ease the pain. We all know

that these measures are not enough to solve Hong Kong's longer term problems. We know that Hong Kong's economic fundamentals need to be re-examined so that we can continue to grow and be competitive in the global economy.

Let us look at some simple figures about our economy. More than 50% of our Gross Domestic Product and stock market is property related. At its peak in 1997, the market value of Hong Kong property companies was more than 40% of all listed property companies in the world. By the way, Hong Kong, however, accounts for less than 1% of world output. Someone looking at Hong Kong from the outside might well asks: what sort of an amazing place is this?

Let us look now at the last Budget which we all liked so much at the time. There were sizable tax breaks, increased social welfare and an expanded house-building programme. Let us remind ourselves that the Budget assumed land revenues equal to those received in the previous year. Given now that we are in a recession, corporate and income taxes will be lower, as will be collections from property and stock transactions. The Government has announced rescue packages, and we all know that we are heading for a big fiscal deficit. It is comforting that we have money in the reserves for this rainy day.

How big that deficit will be in many ways depends on the health of the property market. There are fewer buyers, secondary market transactions have slowed, and banks are more reluctant to give mortgages. Presumably, that is why the Government took the bitter pill to announce it will stop selling land till March next year. Property downturns are especially bad news for Hong Kong precisely because so much of our economy is tied to it. A continuous slide in values can take the banking sector along with it here in Hong Kong. Our banks have up to 40% of their assets in mortgages. Some people say we do not need to worry too much because the banks here are big enough and can take a few hits, but I wonder if this might still be true if property prices continue to slide and slide much further in a short period of time.

Many people have pointed out that our economy is too tied to property. Yes, I agree, but there are no quick and cheap solutions. We must also recognize that much of our public revenues also come from property. How do we wean ourselves off this? The next motion moved by the Honourable LEUNG Yiu-chung calls for long-term investment and Mr CHAN Kam-lam calls for a long-term industrial policy to advance Hong Kong's economic

development. Mr LEUNG Yiu-chung mentions developing local industries as well as high technology and high value added industries. Next week, the Honourable Miss CHOY So-yuk will want to talk about the service industry. That is all very well to say but we do need to first examine where we are now and what we are going to do with land and housing policy. Without dealing with this very central issue, Madam President, we cannot in all honesty define a new economic plan.

The Chief Executive's housing plans were ill-conceived though well meant. The Hong Kong Special Administrative Region Government inherited an economy that has a strong property bias. Government policy over the years enabled a handful of developers to monopolize land, our most vital and scarce asset. However, to try and change it without truly understanding what the consequences may be was sheer folly. We do not like many aspects of housing in Hong Kong because we have a shockingly poor housing stock. Let us face it, we pay a lot for bad workmanship. It is scandalous that so many people have to live in appalling conditions. But the real issue right now is whether we can afford to allow property prices to slide further within a short period of time? Some people seem to think so. I ask them to pause for thought.

What we need is for the Chief Executive to eat his pride and be willing to reshuffle his deck of cards and reconsider his land and housing policy from scratch. These are difficult times for Hong Kong and for the region. If we have an opportunity to do this, then we might be able to consider more sensibly what our policy should be, and to consider how to build up other aspects of the economy over time. We need to identify which activities can best bring the gains for Hong Kong. We need to think how we can revive tourism. For example, is building a cable car to the Big Buddha on Lantau the best idea the Government can come up with? The Government should seriously think about using that money and applying somewhere else? What about promoting Hong Kong as the international hub for East-West medicine and natural therapies? In the meantime, let us acknowledge that if property prices fall further, we might not even have the opportunity to consider building other aspects of the economy.

In considering reinventing the economy and to make it more broadly based, Madam President, we also need urgently to rebuild our depleted intellectual capital. Our education system is not good enough. Our



vocational training needs to be upgraded and become respected. Everyone needs to help, otherwise we will not be able to support a new economy.

Madam President, I would address some of the other issues in the second debate. Thank you.

**PRESIDENT** (in Cantonese): Mr LAU Kong-wah.

**MR LAU KONG-WAH** (in Cantonese): Madam President, in the wake of the financial turmoil, Hong Kong people are now assuming a pessimistic attitude towards our economic future and extremely uncertain about the prospects. Of course, there is no panacea for solving our economic problems immediately. However, I believe it is Honourable Members' consensus that we need to alleviate the hardship of people's livelihood. Under the current economic downturn, some small retailers and commercial tenants are among those who are most seriously affected. I would like to focus on some of my viewpoints.

Obviously, commercial tenants are now affected by an economic slump and difficult business environment. I would like to give two figures. If we compare the vacancy rate in the first quarter of this year with that in the last quarter of the previous year, we will find that it has risen by 20%. If we compare the number of cases of surrender of tenancy handled by the Housing Authority (HA) in February with that in May this year, we will find that it has nearly doubled within these few months. We can obviously see from these two figures that there is a phenomenon of premises being left vacant and weak consumption has added pace to it.

The Democratic Alliance for the Betterment of Hong Kong discussed how to solve the difficulties faced by this group of tenants with the HA early this year. At that time, we proposed that rents under newly signed agreements should be frozen and rents payable by commercial tenants should be reduced. However, the HA only acceded to half of our request then and froze the rents of commercial tenants whose tenancies took effect from 1 February. We immediately pointed out that this was unfair to those commercial tenants whose tenancies took effect in January and December. The Housing Department (HD) and the HA only threw out this new package for reassessing the rental values after having considered this for a few months.

Frankly speaking, the commercial tenants find the reassessment of the rental values absolutely unacceptable. The reasons are: firstly, they find the waiting time too long; secondly, it is a waste of resources and manpower. I believe that the HD might have wasted much manpower and time in dealing with the applications recently lodged by hundreds of commercial tenants. The most important thing is that after receiving an application, the HD will make an assessment. Shop A might get a 20% cut in rents while shop B might get a 15% cut. Considering it unfair, they will probably lodge an appeal as they would like to find out why things turn out like that. The HD will then get into trouble. In addition, the commercial tenants will find it absolutely unfair as there is no appeal mechanism. In the light of the fact that the two Municipal Councils have reduced rents by 30%, these commercial tenants — I am referring to those renting premises from the HA and the Housing Society — are aware that their competitiveness has been undermined. Honourable Members must note that the crux lies here.

The HA or the HD has also asked why it is necessary to adopt such an extraordinary approach, that is, a uniform measure, to deal with the issue. I would like to remind government officials that it is necessary to adopt an extraordinary measure during an extraordinary period. Just imagine: the three railway companies in Hong Kong have never frozen their fares at the same time before and we have never had the experience that paid rates can be returned. Neither have we experienced repeated reduction of diesel oil duty. The Financial Secretary has expressed time and again that it was irrational and unreasonable for diesel oil duty to be reduced. But surprisingly, he announced that diesel oil duty would also be reduced. This is precisely taking an extraordinary approach to tackle an extraordinary problem.

Madam President, I would like to urge government officials or members of the HA not to remain stubborn and not to consider or address this issue in a bull-headed way. In fact, in presenting his Budget early this year, the Financial Secretary mentioned that he was going to ride out the storm and renew Hong Kong strengths. Later, the Financial Secretary will respond to our motion debate. We hope that he can keep step with his proposal of riding out the storm made earlier this year. We also hope that he can treat the commercial tenants with the uniform standard.

We have also repeatedly heard officials of the HD warn the commercial tenants that their tenancy agreements might be at stake if they refused to pay

rents or insisted on their demands. Under such circumstances, I think that such a high-handed approach should not be taken. In my opinion, problems will naturally arise in society if the public cannot express their feelings, air their resentment and improve their livelihood. Instead of standing by with folded arms when the commercial tenants are not making profits and commercial premises under the Housing Society and the HA are left vacant, why do we not give them a 30% cut in rents at once to stop their bleeding?

Madam President, I have frequently met and exchanged views with the commercial tenants in 89 housing estates recently, and the message they voiced out is extremely clear. Just now, the Honourable CHENG Kai-nam has also reiterated the point that we should refrain from looking at the problems we have this time or this year in our previous perspective and from ignoring the demands raised by tenants from such a large number of housing estates. The commercial tenants have always given people an impression that they are like a plate of loose sand. In fact, they have never acted in solidarity like this before as this time they are raising one voice, making one demand and asking one price only. I urge members of the HA to clearly appreciate the demand of the commercial tenants.

With these remarks, Madam President, I support the motion moved by Mr CHAN Kam-lam and the amendment of Mrs Selina CHOW. Thank you.

**PRESIDENT** (in Cantonese): Dr LEONG Che-hung.

**DR LEONG CHE-HUNG** (in Cantonese): Madam President, I speak in support of the original motion and the amendment. Given the extensive contents of the motion, I would like to focus on the rents for commercial tenants in public housing estates, particularly the rents for clinics.

Many people have the misconception that private medical practitioners make a lot of money. However, in times of economic downturn, private medical practitioners are in the same boat as people in other professions and are similarly subject to enormous pressure. In fact, just like those who operate other businesses in their neighbourhood, many medical practitioners who practise in public housing estates have a bitter story to tell.

A few decades ago, most public housing estates were built in remote and inaccessible areas to where no one wanted to move. In the early occupation of these housing estates, they were poorly equipped and transport there was still not developed. Few people would like to move there then. Nevertheless, where there are people, there will definitely be sick persons who need to consult a doctor. Although the situation was so unsatisfactory, not a few medical practitioners, motivated by a desire to serve the community, still had the encourage to be pioneers and opened clinics in public housing estates. Very often, the consultation hours were very long and they had no holidays to speak of. Of course, poor transport at that time secured a large patronage for doctors in housing estates. However, we cannot neglect the contributions they have made as pioneers in housing estates for this reason alone.

In recent years, this situation has changed dramatically. On the one hand, there is a surplus in the supply of medical practitioners. Although the HD has specified the number of medical practitioners in the same housing estate. However, many clinics have been established in the vicinity of many housing estates. Coupled with the fact that Hong Kong is now served by good transport networks, residents of housing estates no longer consult only the doctors practising in their own estates like they used to do. As a result, the competition faced by practising doctors in housing estates has become increasingly keen. In an economic slump in particular, they have to compete with an additional strong rival and that is the heavily-subsidized public medical services, such as the services provided by the Department of Health and the Hospital Authority.

According to the surveys conducted by the Estate Doctors Association Limited and the Practising Estate Doctors' Association Limited, the business of the 300-odd medical practitioners in housing estates has fallen by an average 50% this year. As such, all commercial tenants in public housing estates, no matter whether they are selling clothes, fruits, or operating restaurants or clinics, have asked for a 30% cut in rents. During an economic depression, this is the most efficient and fairest way to help small commercial tenants with the least administrative costs. Just as the Honourable LAU Kong-wah said earlier, assessments will, on the contrary, waste time, money and administrative manpower. Now that the two Municipal Councils have offered rent cuts, I see no reason why only the Housing Authority (HA) should find it difficult to do so.

On the other hand, compared with other commercial tenants in public housing estates, practising estate doctors are in fact subject to a double blow. In the past two years alone, the rents for practising estate doctors have risen by more than 50%. Although the HA said it would freeze for one year the rents for those commercial tenants whose tenancy agreements were renewed from February to December this year, what will happen afterwards? In the end, I wonder if the rents will rise rather than drop, or even rise dramatically. There has been a dramatic increase already, evident in the increase of more than 50% within two years.

As a matter of fact, the crux of the problem lies in the method and the base for the calculation of the rate of rent increases. Officials of the Housing Department only know how to "speak in an official tone" that the rents are determined on the basis of the market mechanism. But would the market outside housing estates impose so many conditions and restrictions on practising doctors like the HA does and require doctors to work long hours and even arrange for a stand-in when they are on leave? Has the HA acted flexibly like the outside market that tries to attract tenants by directly or indirectly reducing rents for clinics in the light of the economic situation? It will be tantamount to reducing rents if the HA can exempt rents for the few months taken for renovation.

In my opinion, what the HA should do now is to reduce the rents for commercial tenants, regardless of whether the tenants are operating clinics or other businesses, by 30% across the board. It should also expeditiously review the rent increase mechanism.

With these remarks, I support the original motion and the amendment.

**PRESIDENT** (in Cantonese): Dr LUI Ming-wah.

**DR LUI MING-WAH** (in Cantonese): Thank you, Madam President. My speech is related to industrial development.

Given the fact that Hong Kong is now in an economic downturn, some Honourable colleagues have requested the Special Administrative Region

Government to freeze rents, cut diesel oil duty and return the salaries tax and profits tax. Of course, all these measures will be welcomed by the people of Hong Kong.

In recognizing the need to alleviate the hardship of people's livelihood though, I think that the most practical way to develop our economy for a take-off is to formulate a long-term industrial policy.

Madam President, prior to the '80s, the Government adopted a positive non-intervention policy towards our trade and industrial development. As far as trade and industry were concerned, it was undeniable that the non-intervention policy had given investors better confidence, thus enhancing the development of trade and industry in the light of the economic environment at that time. But with the change of time, the Government would seem to be too passive if government officials still hold on to such a policy, with the Government itself failing to get to grips with the rapidly changing external economic environment outside.

It is precisely because of the Government's over emphasis on the development of the financial sector, the real estate and the services industry in the past, neglecting the importance of industry to the long-term economic development of Hong Kong, that has given rise to the existing economic predicament — a situation extremely difficult to improve in a short time. These can all be attributed to the fact that Hong Kong lacks an industrial base on which we can rely for support.

Over the past two years, many trade federations and I have, on various occasions, urged the Government to set up an industrial and technological board and pool the strength of government officials, people in the trade and experts to formulate long-term and effective industrial policies and supporting measures. Indeed many governments of other countries and regions have already had industrial policy-making departments of similar nature in place for the purpose of actively helping industrial development. Why did our Government act so passively? It is important to alleviate the hardship of people's livelihood, but it helps the public only on a short-term basis. The most important thing is to broaden the sources of income. As the manufacturing industry can make profits for Hong Kong by exporting their products, the Government should take immediate action. Only through

revitalizing our industry can we make long-term plans and sustain the prosperity and stability of Hong Kong in the long run.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): Miss Margaret NG.

**MISS MARGARET NG:** Madam President, Hong Kong is indeed facing a serious economic downturn. The Government should indeed face up to the impact on the livelihood of the people and take effective measures to alleviate hardship. So much I agree with the motion of the Honourable CHAN Kam-lam.

However, the Government must at all times act responsibly and for the long term overall good of the community. Sound fundamental principles must not be sacrificed for quick fixes which are of little real help to the economy. One example is reducing commercial rent in public housing estates. Hong Kong has always honoured commercial principles under the rule of law. Contracts are made to be kept. I agree in a bad market, landlords should seriously consider re-negotiating the rent with their tenants, particularly those who had signed their tenancy agreement at the height of the market. Otherwise, if the tenant is forced to close down and quit, the landlord will also suffer.

What I find difficult to accept is an across-the-board reduction imposed upon the landlord as a matter of policy, whether the rent is above market or not, whether the tenant faces real hardship or is making a good profit.

If we adopt such a position, where will this lead us to? If we require this of public housing landlords, will commercial landlords in the private sector be made to do the same next? And then residential landlords? If not, why not? The Honourable Mrs Selina CHOW and Dr the Honourable LEONG Che-hung said that the Housing Authority has not been following the commercial principles itself. But if so, the remedy lies in urging it to do so, not in abandoning these principles.

Further, if the rental market goes up again, will there be another policy to increase the rent, even when the tenancy agreement does not provide for it? Are we going to make it, eventually, a policy for rent to be chargeable as a percentage of profit?

I understand that measures are aimed at particularly those who are economically most vulnerable. If so, are we quite sure that reducing petrol tax across-the-board will help those who, like me, have no motor cars, or will it rather help to reduce the expenditure of those who, like Mr TUNG Chee-hwa, have at least three of them?

Likewise income tax rebate. Everyone knows, poor people pay considerably less tax than the high-earning class. Does it alleviate the hardship of the humble employee, to give a sizeable tax rebate to his employer? Madam President, I must confess myself quite puzzled.

As to the broad policy views, such as the Government implementing its commitments and trying to improve employment opportunities, I certainly do not disagree.

Indeed, it is my view, what the people of Hong Kong are most concerned about is not just the present but the future of the economy. Can we feel confident that things are going to get better? Can we be confident that this Government knows what it is doing, and is capable of staying in control? Do our officials have a clear view of what is required to keep Hong Kong safe, or are they already in panic?

It is important for the Government to be consistent. Only a consistent Government can be credible. A credible, consistent Government with clear principles and long-term plans is essential to confidence — I mean the confidence of people in Hong Kong as well as investors all over the world.

Therefore, I urge this Government to keep cool, to face hardship and concentrate on protecting those systems which have so strongly protected our people in the past. Short-term measures may be needed from time to time, but they must be backed up by sound principles.

It is not easy to disagree with a motion entitled "alleviate the hardship of the people", especially when the preamble and broad view are so



unexceptionable. It is even harder to turn down a proposal to let me have some of my hard-earned tax money back. But the bite of the motion is in pushing specific measures. It will be dishonest of me to take the easy way out. Madam President, I oppose the motion and its amendment.

**PRESIDENT** (in Cantonese): Mr LEUNG Yiu-chung.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, our economic problem has now come to a critical stage. I believe all my colleagues in this Council have reached the consensus that the first and foremost task for the Government should do is to alleviate the hardship of people's livelihood.

Over the past few months, the Hong Kong Government has introduced two measures successively for rescuing the economy. However, apart from deliberately boosting the property market for the benefit of developers, these measures have not produced any substantial effect as far as the general public who are facing the threat of losing their jobs are concerned. What the Government has done are to slightly reduce daily expenses and to slightly stimulate consumer sentiment. No substantial assistance has been rendered as far as the unemployment problem is concerned. I believe the first three proposals outlined in the motion moved by Mr CHAN Kam-lam can only produce the slight effect I mentioned just now.

We should of course support these measures. However, to really "alleviate the hardship of people's livelihood", we must rely on the formulation of a long-term industrial policy as mentioned in the last part of the motion.

Over the past decade or so, the Hong Kong Government has often emphasized that our economy will undergo transformation into an economy led by the financial sector and service industries. Even the Basic Law has specifically mentioned in its provision that the status of Hong Kong as a financial centre is to be maintained. Although it is true that the transformation has made it possible for the financial sector as well as other services industries to prosper over the past decade or so, the recent financial turmoil has produced a grave impact on our economy. This reflects that the so-called economic structure, led by the services industries and finance, is only a bubble economy unable to stand even a single blow. This also illustrates the

fact that the Government is in fact extremely short-sighted in oiling the economic transformation.

Without any proper assistance from the Government, our manufacturing industry has seen a constant shrinkage since the '80s. Coincidentally, the implementation of open economy and economic reform in mainland China has resulted in the taking off of our financial and trade sectors. At the same time, our manufacturing industry continues to decline and there is no room for development. With the Government's high land price policy, it seemed really possible for the financial sector to uphold our economy. This is indeed a coincidental rather than intended consequence of government policy.

Nevertheless, the financial turmoil has fully revealed the adverse consequences of excessive emphasis on the service industries. To start with, financial services are vulnerable to the worldwide economic climate. The situation in the Asian Pacific Region is particularly serious. When other Southeast Asian countries catch a cold, Hong Kong will sneeze. Moreover, financial services rely heavily on professionals and advanced technology, making it extremely difficult to create a lot of job opportunities. Therefore, since the emergence of the economic crisis last year, Hong Kong has constantly come under the attack of the unemployment problem which has been in existence for many years, and the disparity between the rich and the poor was further aggravated. Unfortunately, the Government has failed to address this problem.

As for other services industries such as the retail and catering industries, their incomes come mainly from internal spending. Just like "the pond fish coming from the pond", these service industries have been inevitably affected by the poor performance of other economic sectors.

In fact, the Hong Kong Government has even failed to make any real efforts to upgrade the standards of our services industries. Although the Government has all along boasted of the excellence of our service industries, the fact that our air transport and services have been paralysed over the past few days since the new airport was opened obliges us to re-assess our competitiveness in terms of the development of our service industries and the shipping industry.

On the other hand, since our economy has not shown any signs of serious crises for a number of years, the Hong Kong Government has adopted a non-interference attitude by allowing the manufacturing industry to continue to decline, without giving it any assistance. Now it can be said that the problem is so serious that it is difficult to rectify.

Faced with the existing economic predicament, the Chief Executive and the Financial Secretary only know to indulge in their own wishful thinking by saying that the "fundamentals" of Hong Kong are strong, and that our economy will be the first to rebound when the financial turmoil fades away. But just as many economists have pointed out, our economic development is now heavily dependent on external factors, is it really that easy to be the first one to rebound? The Hong Kong Government has been unable to answer the following questions: When will our economy rebound? In what manner? What mode will it develop in the long run? In fact, we can see that many officials have virtually had no direction and idea regarding the long-term development of our economy. They are only situated in a completely passive position, "waiting for their luck to strike".

In conclusion, with our declining manufacturing industry unable to make foreign exchange earnings by exporting commodities, our economy is indeed caught in a completely passive position, straitjacketed against external battering.

Both Mr TUNG Chee-hwa and Mr Donald TSANG have conceded that although our economy has shown a sign of decline, the problems will be solved after a period of hard time. But we have to ask: How long will it take for us to go through the hard time? For this reason, the Government should draw a lesson from this bitter experience and take this opportunity to conduct a more in-depth study and formulate a long-term economic development strategy for Hong Kong. In particular, it should provide assistance to those trades and industries which have development potentials so as to lay a solid economic foundation for Hong Kong.

I worry that even if we could make it through the hard time, the problem will very soon resurface again in future if the Government fails to address it squarely. Repeated economic crises will only bring pain to the people again and again.

It is definitely not our wish that this Council needs to discuss this problem again and again every two or three years. It is our earnest hope that the direction said to be taken by the Government in "alleviating the hardship of people's livelihood" can be realized for the benefit of Hong Kong's long-term development. At the same time, the Government should stop taking stop-gap measures anymore. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr CHIM Pui-chung.

**MR CHIM PUI-CHUNG** (in Cantonese): Madam President, what we are discussing today is the so-called "alleviation of the hardship of people's livelihood". To start with, we need to understand what it is meant by "the hardship of people's livelihood". If we do not understand what "the hardship of people's livelihood" really means, how are we going to alleviate it? Here "people" refers to members of the public. We are all faced with different difficulties: the bosses have their own difficulties. Otherwise, why did their shops close? The stockbrokers have their difficulties too. Otherwise, why did they "run away"? This is not only the workers' problem. This is a problem for Hong Kong as a whole.

Of course, we know that sooner or later we will face this predicament but where does the responsibility lie? The high land price policy adopted by the Hong Kong Government in the past is poisonous and sooner or later the poison will take its effect. So far, Hong Kong remains the city where the living costs are the highest in the world. Is this a "great honour"? But still problems will arise sooner or later. Very soon, Shanghai and various cities in the Mainland will face the same social predicament. Government officials should not be pleased with themselves by thinking that they have done a great job and that they are always in the number one position. The day will come when the public have to pay the price.

We need to understand that the crux of the problem actually lies in the high land prices and high salaries. With the pay rise of our 190 000-strong Civil Service, other professions also see a corresponding rise in salaries. The incomes of many professionals, or some of our bureau chiefs, are even higher than those of their counterparts in the top country in the world, and yet the taxes they pay are relatively low. This will bring problems to the community

as a whole. We must not think that this is just a mundane problem. As the problem has already emerged, we should not shirk our responsibility. Instead, we should consider how to alleviate the problem.

Recently, the Government has, in just one day, mapped out a nine-point package for solving the problem. I can boldly say that the whole Hong Kong Special Administrative Region (SAR) Government, including the Financial Secretary, is not capable of and is not bold enough to make decision in such a determined manner. In that case, where did the power come from? Maybe Members should think about it. Why did the Financial Secretary still insist on selling land two days before the land sale and say otherwise two days after? Judging from his character, why was he willing to bow his head? After analyzing the whole matter, we will be able to find where the crux of the problem lies. Anyway, we are glad to see that the SAR Government can face the difficulties and accept the reality. This act of bravery should be encouraged. We should also give encouragement in passing criticisms. It is unfair to them if we know only how to criticize. It is also an expression of bravery for them to accept other people's advice. They are brave people too.

In fact, it is all because of the property market that the Government has to, so to speak, "alleviate the hardship of people's livelihood". Actually, the Government can allow the property prices to drop. There is no problem at all as to whether the developers are making money or not and whether they are struggling to put up the lowest price. What worries us most is that the framework and structure of banks will be affected as a result. Theoretically, it will have no bearing if the banks only suffer a small loss. Yet the Government thinks otherwise as it fears that the banks might close down. If the Government has such a fear, the problem will exist eternally in future. Hong Kong is a relatively free society. It is only normal for the market to rise rapidly and then drop rapidly.

As the Government aims at alleviating the hardship of people's livelihood, it needs to understand what the public needs most at the moment. As far as "clothing, food, housing and transportation" are concerned, Hong Kong people generally have no problem in "clothing", even if the clothes one wears is not so presentable. In the area of "food", the problem is even less. As for "housing", the Government has misled us by saying that 70% of the population must be property owners. This is extremely misleading indeed.

It is perfectly correct for the Government to think about building houses for the people. The home ownership scheme is good, but this does not mean that people must own their own homes. I have been a frequent critic of this idea. It is not right for the SAR Government to use this as the guiding light. What remains is "transportation". With the concerted efforts by various parties, the Government has recently agreed to freeze transport charges — a decision merits encouragement.

Just now, many Members have mentioned about a reduction of rents by 30%. Is a permanent reduction of rents going to solve the problem? I think this is not necessarily so. In such a free society as Hong Kong, protection should not be given to a specific profession or a specific person. Of course, we can help one another solve the problem in times of difficulty.

The SAR Government, particularly the Financial Secretary, is in control of the financial affairs. The Secretary must be able to see things clearly and thoroughly and must not be daunted by difficulties. What is most important to Hong Kong is that he has the power to deal with difficulties. It is not going to help if we only engage in empty talks. Politicians will definitely score points by criticizing the Government. On the other hand, it will be irresponsible of the Government if it only knows how to stress its good point. Even if its performance is good, it should let other people to give the score instead. It must never give itself the score. Our Financial Secretary is full of self-confidence. I am a self-confident person too. However, one will become "too proud of oneself" if he is overly confident. I am also proud of myself. But what matters most is that we must be able to handle the matter whenever problems arise.

The difficulty we have now is not that we are facing a difficult situation. In fact, when compared to other Asian countries or regions, the situation in Hong Kong is better. In such countries as Indonesia and Thailand, the impact on the general public might not be very great, but the situation of the rich is far worse than their counterparts in Hong Kong. Under such circumstances, the most important thing is that the SAR Government, under the leadership of government officials, must recognize where its strong points lie. We have fundamentally no chance at all for us to speak of nurturing our industries at this moment. How can we compare ourselves with Taiwan when referring to high technology? We should understand that Hong Kong should be led by the service industries in future. It is most important for us to study how to

strengthen our service industries. Our future should stress on financial services, transport services, communication services and so on. Our whole society should also be dominated by services industries. We should give prominence to our special features before we can handle any predicament or difficulties in the future.

Lastly, I would like to sound a note of caution that regardless of the so-called "six parties", "seven parties", "eight parties" and whatever parties, it will be extremely dangerous if our executive-led government is altered under the pressure of political parties. Please bear this in mind.

**PRESIDENT** (in Cantonese): Miss CHOY So-yuk.

**MISS CHOY SO-YUK** (in Cantonese): Madam President, within just one year, Hong Kong has plunged from a state of economic prosperity, stability, peacefulness, affluence into a state of quietness and bleakness, experiencing an economic downturn and a rise in unemployment.

The current economic crisis is not temporary in nature, and there is even a tendency that the crisis will accelerate. It is generally expected that our economy will register a negative growth in the second quarter this year, implying that our economy has formally entered a period of recession. Various labour organizations, even including the Administration, have forecast that the unemployment rate will continue to rise.

Madam President, the Hong Kong Progressive Alliance (HKPA) agrees to the question on the motion today. In fact, the Alliance has long ago joined hands with other political organizations to propose to the Government various measures such as freezing the rents for public housing flats for one year across the board, reducing the rents for public housing flats, reducing the petrol tax and returning the salaries tax and profits tax to the people. Regrettably, apart from announcing the temporary suspension of rent increases for public housing flats for one year, the Government is still indecisive on the other recommendations. It is our view that the implementation of the abovesaid measures will help raise the spending desires of the public, thereby stimulating the weak market. While it is undoubtedly very important for the Government

to maintain a prudent fiscal principle, it seems even more important for the Government, with its abundant reserves, to return wealth to the people generously so as to tide them over in times of difficulty. Apart from that, we agree to the establishment of a Social Welfare Services Development Fund to provide sufficient social security and help the needy who are in hardship as a result of the economic recession.

In our opinion, it is of course imperative for the Government to implement measures expeditiously to alleviate the hardship of people's livelihood. But it is even more pressing for the Government to eliminate the source of the hardship. In fact, if we can look into it carefully, we can easily find that the chronic economic illness we suffer at the moment is, to a very large extent, related to the high interest rate policy adopted by the Hong Kong Monetary Authority. This Council has all along supported the defence of the linked exchange rate, but it absolutely disapproves of the sole reliance on the tactic of high interest rates. As early as a year ago, the HKPA, as well as a lot of academics and experts, had already criticized that the high interest rate policy will only benefit speculators instead of the people of Hong Kong. Now it has been proved that the high interest rate policy should be held responsible for the high interbank rate, with banks tightening up their credit and various trade and industries finding it difficult to secure financing. As a result of these, companies have found business and liquidity difficult, thereby leading to closure and retrenchment. I am afraid that this economic chronic illness is hard to cure should the high interest rate persist, even if the Government makes stronger prescriptions. Without suiting the cure to the disease, how can we remedy the problem? The HKPA has come to the view that the Government must conduct a review seriously and adopt means, other than high interests grates, to defend the linked exchange rate. Only through prescribing the right medicine can we really cure the disease and save Hong Kong from danger.

Information shows that nearly half of the small and medium sized enterprises (SMEs), which account for 98% of the local enterprises, are now affected by the high interbank rate. Finding it difficult to operate their business, they are now facing the prospect of closure. Subsequently, this will lead to a further rise in our unemployment rate, resulting in a vicious circle. It is regrettable that the question under debate today has failed to address squarely the hardship brought about by the operational difficulty experienced



by the SMEs. In fact, as early as late last year, the HKPA initiated a proposal to the Government for the establishment of an ample loan fund to provide SMEs with low-interest loans. Recently, the Government has finally decided to set up such a fund and we agree wholeheartedly with this decision. However, with only \$2 billion available, the fund can only help one thousand-odd SMEs. As far as the more than 280 000 SMEs are concerned, the fund is just like a drop in the bucket and the assistance it offers is very limited. I would therefore like to urge the Government to increase the loan fund to \$20 billion or so in order to assist the SMEs in a comprehensive manner.

The theme for the Budget this year is "riding out the storm, renewing Hong Kong strengths". This was appropriate for solving our problems as our economy had not yet entered the cold period at that time. But now that our economy has entered a recession, it has become imperative for the Government to show its determination by adopting more short-term measures to return wealth to the people and to revive the economy. At the same time, the Government also needs to consider its old so-called "positive non-intervention" policy, to address the problems now faced by various local trades and industries, to really serve the Hong Kong people, and to refrain from adhering to its bureaucratic practice. We hope that the Government can go to the public to see why it has failed to really help Hong Kong in order to safeguard the long-term interests of the territory and to alleviate the hardship of people's livelihood.

With these remarks, Madam President, I support the motion and the amendment. Thank you.

**PRESIDENT:** Mr Ronald ARCULLI.

**MR RONALD ARCULLI:** Madam President, I would like to make two preliminary points on the Honourable CHAN Kam-lam's motion before I go on to the substance of it.

The first is that Hong Kong has not entered into a period of economic adjustment as is stated in his motion. Hong Kong, Madam President, is in

recession. Yes, that terrible "R" word. The second is that this recession is not just affecting people's livelihood. It is affecting everyone and it is particularly affecting the 1.2 million homeowners and the 290 000 small and medium sized businesses which employ some 98% of our workforce.

Our homeowners and small and medium sized businesses are the very essence of our economy. That is why the Liberal Party has made them the cornerstone of proposals put forward by us to the Government to help stimulate the economy. Indeed, their immense contribution to Hong Kong has been sadly ignored or even derided frequently by some political parties when they refer to the business sector as being in cahoots with the Administration. Their sole mission in life is to work hard, educate and house their families, and perhaps save something for their retirement. And I hope that as we open a new chapter, this Council will not only acknowledge their contribution, but recognize the tremendous pain and hardship that quite a lot of them are experiencing today.

All of us depend on them to work our way out of this recession and to put Hong Kong back on the path of economic growth. And therefore, the remarks which Mr CHAN Kam-lam made about the suspension of land sales is wholly misplaced. It is not, and I emphasize, it is not for the benefit of property developers. It is solely to stabilize the property market. It is an acknowledgement that many of our homeowners and small and medium sized businesses have mortgaged their homes, their offices, their shops or even their factories to secure banking facilities as working capital for their businesses. And when the asset value of the collaterals that they have placed with the banks, including shares in the stock market, has shrunk, quite naturally the banks would reduce, if not cut, any credit that is given to these businesses. And I think that is the reason why the Government acted, quite rightly in my view, to help stabilize the property market.

As far as the measures referred to in Mr CHAN Kam-lam's motion are concerned, the ones that would benefit these homeowners and small and medium sized businesses are tax refund as well as the reduction in rent for commercial premises that are either in the Housing Authority's domain or within the Government's premises.

As far as the tax refund measure is concerned, I would emphasize it is not a tax cut measure. As Members would appreciate, the difference is quite simple. A tax refund is a one-time deal, whereas a tax cut has recurrent consequences. I suspect that if we were not to force the Financial Secretary, he would probably prefer to do nothing at all. But if push came to shove, he may choose tax refund rather than tax cut.

Madam President, the case for a tax refund is irrefutable. The most cogent reason is that even in normal times, excess tax dollars do the most good if such dollars are with taxpayers rather than frozen in public coffers. This is a firm belief of the Liberal Party. In today's troubled times, and with tight liquidity in our money markets, returning some \$16 billion of tax dollars serves two purposes. First, not only would salaries and profits taxpayers benefit immensely, Hong Kong would benefit as well from any increased investment or consumer spending that may flow from such a refund. Second, the multiplying effect of monies being deposited with banks would help ease the tight liquidity in that sector.

Madam President, I am tempted to make remarks in reply to certain things that some of my colleagues have said. But I think rather than do that, I would like to give a very clear message to the community. A great majority of us, and sadly not a unanimous voice in this Council, are in favour of the measures mentioned in Mr CHAN Kam-lam's motion and the amendment proposed by the Honourable Mrs Selina Chow. I hope that those who disagree with them might abstain from voting or perhaps absent themselves from this Chamber so that we can have a hundred percent vote to give a clear direction to the Government. But I suspect that it is probably falling on deaf ears because I know my friend, the Honourable Miss Margaret NG, who is very principled, is not about to leave.

In conclusion, I want to pose a question on tax refund. If the rest of the world expects Japan to stimulate its economy, which may include tax cuts, would the same voices criticize Hong Kong if our Government made a one-time tax refund? Perhaps the Financial Secretary could offer an answer to my question.

Thank you.

**PRESIDENT** (in Cantonese): Honourable Members, if any of you would like to raise a point of order, please stand up. If you raise your hand, I would consider it an indication of your wish to wait for your turn to speak. Dr TANG Siu-tong.

**DR TANG SIU-TONG** (in Cantonese): Madam President, the HKPA supports Mr CHAN Kam-lam's motion and Mrs Selina CHOW's amendment. In fact, the "Seven Parties, or the Six Parties, One Group and the Frontier" have arrived at a consensus over most of the suggestions and the Government has given explicit replies to some of them. But since it is still considering some others, we hope that it can make a decision and arrive at a conclusion soon.

A few months ago, the HKPA pointed out that the economic recession had come swiftly and forcefully, bringing with it an immense and deep impact. It is not an ordinary periodic fluctuation but a confidence crisis brought about by the rapid adjustment of our economic structure. As people lack confidence in our economic prospects and businessmen find it hard to do business, the consumer market shrinks naturally, leading to a sustained aggravation of the economic confidence crisis and a vicious circle. To break down this vicious circle, we must first rebuild confidence.

Under such circumstances, if the Government takes the lead to increase expenditure to alleviate the hardship of people's livelihood, it is indeed making the first step towards rebuilding people's confidence and stimulating our economy. In my opinion, the Government should observe the three principles below in increasing public expenditure:

1. The Government should not cut its expenditure on basic public services and public services which have been or will be provided because of the economic slump and a reduction in revenue.
2. The principal consideration must be any new expenditure should directly help to stimulate our economy, increase job opportunities and create a good investment environment; and
3. According to Article 107 of the Basic Law, the Hong Kong Special Administrative Region shall follow the principle of keeping expenditure within the limits of revenues in drawing up its

budget, and strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its gross domestic product. However, that the Government has to maintain basic social service expenditure while increasing expenditure to stimulate our economy amidst an economic slump is really a special case. As a result, the Government may have to draw up a deficit budget when revenue cannot offset expenditure. But so long as the deficit budget can suit the remedy to the case and stimulate our economy, the HKPA will consider this acceptable.

On the basis of these three principles, the measures proposed in the original motion and the amendment are reasonable. It should certainly include the public housing clinic rents as referred to by Dr the Honourable LEONG Che-hung and the short-term tenancy rents in the rural areas mentioned by the Honourable Andrew WONG for they are actual needs. We hope that the Government can give these proposals realistic consideration and pledge to put these measures into practice.

In addition, I welcome the Government's decision to finally adopt the suggestion made by the HKPA almost a year ago concerning the establishment of a low-interest loan fund to assist SMEs having problems with capital turnover to tide over their difficulties. Nonetheless, the HKPA hopes that the Government can really make effective use of the promised \$2 billion (we certainly hope that more can be promised) instead of just engaging in empty talks, given that the Government has still not formulated the criteria for borrowing these sums so far. When enterprises ask for loans from banks, the Government can encourage bank financing through this fund while banks can extend loans to these enterprises at low interests after stringent examination and approval (for instance, the enterprises should have a past record of at least five years' transactions with the bank, good records and substantial turnover) in order to help them tide over difficulties. This is the suggestion made by the HKPA and we hope that the Government can give it realistic consideration.

Finally, the HKPA also hopes that the Government can set up a select committee soon to study the feasibility of the localization of production and services in respect of infrastructure, industries and the service industry under the premises of improving quality, reducing costs and enhancing efficiency. Many local companies and products have actually reached international standards but they are discriminated against during bidding. We hope that the

Government can bring about localization in these fields to give local companies more chances to undertake the relevant projects so as to increase the job opportunities of local professionals, executives and workers, drive domestic consumption and stimulate our economy.

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

**PRESIDENT** (in Cantonese): Mr Fred LI.

**MR FRED LI** (in Cantonese): Madam President, I would like to express my views on the two points made by Mr CHAN Kam-lam today; firstly, the Social Welfare Services Development Fund and secondly, cutting rents by 30%.

Many Honourable colleagues have already expressed their views on the 30% reduction in rents for public housing commercial tenants and I will not go into the details. I support the views of my Honourable colleagues but I would like to mention that I have held two meetings with Mr WU of the Housing Department in which he stressed that the Department places great emphasis on commercial principles and stated that it had broken the rule in carrying out an assessment this time and it was really a big step forward. However, the step is not big enough. As Mr Donald TSANG has said, the current circumstances are unprecedented throughout the 30 years during which he worked as an official. We hope that the Government can take drastic and decisive measures.

Secondly, I would like to point out that I am on the same wavelength with Mr Andrew WONG about the agricultural land in the New Territories being turned into warehouses under short-term tenancy as these problems are also found in my constituency. Take Lei Yue Mun where we often go for seafood as an example, many commercial tenants rent their premises from the Lands Department under short-term tenancy and they pay rents every three months. Honourable Members may not know that the very expensive rents they pay range from some \$100,000 to some \$400,000 a quarter under short-term tenancies. The quarterly rent of a restaurant or seafood stall can reach some \$100,000. These people are facing very serious financial difficulties as less Japanese tourists are visiting Hong Kong. Indeed all commercial tenants principally patronized by tourists are in great plights now.

Therefore, I hope that the problems can be highlighted by way of this motion debate. I find that Mr Andrew WONG and I speak the same language after he has expressed his views. There are some premises in the urban area that operate in a rural way and they employ some but not many staff. I hope that the Government can cut short-term tenancy rents to help the tenants tide over difficulties so that they do not have to close down their businesses. If local businesses that have been run for decades should close down, it will absolutely be because of the excessively high short-term tenancy rents.

Lastly, I would like to talk about the Social Welfare Services Development Fund which has been touched upon by relatively few Honourable Members. The Democratic Party supports this Fund. Given the current economic slump and high unemployment rate, many social problems have actually emerged and there have been more and keener demands for social services. Within one year from last March to March this year, the number of cases seeking help from the Social Welfare Department or social service agencies for family troubles has increased from 48 000 to 51 000. We all understand the influence of an economic slump on families. Once the financial pillars of families become unemployed, the heavy financial pressure will make it hard for them to control their emotions and the need to cut daily expenses brings about family disputes and arguments. Although the family caseload has substantially increased, the number of social workers has not increased correspondingly. As a result, a social worker has to deal with around 80 cases, 60% more than some 50 cases as set by the Government. So social workers can only deal with the urgent cases first. With a serious manpower shortage and heavy workload, social services cannot effectively prevent problems from emerging and remedies can only be made after the problems have aggravated. This way, prevention and support services are weakened, missing many chances of preventing family tragedies and further increase in welfare expenditure may consequently be necessary. In the face of a slackened economy and increased demands for services, the Government should make a corresponding injection of resources. However, upholding prudent fiscal principles, the Government cannot make an adequate additional injection of resources to cope with the increased demands for services, as a result, there is a decline in the quality of services and many grassroots are denied the basic help. In view of this, the Democratic Party supports the proposal made by the social welfare sector including the Hong Kong Social Workers Association Limited, the Hong Kong Social Workers' General Union and the Hong Kong Council of Social Service to allocate \$3.4 billion for the

establishment of a Social Welfare Services Development Fund, thus enabling the Government to put in more resources for the provision of the required services and meet people's needs. The establishment of this Fund may not instantly and effectively alleviate the hardship of people's livelihood and increase job opportunities as proposed by Mr CHAN in his motion. But I am fairly sure that it can, within a year or two, avoid a brain drain or a waste of the training of social work graduates after many of them have failed to find social work employment. In addition, the Fund can create other non-professional social work posts like clerks, domestic helpers and so on for which applications can be filed by ordinary citizens.

With these remarks, I support the motion.

**PRESIDENT** (in Cantonese): Mr TAM Yiu-chung.

**MR TAM YIU-CHUNG** (in Cantonese): Madam President, I would like to speak on point (4) of Mr CHAN Kam-lam's motion, that is, "to establish a Social Welfare Services Development Fund to implement its commitments to social welfare services, and increase employment opportunities". The current economic slump has brought about an increased demand for social welfare services. Increasing social welfare expenditure can meet the most basic demands of the grassroots while reducing the adverse chain effects of a slackened economy and weak consumption.

The welfare expenditure of Hong Kong has all along been controlled under the fiscal principle of the Government, that is, keeping expenditures within the limits of income. The growth in expenditure must be pegged with our economic growth, and the more slackened our economy, the keener the demands for welfare services. Any failure on the Government's part to provide some basic services will jeopardize the life and safety of the old, weak and disabled. Two years ago when a chill spell struck Hong Kong, some old people died of exposure. Their death certainly has something to do with the fact that the Government has not adequately acknowledged the needs of old people living alone and that it has not built additional homes and hostels for the elderly or provided outreaching services.

Although the Government has injected a lot of resources into the development of social welfare in recent years and there is more than 10%



increase in the recurrent social welfare expenditure this year, a large proportion of these resources will be used on the substantially increased Comprehensive Social Security Assistance (CSSA) cases. The increasing number of unemployed persons as a result of the economic downturn has already called for greater CSSA expenditure. But if the total social welfare expenditure is further reduced because of the slackened economic growth, then other support and preventive social welfare services will be weakened. Experience tells us that social welfare services should have a balanced development in respect of remedies, prevention and support. If we only place emphasis on remedial services such as CSSA and fail to make other services keep up with their demands, social, family and personal problems will grow to inflate dependence on such services as CSSA. To soften the impact of the economic slump on people's livelihood, the Government should put adequate funds in reserve to ensure that social welfare services can be comprehensively improved and developed.

#### *Fulfilling social welfare service commitments*

In the past, the Government failed to fully fulfil its social welfare service commitments. In the year 1996-97, more than one fifth of the 51 work programmes have not been completed on time. For example, on care for the elderly, the Government only provided 80% of the targeted care-and-attention places and homes for the elderly places. It was originally scheduled to establish 14 multi-service centres for the elderly but only nine was finally established. As regards support for families, it could only provide 75% of the targeted day nursery quotas.

Last year, the Hong Kong Special Administrative Region (SAR) Government made 41 new social welfare service commitments in the policy address. These included an additional 15 home help teams, increasing 2 400 subvented institution places within three years, and increasing the number of personal care workers at day care centres for the elderly. To meet these commitments, the SAR Government should learn from its experience of failing to achieve targets, spare no efforts to develop multi-services for the elderly and community rehabilitation services at the district level, expand outreaching services for the elderly and adolescent outreaching work as well as build up community networks, in the way of providing adequate support and preventive services for the promotion of social harmony.

*Establishing a Social Welfare Service Development Fund*

In respect of resources allocation, the Government should consider an allocation of \$3.4 billion for the establishment of a Social Welfare Service Development Fund to provide adequate resources for the development of social welfare services in the next five years and create some new posts to slightly alleviate the plight brought about by a high unemployment rate.

According to the calculation done by such groups as the Hong Kong Council of Social Service, establishing the Social Welfare Service Development Fund can immediately create 3 500 posts. The reason is very simple. A purchase of more places from private homes for the aged can improve the service standards of these homes and let them generate more revenues so that they can offer more attractive salaries for the recruitment of local workers as care workers.

Madam President, government officials have recently been talking much about "tiding over the difficult times together" but I think that they should do more than lip service. When our economy is prosperous, the Government should not slacken its efforts in social welfare service development, and when we face an economic slump, it is even more impossible for it to suppress the increase in social welfare expenditure.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mrs Miriam LAU.

**MRS MIRIAM LAU** (in Cantonese): Madam President, our economy continues to depress and almost every Hong Kong citizen is affected to various extents. Earlier on, six parties, one faction and one group (I will later try to use a simpler term to describe this combination) have made many suggestions for alleviating the hardship of people's livelihood and one of these asks for a reduction in fuel duty. However, the nine mitigating measures announced by the Government only cut diesel oil duty by 30% and keep the petrol duty rate unchanged, falling short of benefiting all people.

Our persistently perverse Government firmly believes that keeping a high petrol duty rate can restrict the use of private cars, oblivious to the actual needs and genuine difficulties of the people.

In the past decade, as the property prices in the urban area remained high, many people were "forced" to move to remote new towns such as Tin Shui Wai, Tuen Mun, Yuen Long, Tseung Kwan O and Ma On Shan. However, as the construction of the transport infrastructure is always lagging behind community development, many people are "forced" to use private cars. The Government started putting the park-and-ride scheme on trial only recently but in Sheung Shui only. Even if people are willing to give up using private cars for public transport, there are not enough facilities for their use. The Government has decided to devote efforts to railway development but it takes time and as originally scheduled, the railway concerned will only be completed by 2003. People have chosen to live at remote homes at the cost of heavy duties. In every \$100 petrol they buy, \$60 goes for the duty. And if they spend \$1,000 monthly on petrol, they will have paid to the Government a fuel tax of \$7,000 in a year.

In addition to a long standing negligence on the transport needs of the people, the Government has kept increasing petrol duty, forcing people to give up using private cars. I have to say that not all private car owners are rich, for most of them are only ordinary citizens, using private cars for work or business purposes only, instead of for pleasure or cruising.

Furthermore, the Government is convinced that it can use fiscal measures to control the growth and use of private cars but it has not given strong grounds to support its points. The existing rate of petrol duty in Hong Kong is very high and unreasonable. The duty rate on unleaded petrol is 57% while that on leaded petrol is 65% — a level which ranks very high in Asia and the sale price of petrol can be regarded as the highest in the world. Looking back, the number of private cars in Hong Kong has been increasing, and the speed of increase was sometimes fast and sometimes slow. During the years when our economy was prosperous, there was a faster growth in private cars but when our economy became slackened, the growth in private cars became slower. But we cannot see any relation between the growth in private cars and the level of petrol duty. Now that we are in an economic slump, the Government needs not worry that reducing petrol duty will cause a substantial increase in private cars.

The consultation paper on the Third Comprehensive Transport Study points out that the traffic speed in Hong Kong has remained steady in the past seven years. This proves that even if the fuel costs and fuel duty are high, people who need to use private cars will still use them, not affected by fuel prices. Thus petrol duty does not help control the usage rate of private cars at all.

In the year 1997-98, the Government collected \$2.4 billion as unleaded petrol duty and \$0.47 billion as leaded petrol duty. Cutting petrol duty by 30% will only cut government revenue by about \$0.8 billion and the Government can definitely afford such a concession to benefit all the 310 000 private car owners in Hong Kong, mostly from the middle and lower class.

I am particularly gratified at the joint request for the Government to cut fuel duty made by the six parties, one faction and one group. The Honourable Miss Emily LAU has requested me to amend it to six parties, the Frontier and one group. I respect her view as she is the head of the Frontier. Throughout the last three years, the Liberal Party has been fighting for a freeze on fuel duty. Two years ago in 1996, I proposed for the first time a freeze on the increase in fuel duty but I was not successful; I got 20 votes against 26 votes over my proposal for a freeze on diesel oil duty. Last June, the various parties and groups joined hands and successfully fought for a freeze on diesel oil duty. However, as we did not get the support of most other parties and groups, my motion on a freeze of petrol duty suffered a miserable defeat; I got 14 votes against 41 votes. Last year, although Honourable Members united in getting a freeze on duty on all kinds of fuel, I also asked the Government to consider cutting diesel oil duty on top of a freeze. Many Honourable Members thought that my request was like Arabian Nights stories which could not possibly come true. Nevertheless, the Government took the initiative to cut diesel oil duty by 30% three months later.

This time, the six parties, the Frontier and one group have requested not only a freeze in fuel duty but also a cut in fuel duty and this direction is unprecedented. A slackened economy is not good for anyone but the existing economic slump may have the advantage of uniting us as one and allowing us to do something good for the transport industry and all Hong Kong drivers by fighting for a more civilized and reasonable fuel duty rate.

With these remarks, Madam President, I support the original motion and the amendment.

**PRESIDENT** (in Cantonese): Mr Albert HO.

**MR ALBERT HO** (in Cantonese): Madam President, since the outbreak of the financial turmoil in Asia, our economy has been sliding and we are facing the plight of an economic recession. We have not encountered such a crisis for many years and many people even say that this is even more critical than the 1967 riots and the confidence crisis in 1982. When the Government has to face the challenge and tackle this crisis under these circumstances, it has to adopt positive, vigorous and flexible policies and tide over our difficulties in a brave, resolute and creative manner. We understand very well that the Government is hamstrung by three ties or limitations when it executes its financial policies.

Firstly, the linked exchange rate. The Government finds this very important as the linked exchange rate aids the stabilization of our currency. However, the linked exchange rate also binds our monetary policy and brings about interest instability.

Secondly, with a bubble economy, the original high land price, high rent and high interest policies have made it very difficult to run businesses in Hong Kong.

Thirdly, the Basic Law provides that the Hong Kong Special Administrative Region shall follow the principle of keeping expenditure within the limits of revenues and strive to achieve a fiscal balance, but the Government worries about whether its budget has violated the Basic Law.

In fact, our pressing task now is to determine how we can overcome the difficulties and improve our business environment, to alleviate the heavy burden on the people and rekindle the dwindling confidence of investors.

In the face of the said three limitations or ties, I think that we can deal with at least two of them, that is, high land prices, rents and interests and a deficit budget with greater manoeuvrability.

The linked exchange rate issue is certainly more complicated. We support defending the link but we have to hear the advice of other economic specialists regarding interest policies in a more open manner and we should not merely defend our currency with high interests.

Madam President, earlier on, a few political groups in this Council have unanimously put forward a very audacious proposal and also some measures for alleviating the hardship of people's livelihood and improving the business environment which suit the medicine to the case with immediate results. We can boldly put forward such a proposal for, unlike the Government, we have less psychological burden and we do not have a monkey on our back and I believe that our suggestions are effective.

As regards cutting rents, duties and public utility charges, we are pretty sure that they will effect an immediate relief on people's burden, and we hope that this can help boost the desire of people to spend. We also hope that the business environment can be improved to give more room of survival to many commercial tenants or enterprises in serious difficulties or on the brink of closing down, and clamp down on the further surge in the unemployment rate.

We have actually made great efforts and we welcome the positive response made by the Government. For instance, we all see that public housing rents have been frozen and the three railways are willing to freeze their fares. The Government has definitely worked out some relieving measures but they are still not enough. One of the matters we have to discuss today is our hope that the Housing Authority can follow the example of the Urban Council and adopt more resolute measures to cut the rents of all commercial tenants by 30% instead of carrying out an assessment again in a circuitous way. How can we be convinced that the so-called reassessment criteria comply with commercial principles? Do businesses making a profit have to be discriminated against and punished by denying them any relief or a cut in rents? Do we have to give assistance to commercial tenants who may have suffered losses for other business factors? Does this comply with commercial principles? On the whole, I hope that suitable and drastic adjustments can be made in the light of the overall business environment.

In respect of public expenditure, we are very gratified that the Government has given a rapid response, carried out additional infrastructure projects and paced up the progress of works programmes, creating around 100 000 job opportunities. However, the Government can still do more in respect of social services and environmental improvement. I hope that the Government will refrain from holding onto the golden rule about increases in recurrent and non-recurring expenditures. The Government can actually be very flexible and adopt many measures to overcome these so-called "obstacles"

and improve services that have to be improved as soon as possible. It can also create more job opportunities to relieve the pressure of unemployment.

In addition, as regards medium and small sized industries and businesses, much can be done to help the structural transformation of our economy and industries in the long run and solve the long-term employment problem. In the past, banks in Hong Kong used to operate like pawn shops and extended mortgages on the basis of the values of properties. But when property values are falling, banks close their umbrellas and tighten credits. As a result, many businesses are in the crisis of shrinking and closing down. We hope that the Government can consider establishing industrial and commercial development banks to help industries and businesses secure financing.

The Financial Secretary often says that we have three advantages, namely, prudent fiscal management, China as our hinterland and an abundant surplus. But I wish to stress that if Hong Kong people lose confidence amid social instability, people are in a state of anxiety and the unemployed go into the street and ask for employment, how can the three advantages give play to their effect? Therefore, I hope that the Government can make up its mind to improve our economic and employment situation soon.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr Ambrose CHEUNG.

**MR AMBROSE CHEUNG** (in Cantonese): Madam President, I speak in support of the original motion of Mr CHAN Kam-lam and the amendment of Mrs Selina CHOW. I will focus on two points: firstly, the short-term measures of the Housing Authority (HA) and Housing Department (HD) for reducing the rents of commercial tenants by 30%; and secondly, a comparison between the importance of short-term and long-term measures.

Firstly, I will focus on the measures of the Housing Department for reducing the rents of commercial tenants by 30% and I would like to share with Honourable Members an example of the Urban Council. The Urban Council, the HA and the Government enjoy financial autonomy and the only difference is that the Urban Council has less resources while the HA and the

Government have fiscal surpluses and reserves. We project that the Urban Council will have a fiscal deficit of around \$2.2 billion next year and we wish to cut expenses by \$1.7 billion to broaden sources of income and reduce expenditure, but we still fail to deal with a deficit of \$0.5 billion. Under such circumstances and in the face of the request made by all market stall operators for a reduction in rents, we made the decision on the basis of two principles. Solely in view of fiscal principles, we can easily make a decision that we cannot reduce rents. But on the basis of the principle of fairness, this fiscal principle can be extended to the principle of commercial market values. Stall operators are paying market rents evaluated by the Rating and Valuation Department but as market rents have dropped under the existing economic environment, we are basically collecting rents higher than the market rentals. Therefore, we should reduce rents immediately on the basis of the principle of fairness. It is useless to prescribe vitamin pills for heart attack patients. Likewise, a re-evaluation of rental values will not help solve problems. However, the idea of a re-evaluation is not definitely nonmeritorious as it should be implemented together with rent reducing measures. We should cut rents by 30% while carrying out a re-evaluation of rental values for we have to determine now the reasonable rents 12 months later after the rent reduction. These are mutually complementary practices.

The Urban Council will lose \$90 million as a result of the 30% rent cut. Coupled with the decision of the Government to reduce rates, the revenues of the Urban Council will fall by \$1.5 billion. We hope that we can apply for additional fund allocation with the Legislative Council through the Treasury shortly. I am very happy that most Honourable Members have spoken in support of a 30% reduction in rents and a reduction in rates today, and I hope that Honourable Members will deal with the formal application for additional fund allocation filed by the Urban Council in an understanding manner when they receive such an application later.

I would also like to cite another example to let Honourable Members know the HD's attitude towards rent reduction. The Urban Council manages two Indoor Games Halls, the Chuk Yuen Indoor Games Hall in Wong Tai Sin and the Chun Wah Road Indoor Games Hall for the HD. As the tenancy has expired, the HD asks for a 36% rent increase. The Urban Council then requests the HD for a three-year tenancy with no revision in the rents under the condition that the Council will invest \$22 million within these three years to improve the facilities. A loss of around \$8 million will be incurred in each of



the three years of operation and the total loss will amount to \$24 million. In other words, the Urban Council is willing to invest \$46 million in the two Indoor Games Halls in the next three years for serving the public. However, the HD has declined the request. I really do not understand how the HD can find such a tenant as the Urban Council under the present social and economic circumstances. This incident precisely reflects the attitudes of the HA and HD.

Madam President, I would like to talk about short-term and long-term policies. We can only find short-term measures for bringing about temporary solutions now and I hope that the Government can rapidly work out some long-term policies. Many Honourable Members have asked questions concerning the land price, housing, monetary and industrial policies of the Government and I think that Honourable Members of the Council should be able to get a response of the Government in respect of these long-term policies soon. The Honourable Mrs Miriam LAU just mentioned "five parties, the Frontier and one group", can she express this in a simpler way? I think that the answer is simply the "Legislative Council". I hope that we can ..... through the Legislative Council .....

**PRESIDENT** (in Cantonese): Mr CHEUNG, time is up, please stop.

**MR AMBROSE CHEUNG** (in Cantonese): Yes. I hope that the Legislative Council can continue to follow up our questions. Thank you.

**PRESIDENT** (in Cantonese): Mr LEE Wing-tat.

**MR LEE WING-TAT** (in Cantonese): Madam President, I will only focus on a few points. The first point is related to the rate of reduction in commercial rents. Many Honourable colleagues have already expressed their views on this point and I do not intend to repeat them here. I would only like to express some other views on the existing practices of the HD and HA as well as other factors for consideration.

Firstly, the HA has stated that its consideration for a re-evaluation of rental values will put emphasis on commercial principles. But we think that it should think of a way to alleviate the hardship of people's livelihood and cutting rents by 30% is a more explicit and faster method. Many HD officers may surely say that cutting rents by 30% is unfair to certain commercial tenants but we can actually look at the issue of fairness from two perspectives. One perspective is whether those people who receive rent reduction (recipients) find it fair, while the other is whether society can afford the additional social resources required. The HD has said that the rent re-evaluation will cause a loss of \$0.3 billion to \$0.4 billion in rents which is apparently a large amount. However, as we estimate that the commercial properties and car parks of the HA will generate \$3.3 billion revenue in the year 1998-99, the loss in rents will only account for about 10% to 20% of its revenue — a sum totally with the affordability of the HA and society.

Among the recipients, those who run business in markets or shopping centres also know that they are paying different market rents. As there are very complicated tender procedures, those who run similar businesses may have to pay different rents. With a uniform rent cutting measure, some may get more rent reduction while some others may get less but they have agreed to the implementation of this measure. In the past month, I have kept a close eye on the issue of rent reduction by the HD and it seems to me that except the HD which insists on re-evaluating rental values, many people do not think that this is the fastest and most desirable method. When a commercial tenant is willing to accept the relevant rent while it knows that it will get less rent reduction than the stall operator next door, why does the HD have to insist on re-evaluating rental values? The HD considers a re-evaluation of rental values fairer than a uniform rent reduction. The Financial Secretary who is sitting in front of Mr WU Moon Hoi, Deputy Director of Housing, has put forward nine market rescue suggestions and two of them are very important. Firstly, reducing diesel oil duties for commercial vehicles. Mr TSANG has not asked taxi, lorry or minibus operators to submit their books for examination by the Government to see whether they are making profits or losing money before the Government decides the dimension of reduction as the rate is uniformly reduced. Mr TSANG also suggests refunding the rates collected in the first quarter, but he has not suggested that the books of Sun Hung Kai Properties and Cheong Kong be examined before deciding whether the rates of their subsidiary shopping centres will be reduced. How can two government officials give the general public different information on the basis of two

different principles? Why are big property developers and money-making commercial tenants being refunded the rates for the first quarter without going through any examination? Will Mr WU think that the Financial Secretary sitting in front of him has done something wrong? Or does he find the uniform method adopted by the Secretary for alleviating the hardship of people's livelihood inappropriate?

In my opinion, the top brass of the HA may have decided the method to be adopted very quickly without any public discussion. Now that someone has put forward a method adopted by the Commercial Properties Committee, the HA insists that it is the most reasonable method. Both this proposal and Mr TSANG's proposal are good but the present circumstances will decide which is better or worse. If Hong Kong is now in the course of a very slow economic change, a re-evaluation of rental values will be acceptable. But the community is asking the Government to alleviate the hardship of people's livelihood as far as possible without contravening its fiscal management principles. How much alleviation? Probably not much. This is a message and confidence issue. Mr TSANG certainly knows that reducing diesel oil duty can only save a taxi driver about \$300 a month which is not a large amount. But the taxi driver will feel relieved as he knows that the Government cares about him. I am not saying that the HD does not care about the commercial tenants as it has also decided to re-evaluate rental values. But why have we to insist on observing administrative and bureaucratic procedures? I really do not quite understand this. Therefore, I hope that the HD and HA can reconsider whether it is essential to adopt this method. Mr Ambrose CHEUNG just proposed another alternative of cutting rents by 30% first before re-evaluating rental values. I do not wish to see senior officials of the HA or HD insisting on the decisions made even though almost every member of the public disagrees to them. I find this approach not sensible at all.

Lastly, land sales. I am very concerned about this. I actually do not wish to debate the advantages and disadvantages of freezing land sales and I would just like to talk about the credibility of the Government, which is a very important matter. I follow the news closely and I was astonished to find that Mr TSANG had emphasized in the newspapers that the Government would continue with land sales but only changing the stance two or three days later. If Mr TSANG or Mr YAM says on the first, second and third days that the linked exchange rate will be maintained, should I believe in him? Should I

believe in the Mr Donald TSANG who said that land sales would continue or the same Mr Donald TSANG who said three to four days later that he welcomed the decision of the Chief Executive? For a government, credibility is sometimes more important than the merits or demerits of policies. A government without credibility will not be trusted by the people. For the same reason, our society may lack the cohesion for rebuilding the economy. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Miss CHAN Yuen-han.

**MISS CHAN YUEN-HAN** (in Cantonese): Madam President, the Hong Kong Federation of Trade Unions fully supports the motion proposed by Mr CHAN Kam-lam and the amendment proposed by Mrs Selina CHOW today. Many Honourable colleagues have told us the reasons why they support the motion and amendment.

I believe that Hong Kong people, Honourable Members and the Government can see that our economy has reached a very difficult stage, and for this reason, the Government has in the phase first proposed 12 measures and then proposed nine measures recently. This reflects that we all find this social problem extremely grave. If the Government does not sense the risk and lacks the determination to solve the problem, I worry that this situation will keep worsening and become even more difficult. After the Government has proposed the nine measures earlier on, many people from different walks of life have told me that they welcomed these measures at first but they later think that the measures have come a bit late.

This is a general response and we have reservation towards some of these nine measures such as the one related to land sales. On the whole, we welcome these measures but we find that they have come too late. Had they been put into practice a few months earlier, we would not be in such a difficult situation. Some people have asked about our projection of the unemployment and economic situation in the next few months. We will normally say that if the Government conscientiously puts all these measures into practice, the unemployment situation may not deteriorate. If the Government does not do so, the situation may become worse than our projection in the future.

We are discussing these problems today out of the four suggestions in Mr CHAN Kam-lam's motion. Take social services as an example. We do not only start discussing this issue today as I recall that we have already debated this in the Provisional Legislative Council. Generally speaking, when families face financial difficulties, family members often argue and when our society faces economic difficulties, people will naturally argue more. If the Government studies the problem and correspondingly expands the relevant social services, the situation will improve. Mr TAM Yiu-chung has just given some figures, however, I do not wish to talk about figures. Rather I would like to talk about the social situation only, for instance, the psychological pressure of the unemployed. As the unemployed have to take care of their children and the elderly in their families, they need social assistance even under ordinary circumstances, needless to say when they are in difficulties.

Recently, we have seen that family problems led to family discord and ultimately family tragedies. This precisely gives out a signal that if the pressures of families with financial difficulties are not suitably relieved, there will be numerous family tragedies. The Government should do away with its indifference and attach importance to the problems we have discussed and solve them with diligent care. The 12 or nine measures are about increasing social services but the Government has obviously not made enough efforts in respect of increasing posts. I stress the efforts made as I worry that the Government will only do something in a perfunctory manner under the social pressure. If our officials have such attitudes, I worry that the situation will become even more difficult come July, August and September when it is extremely hard to find a job. If the Government can make more efforts to solve problems such as providing more family services, it can relieve the pressures of families, increase elderly, nursery or psychological services, and provide job opportunities for the unemployed social workers who have graduated in the past or only graduating this year to benefit the community. I hope that the Government will understand explicitly that there is nothing political about the problems we have discussed and that they really reflect the actual problems of Hong Kong people.

As regards rent reduction for public housing, Mr Ambrose CHEUNG has just given the concrete example of the Urban Council and I find that example very good. After Mr WU or Miss CHAN has heard this example, he or she should immediately review why the Housing Department has been insisting that the Government will not reduce rents by 30% or that a 30% cut

in rents will breach the contractual spirit. In fact, the contractual spirit has already been broken and the Government has completely broken the former contractual spirit as far as the hereditary system of public housing tenancy is concerned. Why does it talk about the contractual spirit again today?

We should be concerned about people's worries and if the Government can reduce rents by 30% when commercial tenants are facing business difficulties, it can help alleviate their plights and let the employees of undertakings located in government properties go on working.

When we try to solve our economic difficulties, we should not only "produce blood" but also "stop bleeding". If we wait for an assessment by the Government, although we are told that the assessment will take about a month, when everybody have to go through the assessment, will the implementation of the assessment be as simple as that? After the completion of the assessment by the Government, many shops may have closed down. If the Government recognizes the seriousness of the problem, it will not haggle with us on the so-called contractual spirit or that a re-evaluation is fairer. The Government should quickly clear away the difficulties of commercial tenants and solve the employment problem.

I think the Government needs to understand that this the best way to stop bleeding instead of saying that we are bargaining. If the Government withhold all actions until the conclusion of price negotiation, there may well be some other difficulties then. As I said in the very beginning, had the 12 and nine measures of the Government been implemented earlier, the difficulties we encounter would not be so serious. The difficulties have only emerged as a result of procrastination and a lack of crisis mentality on the part of the Government.

In response, I would like to say that if the Government bow before the pressures from the six parties, seven parties or any number of parties, it may be considered incompetent. If the Government manages to sense the crisis, it will have conscientiously put forward measures for solving the plight, negating the need to bow before pressure. In my opinion, the Government should reflect and think thrice before it acts, especially on matters like the subject of our debate today for which concerted efforts have been made.

**PRESIDENT** (in Cantonese): Miss CHAN, time is up. Mr James TIEN.

**MR JAMES TIEN** (in Cantonese): Madam President, both the original motion and the amendment urges the Government to face up to the serious impact of the continued economic downturn on people's livelihood and take measures to alleviate such hardship as Hong Kong has entered a period of economic adjustment. However, these are "insignificant" measures that can only solve some problems in the short run. The key expression in the motion is "a period of economic adjustment", in other words, an economic downturn.

With a continual economic downturn, what difficulties are we facing? A major phenomenon during an economic downturn is poor business, why? Both people inside and outside this Council do not wish to touch upon two reasons. The link between Hong Kong dollar and US dollar, and wages. Now that there is an economic downturn, we are simply not competitive and doing business is difficult. Tourism, the services industry and export trade are trades that lack competitiveness. How should we look at the problem of a lack of competitiveness? Should we view this problem from the perspective of Hong Kong people, foreign tourists or foreign investors?

Madam President, I would first like to say that I definitely support the defence of Hong Kong dollar by the Financial Secretary although I do not agree that interest rates should be increased. What did we see during the past 10 months? Instead of the depreciation of other currencies, we see the increasing appreciation of US dollar. Dozens of currencies which have been linked for years have depreciated one after another. When the value of a currency does not fall while the values of 14 currencies have fallen, should we say that those currencies have depreciated or this currency has appreciated? Why has there been a strong appreciation of US dollar? The United States economy has not been so good for more than two decades. Its unemployment rate is slightly more than 4% and it has not been so low for many years. If a person in New York wants to book a table for a meal, he has to make a booking at least a week in advance, and it is not easy to get a taxi in the street. The United States economy is flourishing while our economy slackens by coincidence. Why was our economy so prosperous in the '80s? The United States economy slackened while Hong Kong dollar was pegged with the greenback. Interest rates actually became negative and Hong Kong was very

rich then. At that time, the property market in Hong Kong was flourishing and the stock prices were high. However, we have a 2% negative growth today while the United States has a 3% real growth. There has not been such a case for many years. Under such circumstances, we support the defence of Hong Kong dollar by the Government, but the 7.8 peg has made our products lose their competitiveness and depreciate the values of other things. Is the problem as simple as merely a decline in the stock market and property market as some people thought? It is actually not the case. At first, some people may think that the stock market is none of their business and a decline in the property market only makes large property developers lose half their wealth, and it is none of the business of ordinary citizens. However, the loss of competitiveness has consequences and the operation of small and medium sized enterprises will then become harder. When US\$1 is still pegged with HK\$7.8, and \$16, that is, US\$2, is shown on the taximeter at the drop of the flag, this fare is not cheap as compared with those charged in other countries in the world. The \$400 taxi fare for a ride to the new airport is even more expensive.

Rents account for a large proportion of business costs covering rents, wages and the costs of raw materials to be purchased. There is a recent tendency for a substantial drop in rents and the monthly rent for an office in Central has dropped from \$80 to \$90 to \$50 a sq ft. For foreign investors, the rents in Hong Kong are higher than those in New York where the yearly rent is still around US\$50 a sq ft. Another issue is wages — one which we find it difficult to bring up.

Although the unemployment rate has recently been increasing and 130 000 people are looking for employment, in fact, it probably has something to do with slightly lowered entry requirements. I believe that the wages of 3 million employees in Hong Kong have not dropped. People whose income involves commission will surely be affected but I believe that the wages of office workers earning a few thousand dollars a month have not decreased. In addition, there is the question of government charges. The Government agrees to a freeze but not a reduction of such charges. Calculating on the basis of US\$1 for HK\$7.8, many charges are still very expensive. The two points above may be harsh to the ear but they have great influence on business costs. If adjustment, not reduction, is not made in these aspects, we can hardly improve our economic situation.



We urge the Government to adopt another effective short-term measure in addition to the four points above. We hope that the Government can extend a \$2 billion loan to help small and medium sized enterprises. I believe that this Council will debate this in the future. I hope that this \$2 billion fund can benefit small and medium sized enterprises shortly and that the procedures will not be overly restrictive. Last year, the Chief Executive referred to a \$0.5 billion export insurance fund but, as far as I know, few people have been benefited. Had few people applied for the fund for they thought that it was not useful or had few people successfully applied for the fund as the formalities prescribed by the Government were too complicated? I hope that this \$2 billion fund can swiftly help small and medium sized enterprises. If employers have good business, they will naturally lay off less staff and be under less pressure of slashing wages. In the short run, our economy will still be slackened and bad news will still be heard. The unemployment figure will continue to stay high, wages will be adjusted downwards and rents will drop. It is extremely difficult to run business today, and we do not know when tourists will return and when our competitiveness will grow.

Madam President, as time is limited, I hereby support the original motion and the amendment.

**PRESIDENT** (in Cantonese): Mr Jasper TSANG.

**MR JASPER TSANG** (in Cantonese): Madam President, I wish to make remarks in reply to certain points raised just now by a few Honourable colleagues who disagree with the motion. It is my hope that they would be persuaded to accept the Honourable Ronald ARCULLI's advice and abstain from voting or absent themselves from this Chamber.

To begin with, the Honourable Miss Margaret NG is distinctly in opposition to the motion. The speech made by Miss NG focused mainly on the question that reducing the rents for commercial premises in public housing estates by 30% across the board would be in breach of the spirit of contract. As I regard this as a very serious rebuke, I do find it necessary to discuss the matter further.

In our opinion, the request made by commercial tenants presently is definitely not in breach of the spirit of contract. On the contrary, both the request made by the commercial tenants whom we have contacted and the manner in which they have made their request have reflected that they do respect the spirit of contract. As pointed out by Miss Margaret NG just now, the two contracting parties could re-negotiate the terms and conditions of the agreement concerned if there were any changes foreseeable at the time when the tenancy agreement was signed; this is exactly what the commercial tenants have been hoping for. However, they were not treated fairly or as equals when they tried to negotiate with the Housing Authority (HA). The HA said at the meeting that for commercial tenants with newly signed agreements or renewed agreements, they could enjoy a rent freeze and keep paying the old rents; as regards the effective date, it has been set at 1 February by the HA. Within the same shopping mall, the same market, or the same street, stall no. 7 could pay the old rent because its tenancy agreement was signed on 1 February; but the unfortunate stall no. 8 adjacent to it would have to pay 30% more simply because its agreement was signed one day or a fortnight earlier. Is there any room for bargaining? Together with the representatives of the tenants we went to the Housing Department (HD) and were received by the Director of Housing. We asked during our discussion with the Director if the effective date could be advanced a little further, as there was no golden rule specifying that tenancy agreements signed on 1 February could keep the old rent levels but not so for those signed in January. We were indeed trying to re-negotiate the terms of agreement as suggested by Miss Margaret NG. The negotiation was conducted under an amiable atmosphere. Instead of voicing out any objection, the HD representatives considered our proposals reasonable and voluntarily told us that similar ideas had already been raised by members at the HA meetings. They have also undertaken to bring our proposals to the HA in early March for consideration when the whole issue would be further discussed. Nevertheless, it was very regrettable that representatives of the tenants were not allowed to attend the meeting at which the HA discussed the matter. In the end, the proposals were negatived, but not by the HA or the HD; they were negatived simply because the Commercial Properties Committee under the HA said it would not work. How are we going to bargain? How are we going to re-negotiate the terms and conditions? If the commercial tenants wish to negotiate with the HA, they could do so individually; but in reality, they do not have any bargaining foothold, and that is why they are now striving for collective negotiation.

As the HA has raised its points, the tenants are now raising theirs as well. The latter opine that if they were to remain in operation so as to save the HA from severe losses resulting from termination of tenancy *en masse*, an across-the-board 30% rent reduction should be the only way out. As a matter of fact, the HA has also made a counter-proposal: Why could rent reduction not be considered on individual basis? In this connection, further discussion is in fact possible. But is the HA willing to have any discussion? Is it willing to sit down and listen to the views of the tenants? As regards re-negotiation, in what manner will the negotiation be conducted? It is only when the proper channels for dialogue and negotiation have been blocked that the commercial tenants would resort to other comparatively more radical actions. It is certainly right to safeguard the spirit of contract.

As major landlords and makers of public policies, the HA and the Housing Society should have the responsibility to safeguard the public interest in the process of public policy formulation. They should try to find out the most practical way in which the tenants could remain in operation under the existing circumstances, so as to spare them from fatal blows and to enable public housing tenants to do their shoppings in those shopping malls concerned.

On the other hand, the Honourable CHIM Pui-chung has sentenced our industrial policy to death. One of the proposals made in the original motion is that the Government should formulate a long-term industrial policy. In this connection, however, Mr CHIM Pui-chung said, "Do we have any industries to speak of? How could we compare ourselves with Taiwan in the field of high-tech development?" Why could we not compare with Taiwan? Since when have we been lagging behind Taiwan? If the Government has in place the right policy, how could Taiwan surge ahead of us? In what ways are we not comparable to Taiwan?

As development in science and technology is advancing at fast paces, there are ample examples all over the world in which those begin first are overtaken by the late comers. According to my friends who are in the field of scientific research, given the right policies and advanced high-tech support, it should not be a problem for our industrial development to catch up with Taiwan. The question of a long-term industry policy is certainly a complicated issue, as such, the Democratic Alliance for the Betterment of Hong Kong (DAB) has exercised great prudence in making this suggestion.

We are not saying that the DAB has already formulated a comprehensive proposal regarding the long-term industrial policy for Hong Kong, we just could not agree with the ideas bounced off in Mr CHIM Pui-chung's speech, which advocates that the Government does not need to bother about industries and that Hong Kong could only concentrate on developing our service trades, financial services, real estate development and tourism. The experience gained from the recent regional financial turmoil has reinforced our belief that industry is indispensable if we are to develop a diversified economy.

In regard to the financial sector, is our financial system or banking system not sound enough? Thanks to our handsome fiscal reserves, otherwise we would not be able to maintain a comparatively better performance in the midst of the regional financial turmoil. Notwithstanding that, we should not be fooling ourselves, for our economy has indeed been dealt a very heavy blow. Could we still live on the past beliefs and bank our economic development on such fragile sectors as service trades, financial services and tourism which are vulnerable to external influences? Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr NG Leung-sing.

**MR NG LEUNG-SING** (in Cantonese): The motion proposed today is about how to alleviate the hardship of people's livelihood amid an economic downturn in Hong Kong. This issue has been the focus of attention of the general public for some time. Different sectors of the community have reached a certain consensus about how the Government should implement concrete policies to help people tide over their financial difficulties. I also hope that the Government will respond to the common demands of different sectors of our society with extraordinary vigour and decisive actions during this extraordinary period.

A few days ago, the Housing Authority (HA) proposed to freeze the rents for public housing flats for one year. This meets the demand of the relevant parties and also shows the Administration's sincerity in implementing policies for alleviating people's hardship. Since the HA has considerable public resources, I think that it can help people overcome financial difficulties

by making suitable commitments for a short and special period, while honouring contracts and upholding the spirit of the rule of law. One of these commitments is of course lowering the rents for commercial tenants, a reasonable measure in the light of the present market situation.

Honourable Members may have noticed that at the special annual public meeting of the HA held on 4 June, the annual report of the Commercial Properties Committee (just mentioned by DAB Chairman Mr TSANG) stated that up to now, the objective of the Housing Department is to manage commercial buildings entirely along the lines of commercial principles in order to obtain a reasonable return. Therefore, in determining the rents of shops, it follows the rules of the market and bases them on market prices, rather than regarding leasing these shops as social welfare services. However, with the economic downturn, many commercial tenants have really run into difficulties. Earlier, after a long period of consideration, many landlords of private commercial premises have gradually lowered the rents for their premises in tune with the market changes. This shows that it is a natural adjustment made according to the market situation and does not contravene the commercial principles followed by the HA in this respect. On the contrary, precisely because of commercial principles and special charges in circumstances, the Government should decisively implement effective rent reduction measures now. Various feasible actions including re-evaluation or otherwise should be taken quickly to reflect the changes in the market and allow commercial tenants to stay in business instead of immediately winding up due to business difficulties. Otherwise, the HA would lose revenue from the rents of a group of commercial tenants right away.

Therefore, even if it is purely business talk, the relevant government authorities should also make corresponding measures to reduce rents. The Administration should avoid making the mistake of having inadequate contingency measures as a result of being neglectful of the market practices and the changes in the business environment.

Taking an overview of the economic changes in Hong Kong over the past months, statistics show that Hong Kong is in a rare period of difficulties. Therefore, I believe that people would like to see a series of measures for alleviating their hardship. However, as a Member of the Legislative Council,

I also hope that the Government will not breach the general principle of prudent fiscal management. On the basis of this principle, we still have to be flexible and react responsively according to the actual circumstances, and tide over the difficult times together.

With these remarks, I support the motion and amendment in principle.

**PRESIDENT** (in Cantonese): Mr HO Sai-chu.

**MR HO SAI-CHU** (in Cantonese): Madam President, my speech will just be a very brief one because I shall speak on just one issue, that is, the establishment of a Social Welfare Services Development Fund. I wish to stress once again that the Liberal Party has all along been in support of the establishment of the Fund. As you may perhaps recall, Madam President, the issue has in fact been debated and unanimously agreed to in this Chamber several months ago.

A number of Honourable Members have explained why they would endorse the establishment of the Fund. I am not going to repeat their views here or I will need to read out once again the speech made by me in this Chamber several months ago; besides, there is no point in doing so. However, I would like to draw Members' attention to one thing and that is we will be all the more in need of these social facilities when our economy slackens. With a slackened economy, there will be even less resources available for us to develop the items we consider necessary, in particular social welfare facilities. In view of the circumstances, the Liberal Party endorses and considers it necessary for the Government to make another grant when the welfare fund is running short or when it sees the same will soon be used up, so that the social welfare development projects which have already been agreed to and scheduled for implementation will not be put off by a lack of resources under the welfare fund. We just could not agree more.

As reflected in the various views expressed by other Honourable colleagues from the Liberal Party, we support both the original motion and the proposed amendment. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr LEE Cheuk-yan.

**MR LEE CHEUK-YAN** (in Cantonese): Thank you, Madam President. Just now the Honourable LAU Chin-shek has already expressed our views on behalf of the Confederation of Trade Unions (CTU), but I still would like to speak in reply to certain speeches made by Honourable colleagues.

First of all, I must make it clear that the CTU is in support of the motion. Some people have queried us why the labour sector would support a proposal which is largely beneficial to the businessmen. However, I have then said to the Financial Secretary that we would not be arguing with him over the question of which sector could actually get the most benefits from the proposals at the moment. We understand very clearly that under the policy of high interest rates adopted to defend our linked exchange rate, our community as a whole has been paying heavy prices and all of us are suffering painfully. As such, we will not bother about who gets the most benefits at this stage. Our present concern is that the proposals could allow each and every sector of our community a breathing spell, as well as help to promptly revive our economy and bolster confidence, thereby enabling the community as a whole to bounce back expeditiously. So this is our stance and our ground for supporting explicitly the proposals raised. However, while supporting these proposals, I still have to point out that we should open our eyes wide and see clearly which sector suffers the most. All in all, I think it is still the "wage earners" who suffer most.

Just now Mr James TIEN said that the wages earned by the 3-million workforce had not suffered any reduction, as the problem at the moment was that salary rates at starting levels had been lowered. I think Mr TIEN still does not understand or he chooses not to understand the present situation of "wage earners". When the economy is doing good, our major problem is that wage levels will be suppressed to help curb inflation; as such, our salaries have all along been suffering a negative growth. However, this year we are faced with the worst time of our economy; hence, we are not talking about our real wage anymore, our present concern is that our nominal wage has also been cut. I really cannot understand why Mr James TIEN claimed that the wage levels of the 3-million workforce have not suffered any reduction. Perhaps Mr TIEN is among the shareholders of G2000 or perhaps he is not, but since it has been reported by the press, all of us know that G2000 has reduced its employees' wages and the reduction was in real terms. As for some factories, they are

now using the same method as that in the following case. An electronic plant has resorted to reduction in working hours to cut down the wages of all of its 1 000 employees. The employees had wished to discuss with their employer to see if there could be any other alternatives but were not given any chance to do so at all.

Several days ago I met someone who washes dishes for Sammy's Kitchen (I have heard that this is one of Mrs Anson CHAN's favourite restaurants). That person has been washing dishes for the restaurant for three years and is still paid \$5,800 a month, as there has not been any pay increase or leave compensation so far. So this is the real picture. I could raise a lot more examples of wage cuts if I have to, since this is the actual situation that we are now in. It is true that we fully support the proposals raised, yet we still hope that Honourable colleagues, in trying to gain a better understanding of the situation of the various sectors of our community, would put in more efforts to observe the conditions of the "wage earners".

I feel that there is a crisis concealed in the existing conditions, in particular the wage freeze announced by the General Chamber of Commerce. The crisis lies in that the workers are being regarded by their employers not as an asset but a heavy load, a burden. Is it the right attitude one should have? I believe we should all give serious thoughts to this question. If we keep regarding the workers as a heavy load, a burden, if we never consider them as product makers or partners, our society will not be able to move forward. If we are to have a forward moving society, we have to recognize our relationship as partners. While the employers have their strong points, the workers also have theirs. Only when we recognize our relationship as partners can we move forward together. In regard to the recent financial turmoil, I hope we could generate from this experience a stronger feeling that we are partners, and that the workers are not a heavy load or burden to the employers. If we still hold fast to that undesirable old way of thinking, the economy of Hong Kong could never bounce back even if we could ride out the present storm, because a true spirit of co-operation is missing among us. It is my hope that in addition to lending our support to the motion, we could also help to establish between the employers and the workers a spirit of co-operation for tackling future challenges.

Thank you, Madam President.



**PRESIDENT** (in Cantonese): Mr James TIEN, do you wish to raise a point of elucidation?

**MR JAMES TIEN** (in Cantonese): Madam President, I wish to elucidate under the Rules of Procedure certain points raised by the Honourable LEE Cheuk-yan just now. The first point I want to clarify is Mr LEE Cheuk-yan's alleged claim that the General Chamber of Commerce regards the working class as a burden. I can certainly assure the Council that the General Chamber of Commerce has never held such a view. We have always regarded "wage earners" as partners with whom we work in co-operation; we never see them as our burden, definitely not.

The second point I need to clarify is related to the G2000 example cited by Mr LEE Cheuk-yan. As a matter of fact, I do not have in my possession any shares of that company. I wish to make it clear that not a single employee working for my company has ever suffered any wage cut in the year.

Thank you, Madam President.

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

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): I now invite Mr CHAN Kam-lam to speak on Mrs Selina CHOW's amendment. Mr CHAN Kam-lam, you have five minutes to speak.

**MR CHAN KAM-LAM** (in Cantonese): Madam President, the Democratic Alliance for the Betterment of Hong Kong (DAB) supports Mrs Selina CHOW's amendment in principle.

When there began to be an adjustment in our economy and a rapid decline of the stock and property markets, the DAB already made dozens of proposals for alleviating the hardship of people's livelihood and we know that people from all walks of life and various sectors have also made a lot of great

suggestions. I believe Honourable Members understand that the wordings of my motion cannot possibly cover all the requests or appeals of all people. Therefore, I can only voice the views of some people in my speech. For instance, I touched upon the difficulties faced by the sandwich class property owners and the problems with some short-term tenancies executed with the Government as referred to by Mr Andrew WONG.

In fact, my original motion intends to seek common ground while reserving differences. I certainly hope that Honourable colleagues can let the Government have more explicit views after this debate.

Recently, I have interviewed a group of small factory owners operating in Housing Department premises and heard about the operational difficulties they are facing. In fact, these factories operating in industrial buildings have been facing highly intense competition for more than a decade and most of them are small-scale labour-intensive factories that may be eliminated at any time. We have all read many recent reports that these factories can hardly continue operating and some owners even sub-let their factories to others as residential flats. Many industrial buildings face similar hardships. We surely know that most industrial buildings managed by the Housing Authority were completed before 1973, however, the Authority has not taken these industrial buildings into account in its current consideration of a rent adjustment. I hope that the Authority can take their hardships into account and adjust their rents.

Madam President, the DAB supports Mrs Selina CHOW's amendment and we surely hope that other Honourable colleagues can similarly support this amendment. Thank you.

**PRESIDENT** (in Cantonese): Financial Secretary.

**FINANCIAL SECRETARY** (in Cantonese): Madam President, thank you very much for giving me this opportunity to attend this meeting, and let public officers take part in this motion debate. Today I have the privilege to hear all kinds of views expressed by Members on this important issue. They have impressed me as very open and sincere. I hope Honourable Members will

accept the sincere words from the bottom of my heart. I take your words with this similar mentality and I hope you will do the same.

On 22 June, the Chief Executive announced a package of measures aimed at mitigating the hardship Hong Kong was experiencing in this period of economic adjustment. He also made it clear that the Government understood well the hardship the public was facing and he made the commitment to tide over the difficulties with the public.

In my explanation on the contents of the measures then, I pointed out that each one of these measures was the result of meticulous study and careful weighing of the pros and cons. These mitigating measures were formulated according to three major principles. They are: first, to uphold firmly the established principle of prudent financial management; second, to sustain the interest and confidence of investors and international institutions in Hong Kong in order to protect and boost local employment opportunities; third, to ensure that no adverse effects will be allowed to endanger the linked exchange rate system. These three principles will be instrumental to the protection of our long-term interests.

I would like to stress that all of these measures are aimed at attacking the roots of the problem; they are practical and are capable of easing the most urgent problems quickly. I trust that Honourable Members would agree that in the face of the present economic hardship, even lavish spending by the Government would not imply a panacea for our problems. I hope that Honourable Members will share a common goal with us, that is, to spend public money in places where it should be spent, in order that the public can truly benefit.

Now I wish to talk about my views on the various suggestions made in the Honourable CHAN Kam-lam's motion and the amendment moved by the Honourable Mrs Selina CHOW.

*First: freeze the rents for public housing flats for one year across the board*

The rents of public housing flats have all along been set with reference to the affordability of the tenants. The Housing Authority makes use of this principle and takes into consideration factors such as inflation, government rates, operation costs and the age and location of individual housing estates, in

determining the rents paid by the tenants. So, Members need not worry about the revised level of rents going beyond the affordability of the tenants. In fact, the Housing (Amendment) Ordinance 1997 has provided that rents for public housing can only be revised after at least three years. The revised rent cannot exceed 10% of the median rent- to -earning ratio. For those who are not public housing tenants, these targets are indeed hard to meet.

Also, the existing mechanism is able to help those in need to get through the difficult period. Any public housing tenants who have temporary financial problems may apply through the Rent Assistance Scheme to get a half remission of their rents.

The proposal to freeze rents for public housing flats for one year should await careful study and decision by the Housing Authority (HA). I am sure it will consider all the arguments put forward by Members and carefully study this issue of public housing rents.

*Second: reduce the rents for commercial premises in public housing estates and government buildings by 30%*

We are very much aware of the difficulties of doing business at this time of economic adversity and it is just inevitable that food outlets and shops in the shopping malls of public housing estates should be dealt a heavy blow. The HA has taken a series of measures and they are in line with the rent-reduction proposal made by Members. The crucial difference is whether an across-the-board approach or a rent re-evaluation system should be used. But both approaches will keep shopkeepers in public housing estates tide over the difficulties. This point has been well-understood. On the rents issue, though it is a matter of the HA making its own decisions, we can still make some rational comments on it. A rational approach should be used to deal with things at all times.

The Government thinks that the HA has adopted a well-thought out and reasonable approach in dealing with the rents of the shopkeepers. It has always applied commercial principles to deal with matters concerning the lease of its commercial premises. Members should know that the Government cannot and should not use public funds to subsidize these shopkeepers. But

we are sympathetic towards their situation, and from a business perspective, we should work at reducing the vacancy rate of the malls, making them stay competitive and ensuring an uninterrupted provision of services by these shopkeepers. Therefore, we support the above measures taken by the HA.

But on the other hand, the proposal made by some Members to effect an across-the-board 30% rent reduction is in fact a violation of the principle of fairness. First of all, we need to know that the question of fairness is not to be determined by the tenants but by the public. Since these tenants come from all kinds of trades, the impact of the economic slump on them is different. And as the tenants entered into lease agreements with the HA at different points in time, the difference between the rents they pay and the rents at market value varies from one to the other. The rent which some tenants are paying may be 30% higher than the market value whereas the rent for some other tenants may still be under market value. If the HA uses an across-the-board approach to determine the level of adjustment of the rents, it would be unfair to the HA, some tenants and the public. This will violate the rules by which the market operates. Moreover, the HA has pledged to complete the rent re-evaluation work within four weeks upon receipt of an application. This approach by the HA is flexible and is effective. Special measures need be used in special times, but that does not mean we shall abandon our principles and do whatever we want.

As for the proposal which some Members put forward to reduce the rents payable by shopkeepers in government buildings by 30%, including the rents for stalls in wholesale food markets, we have carefully considered the matter. The rents for stalls in wholesale food markets are different from those for shops in public housing estates, that is, they are determined not according to market value. Besides, the Government has already frozen the rents for the wholesale markets this year. We believe that the reduction of rents for wholesale markets will not have a noticeable effect on wholesale price for food, and so the economy as a whole will not benefit.

I wish to express my regret for the strike which a minority of public housing estate shopkeepers took part yesterday. Hong Kong is a society in which the rule of law and reason are highly valued. I call on these shopkeepers to stay calm and not to do anything which will cause inconvenience to the residents of public housing estates. It is a time to work

out ways to solve the difficulties, and to this end we must all put in our efforts, and that can truly be said to be "rising to face the challenges together".

*Third: reduce the petrol tax by 30%*

Most of the commercial vehicles including taxis, public light buses and lorries use diesel oil as fuel. A reduction in the duty on diesel oil will cut the operating costs for these vehicles as well as the freight expenses of all industries. Because of this factor, I have decided to lower the duty on diesel oil by 30% until 31 March 1999. The implementation of this duty revision is in line with the objective of relieving the hardship faced by the public.

For petrol, as most of the vehicles using petrol are private cars, a reduction of duty on petrol cannot provide relief to every industry directly. As we all know, the present tax rate for petrol is still maintained at the level in March 1997, and there has been no upward revision since then. Moreover, drivers of private cars can also choose to use public transport. On the other hand, the proposal would reduce government revenue by \$650 million. As this proposal cannot provide any relief to the current economic downturn and will substantially cut government income, therefore after careful consideration, we think that it is unacceptable.

*Fourth: return 20% of salaries tax and profits tax paid for 1996-97*

As for the proposal to return part of the salaries tax and profits tax paid, we had carefully studied the proposal when we were formulating special relief measures. We have considered this: the 1998-99 Budget has already proposed very generous tax deductions in salaries tax and profits tax. In salaries tax, we have widened the marginal tax bands and reduced the marginal tax rates by changing the incremental steps. There are substantial increases in many kinds of allowances and deductions. Tax deductions are introduced in three areas, namely, mortgage interest payments, expenses to support elderly dependants in residential care, and contributions to retirement plans. These tax concessions will benefit 99% of salaries taxpayers. For profits tax, we have reduced the corporate profits tax rate to 16% and introduced many related concessionary measures for tax deduction. These related salaries tax and profits tax deductions will cut government income by \$960 million in the year 1998-99. A total of \$76.7 billion of tax is expected to be lost up to the year 2001-02.

We think that it is inappropriate to introduce other related measures on salaries tax and profits tax before the above measures produce any substantial effect. Also, we consider the proposal to give a rebate to paid tax may not really benefit those people who are genuinely in need.

Under the low tax policy Hong Kong is practising, the general tax rates are almost the lowest in the world. Therefore, most of the taxpayers do not pay a relatively substantial amount of tax, a universal rebate will only benefit those who do not have this need, hence failing to provide relief.

Although the Government has decided not to give a tax rebate, we have considered measures that should be taken in order to ensure a maximum amount of people will benefit and to relieve them of the financial burden. Among the taxes collected by the Special Administrative Region Government, the rates is a kind of tax commonly paid by families and businesses. So we have decided to give a rebate for rates paid for the first quarter of the year 1998-99. This measure will benefit more than 1.93 million residential units and 340 000 non-residential units.

*Fifth: establish a Social Welfare Services Development Fund*

Madam President, the motion suggests that the Government should establish a Social Welfare Services Development Fund to implement its commitments to social welfare services and increase employment opportunities. As a matter of fact, the Government has been using a lot of resources to develop social welfare services. For the year 1998-99, our recurrent expenditure on social welfare is \$24.9 billion. Compared to the \$7.6 billion spent in 1992-93, the increase is more than three-fold. The share of social welfare services spending in the total recurrent public expenditure rose from 8.3% in 1992-93 to over 12.5% this year. Expenses used in directly subsidizing welfare services also registered a significant growth, that is, from \$1.8 billion in 1992-93 to \$5.3 billion this year.

We understand that with the development of the economy of Hong Kong, public sympathy and concern for the elderly and the handicapped have increased, and therefore, the amount of resources put into social welfare has been increasing all the time. In the past few years, there has been a marked growth in all kinds of social welfare services to meet demands. For example, the number of care and attention places has increased from 4 400 in 1992-93 to

10 000 today. During the same period, the authorities have more than doubled the number of residential and day care places for the handicapped by 7 200. Family case workers have increased from 400 to more than 700; in youth services, the number of school social workers has increased from 150 in 1992-93 to 300 this year.

In addition, the Government has undertaken to make provisions for a series of programmes to implement our policy on welfare services for the elderly and to enhance our services for the handicapped, the families in need and the youths. We have plans, for example, to buy an extra 2 400 places in private homes for the aged in the next three years, and to increase the number of subvented care-and-attention places and subvented home for the aged places by 3 300 in the next few years. In the next five years, 1 000 beds in nursing homes will be increased. We have also secured resources to add 870 places of various kinds of rehabilitation services next year, and will increase a further 3 800 places five years afterwards.

In the next 18 months, 3 300 posts will be created in the Social Welfare Department and non-governmental organizations to cater for the increased number of social services. About 800 of these new posts belong to professional or supervisory grades, and the remaining 2 500 posts belong to clerical or support staff grades.

I agree with Honourable Members' views that we should sustain our work in social services in the next few years. We have a long-established and effective Lotteries Fund which can subsidize social services. But on the other hand, we also hear some strong opposition to the enormous increase in welfare spending in recent years, and opposition is also directed against the amount of Comprehensive Social Security Assistance payments. The establishment of a Social Welfare Services Development Fund also goes against our long-established policy of financial prudence.

After the establishment of the Special Administrative Region, we have introduced a series of performance-oriented management procedures to help us formulate long-term targets, service directions and resource deployment. I believe if we can put this series of management procedures into practice, we can surely commit resources more effectively in a long-term and far-sighted manner, and be able to provide more services to the public should our financial conditions permit.



*Sixth: formulate a long-term industrial policy*

Madam President, Mr CHAN Kam-lam and other Honourable Members have raised many opinions and arguments and we are thankful for their concern for an industrial policy for Hong Kong and attaching such a great importance to it.

The Government has all along maintained a clearly-defined long-term industrial policy. While observing the principles of a free market, the policy seeks to create a friendly environment for business and to provide maximum support to trades and industries, so that they can achieve the best possible development. In the process of the economic development of Hong Kong in the past, it can be seen that only through the upkeeping of a fair and free market system that individuals and corporations can make the best business decision and thereby getting the maximum room for development and profits. This market system has provided a solid foundation for the territory's past economic development as well as many job opportunities. Although Hong Kong could not avoid being involved in this Asian financial turmoil, the impact it felt was less severe than many nearby economies. And one of the most important reasons for this is that for so many years we have upheld a long-term industrial policy which respects the principles of a free market.

But I must reiterate one point, and that is our observance of free market principles does not imply that we can shirk our responsibilities in providing support to industrial development. On the contrary, we are very much aware of our responsibilities in providing the best possible business environment and the greatest possible support to help the businesses develop. For example, our simple and low rate tax regime, a market system characterized by the rule of law and fair play, long-term education and manpower training, huge infrastructure investment and so on, all have helped to provide a first class business environment and excellent opportunities for development. Of course, we know that reliance on the above alone is not enough, and so we launch a series of supporting measures through the Industry Department and other supporting organizations, and we also provide direct subsidy to plans which we believe will be beneficial to the overall industrial development of Hong Kong.

Mr CHAN Kam-lam mentioned government funding for scientific research. In this regard, the Government does have no hard and fast targets. For it is a dangerous thing to lay down rigid targets on scientific development

and prescribe its share in the local GDP. The overall income and expenditure of the Hong Kong Government accounts for 15% of the GDP. If we increase the annual expenses used in scientific research by an equivalent of 5% of the GDP, then the taxes and charges will all have to increase by 33% in order to balance the books. I do not think this is acceptable to the public.

Madam President, I think many Members would agree that as Hong Kong industries are on their way to become high value-added and high technology industries, we should have the vision to formulate targets and procedures for long-term development. It is precisely for this purpose that the Chief Executive appointed 14 people this March to form the Chief Executive's Commission on Innovation and Technology. The Commission is to advise the Chief Executive on measures required for the promotion of innovation and technology in Hong Kong.

The objective of the Commission's work is to promote innovation of products and working procedures in the territory's manufacturing and service sectors. It also aims at providing incentives and developing high value-added industries, thereby enhancing the competitiveness of Hong Kong industries in the global market. The Commission has held four meetings to date.

Moreover, the Commission has held two seminars and conducted one public consultation exercise. The aim of the latter is to collect public views on the promotion of innovation and development of technology in Hong Kong for the Commission's consideration and reference. The Commission is expected to submit its first report to the Chief Executive by October this year and to complete all related work 12 months afterwards. The Commission's recommendations will have an important impact on the future development of manufacturing and service industries in Hong Kong.

Apart from helping local industries become innovative and high value-added, the Government is also aware of the need to provide effective assistance to small and medium enterprises (SMEs). Such enterprises account for 98% of the companies in Hong Kong and they play an important role in promoting economic growth and providing job opportunities. In recent years, the Government has launched many supporting services addressing the special needs of the SMEs. For example, in 1996 the Small and Medium Enterprises Committee was formed with the special task of making recommendations to the Government in order to enhance the supporting services provided to these types

of enterprises. The Government has acted according to the recommendation of this Committee and introduced a \$500 million Credit Guarantee Scheme this June to facilitate SMEs to obtain bank loans. In the package of measures aimed at alleviating economic hardship recently announced by the Chief Executive, we proposed to make a provision of \$2 billion to help SMEs to get through the problem of shortage of funds. We are now speeding up the implementation of these details, and we hope to make an application to the Finance Committee for provision within this month so that the scheme may be launched this August. In addition, we are providing all kinds of tailor-made services to the SMEs through the Industry Department and other supporting groups. We are actively studying in what ways can we enhance and improve services in this aspect in order that the SMEs can get the best possible support.

I wish Members can understand that the Government has been pursuing a clearly-defined and effective long-term industrial policy while observing the principles of a free market. Measures under this policy have to change and advance with the times, and the suggestions from the public, the advice from Members, the economic changes and the experiences from other places, are all giving us fresh insights so that we can always improve our existing measures and introduce new ones. With these we can maintain the excellent business environment which contributes to Hong Kong's success, and enable all trades and industries to develop on the right track and work towards the economic prosperity of Hong Kong. I believe this fundamental policy and direction should be able to stand the test of time.

### *Conclusions*

Madam President, I agree with the Honourable Members that now is the time when wealth should be returned to the people. But we must act with prudence and reason. The SAR Government has made use of all the resources that remain after balancing the tax revenue and expenditure for the year 1998-99 and introduced a package of measures aimed at mitigating the economic distress. Deficits will appear this year and we need to use our reserves. But the fact is, there must be matching actions from all sides if we want to revive our economy and we can never think that if the Government can keep on putting forward new initiatives, then Hong Kong can be safe and sound in the financial turmoil sweeping across Asia. I trust that the measures introduced by the Government should be able to relieve those problems concerning the economy and people's livelihood which, for the time being, are causing great distress to the people. These measures will not contravene the

principle of financial prudence and slow down the economic recovery of Hong Kong. They will not deviate from the long-term industrial policy pulled by market forces and actively pursued by the Government. These measures will not be questioned by local and foreign long-term investors and make them hesitate to invest, and thereby reducing the structural flexibility and long-term competitiveness of our economy. Madam President, as the saying goes: "As the sea takes in hundreds of rivers, the capacity for tolerance is a sign of greatness". I am indeed an adamant person, for I will not allow myself to drift with the times. I have self-confidence but I am tolerant. And I am confident that these measures put forward by the Government are beneficial to the majority of the people of Hong Kong and will certainly enjoy their acceptance and support.

Thank you. Thank you Madam President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the amendment moved by Mrs Selina CHOW be made to Mr CHAN Kam-lam'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)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority respectively from 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 amendment passed.

**PRESIDENT** (in Cantonese): Mr CHAN Kam-lam, you are now entitled to your final reply and you have two minutes 22 seconds out of your original 15 minutes.

**MR CHAN KAM-LAM** (in Cantonese): Thank you, Madam President. First of all, I would like to thank Honourable Members for their active participation in this motion debate, in particular the incisive responses they gave to the various proposals raised in the motion. As regards the Financial Secretary, he has also devoted part of his long speech just now to explaining the reasons why the Government had adopted certain measures to tackle the hardships confronting us.

To call a spade a spade, the Democratic Alliance for the Betterment of Hong Kong is in full support of all the extraordinary measures taken by the Government during this extraordinary period of time. As a matter of fact, we all understand very well that we should be spending all our time taking care of the various matters concerning Hong Kong in a responsible manner. As pointed out by Miss Margaret NG, we should not try to alter the entire system for certain interests. However, I would like to remind Miss NG that if, in the face of an extraordinary time, a government still does not make any efforts to personally feel or experience the hardships facing the public, not even try to introduce any measures to alleviate the hardship of people's livelihood, this is but a merciless government failing all its people.

Just now Honourable colleagues have also talked about developing industries. In this connection, however, it is always easier said than done. I think we all agree that it will definitely take a considerably long period of time to develop the economy of Hong Kong; on the other hand, I certainly do not want the Government to change the existing economic structure and divert all resources to the industrial sector. Indeed, we should also face the reality. The economy of Hong Kong is now developing in an unhealthy direction, and the Government should rectify this situation promptly.

I am most grateful to Mr CHIM Pui-chung for changing his mind at the last minute and casting a reversed vote in favour of Mrs Selina CHOW's amendment. I hope that Miss Margaret NG will also change her mind and support the motion. Thank you.

**PRESIDENT** (in Cantonese): Mr CHAN, your time for reply has expired.

**PRESIDENT** (in Cantonese): I now put the question to you and that is : That the motion moved by Mr CHAN Kam-lam, as amended by Mrs Selina CHOW, 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)

**MISS EMILY LAU** (in Cantonese): Madam President, I claim a division.

**PRESIDENT** (in Cantonese): Miss Emily LAU has claimed a division, the division bell will ring for three minutes.

(While the division bell was still ringing)

**PRESIDENT** (in Cantonese): Honourable Members, I would like to give you a brief explanation while the division bell is still ringing. It will be a new experience to us as we are using this electronic voting system for the first time. When I call upon the Council to proceed to vote later on, Members are requested to press the "Present" button first to enable us to count the number of Members present; I will then ask Members to cast their votes. Members may choose to vote for or against the question put or abstain from voting. Following that I will ask Members if there are any queries, if not, I will announce that voting be stopped and then display the results. That sums up the procedures involved in a division.

**PRESIDENT** (in Cantonese): Honourable Members, the question now put is: That the motion moved by Mr CHAN Kam-lam, as amended by Mrs Selina CHOW, be passed. Will Members please press the "Present" button first?

**PRESIDENT** (in Cantonese): Will Members please proceed to vote.

**PRESIDENT** (in Cantonese): Are there any queries? If not, voting shall now stop.

**PRESIDENT** (in Cantonese): The result will now be displayed.

Functional Constituencies:

Mr Kenneth TING, Mr James TIEN, Mr Edward HO, Mr Michael HO, Dr Raymond HO, Mr Eric LI, Mr LEE Kai-ming, Dr LUI Ming-wah, Mrs Selina CHOW, Mr Ronald ARCULLI, Mr CHEUNG Man-kwong, Mr Ambrose CHEUNG, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr Bernard CHAN, Mr CHAN Wing-chan, Dr LEONG Che-hung, Mrs Sophie LEUNG, Mr SIN Chung-kai, Mr WONG Yung-kan, Mr Howard YOUNG, Mr CHIM Pui-chung, Mr LAU Wong-fat, Mrs Miriam LAU, Dr TANG Siu-tong and Mr LAW Chi-kwong voted for the amended motion.

Miss Margaret NG voted against the amended motion.

Geographical Constituencies and Election Committee:

Miss Cyd HO, Mr Albert HO, Mr LEE Wing-tat, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss Christine LOH, Miss CHAN Yuen-han, Mr LEUNG Yiu-chung, Mr Gary CHENG, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Chin-shek, Mr LAU Kong-wah, Miss Emily LAU, Mr Andrew CHENG, Mr SZETO Wah, Mr David CHU, Mr HO Sai-chu, Mr NG Leung-sing, Mr CHAN Kam-lam, Mr YEUNG Yiu-chung and Miss CHOY So-yuk voted for the amended motion.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among Members returned by functional constituencies, 27 were present, 26 were in favour of the amended motion and one was against it; while among Members returned by geographical constituencies through direct elections and by the Election Committee, 25 were present and 24 were in favour of the amended motion. Since the question was agreed by a majority vote of each of the two groups of Members present, she therefore declared that the amended motion was carried.

**PRESIDENT** (in Cantonese): Are there any questions? Mr David CHU, do you have any questions?

**MR DAVID CHU** (in Cantonese): Why does the number of votes not tally with the number of Members present?

**PRESIDENT** (in Cantonese): This is because I have not cast any vote.  
(*Laughter*)

**MR DAVID CHU** (in Cantonese): I am sorry.

**PRESIDENT** (in Cantonese): The second motion: Unemployment. Mr LEUNG Yiu-chung.

## **UNEMPLOYMENT**

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, I moved that the motion printed on the Agenda be approved.

As announced by the Census and Statistics Department, the provisional unemployment rate for the period between March and May has soared to 4.2%, an all-time high in 15 years. Usually, whenever any problem arises, government officials will try to play down its implications and significance. Recently, however, the Government has taken an unusual step to confirm that the problem of unemployment in Hong Kong will probably persist for some



time to come. This shows that the problem of unemployment in Hong Kong has become so serious that even the Government finds it impossible to deny its existence.

Immediately following the outbreak of the Asian financial turmoil late last year, the unemployment figure of Hong Kong did not yet show any marked increase. The Director of the Hong Kong Monetary Authority (HKMA) therefore remarked complacently that Hong Kong had successfully warded off the snipers of the Hong Kong dollar, and that the Exchange Fund was able to make considerable gains as a result. In a similar fashion, the Financial Secretary predicted confidently that the financial turmoil would probably die down before the end of last year, and his prediction was followed by an Executive Council announcement that a further scheme would be put in place to import foreign construction workers. At that time, the labour sector already warned that Hong Kong was likely to experience a serious unemployment problem as employers sought to pass their losses resulting from the financial crisis onto workers. Unfortunately, the Government simply paid no heed to the opinions of the labour sector, and it was only when the unemployment problem deteriorated quickly and a negative growth of 2% for the first quarter of this year was recorded that it hastily tried to ease the unemployment problem by announcing a total of 12 measures which even included, believe it or not, a procurement of computers. This is indeed a hastily assorted package, and it shows precisely how embarrassed and helpless the Government is.

What is most worrying, however, is the inertia of the Government. Thinking that what worked in the past will necessarily work forever, the Government has simply refused to reflect seriously on the problems and conflicts which emerged in the course of the past development of Hong Kong. Instead, it simply stresses repeatedly that the economic foundation of Hong Kong is sound and robust, and that given its determination to uphold its time-tested financial and economic policies, Hong Kong will certainly be the first place in Southeast Asia to recover from the crisis as soon as external circumstances start to improve. The Chief Executive, Mr TUNG Chee-hwa, has also made repeated appeals to the community, saying, "All of us in Hong Kong should pluck up our courage and believe firmly that as long as we can unite and remain confident in our future, we will face no insurmountable difficulty, and our prospects will certainly be bright." However, these are

nothing but empty words. As a Hong Kong academic rightly put it in a press article, the people of Hong Kong are in effect asked to "pray to Heaven, pick their steps and wish themselves good luck".

From the past to the present, the workers in Hong Kong have never been provided with any job security and unemployment assistance. As a result, they are especially terrified at this time of rapid economic downturn; saving for the rainy days by reducing consumption is thus their only means of self-salvation and it is only rational for them to do so. However, this has aggravated our economic recession. Retail businesses are caught in immense difficulties, and they have, one after another, either laid off their employees or closed down their operations all together. A vicious cycle of continuing economic recession has thus emerged.

What I have just said are nothing but truisms. The only problem is whether or not the government officials vested with executive powers are willing to face the realities and take long-, medium- and short-term measures to deal with the dilemma that Hong Kong is facing.

With respect to long-term measures, the Government must give up its strategy of relying on property transactions as a means of boosting our economic growth. Instead, it should formulate a long-term industrial policy to promote the development of local high-tech industries and to strike a proper balance between manufacturing industries and services industries. These points have already been discussed in the debate just now, so I do not intend to dwell any further on them.

With respect to medium- and short-term measures, I think the Government should take actions in two respects. First, it should increase our public expenditure to boost the economy and create job opportunities. Moreover, it should enhance the job security of employees, with a view to boosting the people's sense of security and confidence in our economic prospects. That way, the people's spending desire will be restored, thus setting off the process of our economic recovery.

I have recommended a total of seven medium- and short-term measures in my motion. The rest of my remarks will be devoted to a concise account of these measures.

First, I propose that the Government should create more employment opportunities, either directly on its own or through voluntary agencies, by increasing the manpower resources in the social services, medical and educational fields. Of course, I certainly do not mean that we should try to create posts just for the sake of creating them. In fact, the three types of services concerned are all experiencing a manpower shortage, and they do have a need for more staff. So, I hope that the Government can really make some improvements in these three fields.

Since the creation of permanent posts will usually take a relatively longer time, I have urged the Government in my second recommendation to make immediate provisions for the creation of temporary posts and assist the unemployed in getting employment as soon as possible, so as to tackle the immediate difficulties of workers. However, I must emphasize here that the creation of temporary posts must be regarded as an interim measure only, and the Government must not try to deprive workers of their rights and benefits in the name of temporary employment.

Third, I propose that the Government should bring an immediate end to the supplementary importation of labour schemes. So far, the Government has approved the importation of some 5 800 foreign workers under all these schemes. Some 3 400 of these foreign workers have arrived and started their work in Hong Kong, mainly engaging in trades and occupations such as care workers in care and attention homes, security guards, sewing machine operators and cooks. Actually, it is very easy for the employers of these trades and occupations to recruit local workers, and there is simply no need for them to import any foreign labour. And, especially because of the high unemployment rate now, it has become all the more necessary for Government to halt the supplementary importation of labour schemes, so as to reserve more vacancies to help ease the unemployment problems suffered by local workers.

My fourth proposal involves the speeding up of the progress of infrastructural projects and the prompt implementation of other planned transport and infrastructural projects. I understand that the Government has already launched work in this respect. However, I still have one worry. Earlier on, the Financial Secretary disclosed that there would only be a slight increase in public expenditure for the year 1999-2000. I worry that if the Government continues to be so dogmatic about its adherence to the guidelines on public expenditure, the sustained progress of the infrastructural and other works projects of the Government may well be affected. This will deal a

blow to the people's confidence in our economic prospects, thus significantly reducing the effectiveness of speeding up our infrastructural projects.

Fifth, I propose to introduce legislation which requires that before resorting to any lay-off, a company employing more than 20 persons should notify (say three months beforehand) the staff to be affected and the Labour Department and consult labour unions or employee representatives, so as to reduce the number of people laid off as far as possible. I also propose that alternative measures should be adopted to minimize the effects of lay-offs. One example is to reduce the working hours of employees, so as to avoid laying off all staff. I guess this proposal may well be opposed by some Honourable Members representing the industrial and commercial sector on this Council. However, I do urge these Honourable Members to put aside our differences, because this will really benefit both employers and employees. For example, experienced staff members can thus be retained to work for the employer. These staff members are an asset to the employer, as they can help him reduce losses. Besides, if an employer can join hands with his employees to tide over the difficult times, and if he can appreciate the hardships of his employees and retain their jobs, his employees will certainly develop a much stronger sense of belonging to the company.

Sixth, I propose to provide financial assistance to the unemployed. I remember that on 22 November 1995, a motion on this was moved by the Honourable Miss CHAN Yuen-han in the former Legislative Council. Unfortunately, Honourable Members at that time failed to reach any consensus, and no detailed follow-up work on this has since been conducted. I hope that during this motion debate, Honourable Members can offer their different views for subsequent pursuance by this legislature in the future.

With respect to the provision of financial assistance to the unemployed, my initial thinking is that a contributory unemployment protection scheme should be put in place, under which a scheme member under involuntary unemployment who has contributed to the scheme for one year or more shall be allowed to apply for financial assistance. The level of financial assistance should be set at 50% of his average monthly wages for the 12 months preceding his unemployment, to be subject to a maximum of \$20,000 and a minimum amounting either to 50% of the median wage or to his average monthly wages for the 12 months preceding his unemployment (whichever is the less). And, the maximum period of entitlement shall be six months. In regard to the financing of the scheme, I propose that the Government should

make a one-off injection of \$6 billion for the purpose of establishing an unemployment protection fund. Thereafter, employers and employees should be required to make contributions at the rate of 1% of an employee's monthly wages. If warranted by needs, the Government should also make additional capital injections in the future. Since it will probably take quite some time before such a scheme can be finalized and implemented, I propose that the Government should seek to improve the Comprehensive Social Security Assistance Scheme immediately, so as to provide more financial assistance to the unemployed who are in need of help. That way, we can help them tide over their financial difficulties.

Finally, I propose that the amount of subsidy granted to participants in retraining schemes should be increased to 50% of the median wage, so as to encourage more unemployed people to enrol in retraining courses. Since retraining courses can raise the productivity of workers, an increased government subsidy can in fact be regarded as a form of social investment. Besides, since most retrainees are people who were denied proper schooling through lack of means in their early years, retraining courses can well be regarded as a compensation for what they have missed.

I hope that Honourable Members will support my seven recommendations. Alternatively, they are encouraged to put forward other proposals to supplement my recommendations.

I so submit.

**Mr LEUNG Yiu-chung moved the following motion:**

"That, in view of the continued rise in the unemployment rate to an all-time high in 15 years, this Council is of the view that, to ameliorate the unemployment situation in the territory in the long run, the Government must abandon its previous policy direction of blindly pursuing a "bubble economy", and should actively develop local industries as well as high-technology and high value-added industries; furthermore, to help the hundreds of thousands of currently unemployed persons tide over these difficult times and re-join the labour market, this Council urges the Government to adopt the following measures immediately:

- (1) create more employment opportunities by increasing the manpower resources in the social services, medical and educational fields;
- (2) make immediate provisions for the creation of temporary posts and assist the unemployed in getting employment as soon as possible;
- (3) put a halt to the Supplementary Labour Scheme;
- (4) speed up the progress of infrastructural projects and promptly implement other planned transport and infrastructural projects;
- (5) introduce legislation to require employers to consult labour unions or employee representatives before resorting to layoffs, so as to reduce the number of people laid off as far as possible;
- (6) provide financial assistance to the unemployed; and
- (7) raise the amount of subsidy granted to participants in retraining programmes."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: "That, in view of the continued rise in the unemployment rate to an all-time high in 15 years, this Council is of the view that, to ameliorate the unemployment situation in the territory in the long run, the Government must abandon its previous policy direction of blindly pursuing a "bubble economy", and should actively develop local industries as well as high-technology and high value-added industries; furthermore, to help the hundreds of thousands of currently unemployed persons tide over these difficult times and re-join the labour market, this Council urges the Government to adopt the following measures immediately:

- (1) create more employment opportunities by increasing the manpower resources in the social services, medical and educational fields;
- (2) make immediate provisions for the creation of temporary posts and assist the unemployed in getting employment as soon as possible;
- (3) put a halt to the Supplementary Labour Scheme;

- (4) speed up the progress of infrastructural projects and promptly implement other planned transport and infrastructural projects;
- (5) introduce legislation to require employers to consult labour unions or employee representatives before resorting to layoffs, so as to reduce the number of people laid off as far as possible;
- (6) provide financial assistance to the unemployed; and
- (7) raise the amount of subsidy granted to participants in retraining programmes.

Several Members have indicated their wish to speak. Mr CHEUNG Man-kwong.

**MR CHEUNG MAN-KWONG** (in Cantonese): Madam President, during times of recession, the need to strengthen education is just as important as the need to prevent the market from deteriorating further. The motion moved by the Honourable LEUNG Yiu-chung today has made mention of increasing the manpower resources for the social services, medical and education fields, I will speak on the part regarding education only.

We need to strengthen education because it is from there that our economy could take off. We need to restructure our human resources before we can embark on an economic transformation. In view of the keen competition and challenges from neighbouring areas, Hong Kong needs to train up more intellectual manpower; otherwise we will hardly be able to compete with others even if we could survive the economic slump. Then, the first one to stand up again after the recession will probably not be Hong Kong but Singapore, Taiwan or Japan. As such, it is necessary for Hong Kong to considerably strengthen education at all levels during the recession and take serious measures to enhance investment in basic education as well as tertiary education. For instances, the Government should abolish with immediate effect the measure to expand each class in all primary schools by two more places, implement immediately the programme to reduce the size of each secondary school class by five places, increase the number of senior secondary school places, as well as introduce a freeze on the tuition fees for universities. In this way, a large number of teaching posts will be created to help resolve the

employment problems of many university graduates. Furthermore, more young people could be encouraged to better equip themselves during the recession and thereby help to enhance the quality of our manpower resources.

Secondly, the land disposal programme has been suspended for nine months by the Government. It is foreseeable that the amount of land put up for sale will be strictly controlled by the Government when land sales are resumed after the nine-month suspension period, so as not to create any adverse effect on the existing property market or flat prices. In the past when the property market was in its prime time, land was sold not to build schools but multi-storey buildings. As land sale has now been suspended, it is most opportune for the Government to allocate some of the land resources to the provision of more schools, thereby enabling us to speed up the implementation of whole-day schooling for primary schools and to abolish the floating class system in secondary schools. I think nobody would object to the proposal of using the land resources to provide more schools after the land sale activities have been suspended. This is just another kind of investment, as we will be injecting resources into the future of Hong Kong. Moreover, since the provision of schools is included under our infrastructure projects, more job opportunities would then be made available to workers, helping to alleviate the problem of unemployment.

Thirdly, the Government should change its concept regarding investment in education. Apart from creating more teaching posts in schools, it should put in more effort to enhance the support services in the field of education. Why should schools not increase the number of such supporting staff members as computer technician, teaching assistant, school administration officer, school social worker and so on? These new posts are in fact the necessary posts which schools have been awaiting eagerly for a long time, as the supporting staff members could help to alleviate the pressure of work for many teachers and enable them to spend more time on their teaching duties and personality nurturing needs. Besides, the objective to create more job opportunities could also be achieved through the enhancement of education support services. More important, all the additional manpower will serve to benefit both our students and the quality education provided for them, as well as to enable our education to get strengthened up during the economic slump and prepared for taking off in the future.



Madam President, the \$30 billion put in by the Government to rescue the market could only serve as an adhesive plaster applied to stop the wound bleeding. Why does the Government not consider putting in more financial resources and allocating part of the market-boosting fund to help save our education or nurture our next generation? Though we are in an economics recession now, yet this is also a good time for us to sow the seeds. As the scripture goes, "he who sows in tears shall reap in joy". We are now looking forward to sowing the seeds of education, and we are also looking forward to more talents and joyous harvests, be that in the field of education or in our economy.

Madam President, I so submit.

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

**DEPUTY PRESIDENT** (in Cantonese): Mr YEUNG Yiu-chung.

**MR YEUNG YIU-CHUNG** (in Cantonese): Mr Deputy, the problem of unemployment will continue to deteriorate and the wage earners will continue to find themselves in a difficult position. University students have all along been regarded as "Heaven's favoured ones", but now they are also confronted with the plight of joining the unemployed ranks right after graduation. To the students themselves, this is but a torment beyond compare; and to the community at large, a waste of intellectual capital beyond compare. The Democratic Alliance for the Betterment of Hong Kong (DAB) urges the Government of the Special Administrative Region (SAR) to attach great importance to the unemployment problem and adopt effective measures of all kinds to curb the trend of a continuously rising rate of unemployment. The DAB has in the past raised six major proposals, hoping that the Government would take our proposals into serious consideration and then implement them as soon as practicable.

I wish to specifically add a point here. In view of the present circumstances, I suggest the Government should employ more teachers and social workers to help improve the quality of education and social services,

thereby creating more employment opportunities for the community as a whole.

If Hong Kong is to develop quality education or to enhance the quality of education, it is necessary for the Government to improve the teacher to pupil ratio and recruit more teachers so as to alleviate the workload of teachers, thereby enabling them to spend more time counselling their pupils and perfecting their skills. Despite the countless policies and measures adopted by the Government to improve the quality of education, we have seen little improvement so far. Where does the crux of the problem lie? It lies in the shortage of manpower resources. Teachers in the front line are already over-burdened with their heavy workload, where then could they find the energy to implement the various measures and reforms? Even though they have the intention to implement the said measures and reforms, they just do not have the spare capacity to do so, and for some, their spirit is willing but the flesh is weak. If this situation is allowed to go on, even the best education reform programmes or the best facilities would be rendered useless.

It appears to me that the Government still fails to grasp the situation. Let me cite an example. In order to implement whole-day schooling among primary schools, two more places have to be added to each and every primary school class while the policy to cut down the class size of secondary schools by five places has to be shelved; however, as the number of teachers remains essentially unchanged, the teacher to pupil ratio could not but get worse. In view of the situation, the DAB has thought of a reasonable proposal, which is to increase a total of 596 teaching posts with the financial resources saved from adding two more places to each primary school class and shelving the proposal to cut down the class size of secondary schools by five places. Since these are the resources that should have but not been used, no additional public expenditure will be incurred.

These days, a teaching post vacancy could easily attract hundreds of applications. To university and college of education graduates, graduation and joining the unemployed ranks are just two sides of a coin. This is indeed an enormous waste of manpower resources!

The Education Department has recently reiterated that school principals and teachers should retire on reaching the age of 60, and that their contracts

will not be renewed normally. In view of the unemployment situation, this policy is nothing more than a mere gesture.

The DAB urges the Government to improve the teacher to pupil ratio for primary schools from 1:23 to 1:20 and from 1:19.3 to 1:18 for secondary schools.

What should the economy of Hong Kong rely on for revival? What should our economy rely on for advancement in competitiveness? The answer is manpower resources and education. For this reason, it is imperative that the Government should make more commitment to education and to recruit more teachers, in order to alleviate the unemployment situation on one hand and attract more talents to the profession on the other. Two major objectives could be achieved by one single measure, why should we not give it a shot?

The social work sector is also faced with employment difficulties. As pointed out by a recent survey, Hong Kong is gravely short of school social workers; as such, it is desirable for us to review the existing policy under which two schools have to share one single social worker. The DAB hereby urges the Government to speed up the progress of the "one school, one social worker" policy by recruiting more social workers. In this way, the pressure of employment on the community could be alleviated while the pressure of student demands for counselling on schools could be resolved.

Therefore, to increase investment in teachers and social workers is indeed one major measure for resolving the problem of unemployment and it merits support and full implementation.

I so submit. Thank you, Mr Deputy.

**DEPUTY PRESIDENT** (in Cantonese): Mr James TIEN.

**MR JAMES TIEN** (in Cantonese): Mr Deputy, the first part of the Honourable LEUNG Yiu-chung's motion said that in view of the rising rate of unemployment, the Government should actively develop local industries as well as high-technology and high value-added industries. We could not agree more. If we think we should develop industries, then we should include such

old industries as textile, clothing, toys, metal, plastics and so on. Although these industries have been established in Hong Kong for many years, their competitiveness have nowadays been outshone by that of their counterparts in neighbouring countries. Nevertheless, we could still help these industries enhance their value, for if the Government is to actively develop these old industries, the edge is that the majority of workers already in the trade could easily adapt to the changes involved, and that they do not need too much retraining or training in the various skills required by other trades.

Certainly, high technology could not be developed overnight, much longer time will be required and that might take us five or 10 years. On the other hand, development in high technology could enable our next generation, who are now studying in universities and other institutions of tertiary education, to vie for better jobs in the years to come. So much the Liberal Party agrees fully with the motion. Since Mr LEUNG went on to propose in his motion that the Council urges the Government to adopt immediately as many as seven measures, I wish to express on behalf of the Liberal Party our views regarding some of the proposed measures.

First, Mr LEUNG urges the Government to create more employment opportunities by increasing the manpower resources for the social services, medical and educational fields. In the view of the Liberal Party, policies on social services, medical services and education are points of concern to all walks of life and have a direct bearing on people's livelihood; as such, respective consultative committees have been established for them. In addition, many professionals are also submitting advice to the Government. Upon the completion of consultation work, a proposal has been submitted to, thoroughly discussed and affirmed by the relevant panels of this Council. In regard to the proposed increase in manpower resources raised in the motion, the Liberal Party will certainly be giving our full support. Recently, there have been voices urging the Government to speed up the creation of these posts; we are also in favour of this request. As regards Mr LEUNG's request for additional posts, I am afraid I might have misunderstood his meaning, perhaps he will let me know if I have taken him wrong a moment later. My interpretation of Mr LEUNG's request is that in view of the enormous size of the unemployed population — around 130 000 persons presently — additional posts have to be created, may be 10 000 in social services, 10 000 in medical services, and another 10 000 in education. If this is what Mr

LEUNG has in mind, then the Liberal Party will lend him our support. In our opinion, despite the ample fiscal reserves it currently possesses, the Government still should not expand the size of the government structure exceedingly. If the social services sector is in need of more manpower resources, then create the additional posts by all means. However, the Government should not be required to create more posts simply because many people are unemployed. Moreover, the "wage earners" will not welcome that either, as they might wish to join other trades instead. If wage earners are told to take up jobs in the fields of social services, medical services and education as job opportunities are not available in their preferred fields, would it be necessary for them to undergo retraining before joining the trades? They may well lose their interest in a year or two. The most important point should be to help the local businesses, small to medium scaled enterprises and industries to develop successfully, so that more job opportunities and choices could be provided for the people. We should not press the Government to create more posts or employ all those people simply because they are jobless. Many countries may well be implementing similar policies, according to which their governments will hire all the unemployed people when the size of the unemployed population has increased. However, that in fact will not do the workers any good either.

The second point is on making immediate provisions for the creation of temporary posts and assisting the unemployed in getting employment as soon as possible. My views regarding this point is the same as that of the first point; and for this reason, Mr Deputy, I will not repeat them now. The third point is about putting a halt to the Supplementary Labour Scheme. The point was about putting a halt to the importation of all cheap foreign workers initially, but Mr LEUNG amended that afterwards. The Honourable HO Sai-chu from the Liberal Party will later be speaking on this point in detail, as he is a member of the Labour Advisory Board. As regards the fourth point, which is related to infrastructural projects, it will be covered by the Honourable Edward HO from the Liberal Party.

The fifth point urges the Government to introduce legislation to require employers to consult labour unions or employee representatives before resorting to layoffs, so as to reduce the number of people laid off as far as possible. From the point of view of the Liberal Party as employers, we all attach great importance to employment relations. In regard to our employees,

we have trained them and have been working in co-operation with them over the years, so we just could not lay them off casually for the sake of layoffs. As a matter of fact, employers will not be benefited from resorting to layoffs; and for this reason, employers who have to lay off their employees for financial considerations or poor business performance will try their best to minimize the number of employees to be laid off. However, if employers are required to consult labour unions or employee representatives beforehand so as to reduce the number of people being laid off, I am afraid the eventual outcome would be a substantial cut in working hours for all, a situation which Mr LEUNG has all along criticized as no better than eking out a meagre existence. As there is insufficient work for everyone, many people are asking if the daily working hours could be reduced to six hours, so that everyone would earn less but remain employed. However, since this measure will give rise to other problems that are of concern to us, I do not think it would work. I just think the employers are most unwilling to resort to layoffs, and for those who are forced to do so because of poor business performance, they would try their best to lay off as less employees as possible. I do not believe employers will take any such opportunity to lay off as many employees as possible. What would happen when business improves? Will they start all over again to recruit and train up a new batch of workers? I do not think they will.

The sixth point is on financial assistance for the unemployed. We are of the view that the existing public assistance is quite enough. The unemployed may not necessarily be penniless or poverty-stricken. Our Government has only very limited resources, and such resources should be used to help those unemployed persons who are unable to fend for themselves. We just should not try to provide assistance to certain unemployed bankers or persons used to earn \$20,000 a month, as they may not have any livelihood problems even though they are unemployed. I am afraid we could not agree to providing financial assistance for all unemployed persons across the board.

The last point is about the amount of subsidy granted to participants in retraining programmes. As far as I know, the amount of subsidy for many retraining programmes could amount to \$4,000. At this juncture when employment is hard to find, many jobs may only pay \$6,000 to \$7,000 a month; as such, \$4,000 should not be considered too meagre. In my opinion, if we are to raise the amount of subsidy granted to retrainees, careful studies must first be conducted to set the amount of subsidy at appropriate levels that

would not nurture lazy bones; otherwise, people will just live on the retraining subsidy and do not want to work at all.

With these remarks, Mr Deputy, I make it clear that the Liberal Party opposes the motion.

**DEPUTY PRESIDENT** (in Cantonese): Miss CHOY So-yuk.

**MISS CHOY SO-YUK** (in Cantonese): Mr Deputy, in July last year we were celebrating the re-unification of Hong Kong with China joyously. However, life is full of unexpected changes; in just one year's time, we are faced with the sequelae of the regional financial turmoil which have disheartened us so much. The sequelae of the regional financial turmoil reflect not only in the first negative growth rate we ever have in 13 years but also in the continuously rising rate of unemployment. According to the recently announced government figures, the rate of unemployment has risen to 4.2% during the last quarter, representing an unemployed population of over 138 000 and an increase of 0.3 percentage point when compared with the 3.9% recorded between February and April. However, in view of the fact that the 70 000 university and secondary school graduates who will enter the labour market shortly have not been covered by that figure, and that the economy does not seem to be able to improve within a short while, the unemployment rate can be expected to rise further.

The high unemployment rate is certainly attributable to the regional financial turmoil, but if the "bubble economy" inflated by the ever-rising property prices, land prices and stock prices was not allowed to freely develop in Hong Kong for more than a dozen years, the situation would definitely not be as deploring as we see it now. When taken by surprise by the regional financial turmoil, the financial bubble and property bubble simply bursted under the knock-on effects and revealed the imbalanced structure of our economy. As the economy slackens, businesses suffer and unemployment rate soars; yet we have ourselves to blame. In the midst of an economic recession, the Hong Kong Progressive Alliance (HKPA) believes that the Government should face the reality squarely, reflect on its failure experience and draw

lessons from there. As pointed out in this motion, the Government should actively develop local industries as well as high-technology and high value-added industries, so as to open up a new horizon for the future of Hong Kong and to shorten the painful re-adjustment period as far as practicable.

The HKPA understands that long-term measures could not solve immediate problems. High-technology and high value-added industries should be an objective for long-term development, and could not help the people resolve their immediate problem of unemployment. To help the hundreds of thousands of currently unemployed persons to tide over the difficult time and rejoin the labour market, the Government must start with short- and medium-term measures. In recent months, the Government has announced one after another as many as 28 measures to revitalize the economy. Although many of these measures are effective ones, they are still insufficient to achieve any significant results.

We agree that the Government should commence the various maintenance or environmental improvement related public works projects as soon as possible so as to increase more job opportunities, but these projects could only create an additional 1 700 temporary posts for the labour market. Against the 100 000-strong unemployed population, the effect is just too limited. Moreover, as the posts created are temporary ones, they simply could not offer any solution to the long-term employment scenario. The Government should speed up the progress of the various planned transport and infrastructural projects such as the north-west rail link, the rail link to Ma On Shan, the Tseung Kwan O Bay MTR line and so on, so as to create more long-term posts as far as possible, thereby stabilizing the labour demand.

Nevertheless, the motion today has overlooked a point, and that is the interests of the local companies and workers should be put in the first place in any government consideration of trying to speed up the progress of the various planned transport and infrastructural projects. Past experience told us that most of the infrastructural projects, especially the large scale ones involving consultant advice and management, were assigned to overseas companies which not only had most of the work process completed outside Hong Kong but also imported most of the manpower required from overseas, useless to the local employment scenario. As such, under the principle of cost-effectiveness the



Government should conduct careful studies to separate the large scale projects into various items of work which local companies could handle, so as to increase the job opportunities for local professionals, executives as well as workers.

Apart from providing more posts, the Government should also take heed of the social problems brought about by the high rate of unemployment. According to statistics, in May this year alone, the number of applications for Comprehensive Social Security Assistance (CSSA) on the ground of unemployment has soared by 7.2%, thereby pushing the number of unemployed CSSA recipients to over 20 000. In addition, the high rate of unemployment has also been undermining people's confidence in resolving employment problems by themselves. As indicated in a survey conducted by the Chinese University of Hong Kong, while 90% of the respondents considered in April that they should resolve employment problems by themselves, the figure has dropped to 50% in May. Moreover, another information source has reflected that for the first five months of the year, the number of cases assistance seeking on grounds of unemployment or financial problem has risen by 200% compared with the same period last year. In view of the circumstances, I agree with the motion that manpower resources should be increased in the social services, medical and educational fields so as to achieve a dual effect; since not only additional support could be made available to the needy unemployed persons, but more job opportunities could also be created. More importantly, the Government should establish expeditiously a Social Welfare Services Development Fund to provide adequate protection for the community; besides, it should also announce the result of the review on CSSA promptly, so as to ensure that the social welfare resources could be allocated in a more reasonable manner.

Hong Kong has time and again survived many economic crises, some of which were more serious than the existing one; and in each and every crisis, the people of Hong Kong succeeded in overcoming the hardships in a flexible and positive manner. Although summer is now in full swing, the economy of Hong Kong is experiencing a bitter chill. I hope that the people of Hong Kong would, with their hardworking spirit, join hands to tide over the difficult times and render this winter season not too cold nor too long. I also hope that by this time next year, our economy would be revived, thereby enabling the

people of Hong Kong to live better lives and celebrate the re-unification anniversary joyously.

I so submit, Mr Deputy.

**DEPUTY PRESIDENT** (in Cantonese): Mr LEE Kai-ming.

**MR LEE KAI-MING** (in Cantonese): Mr Deputy, the deploring unemployment situation in Hong Kong should have aroused grave concern from both the community and the Government. Indeed, the rates of unemployment and underemployment which stood at 2.2% and 1.0% respectively in September 1997 have risen continuously to 4.2% and 2.6% during the period from March to May 1998. Since Hong Kong offers no protection or support for unemployed workers, the fact that close to 140 000 people have become unemployed and more than 85 000 others are being underemployed should be a social problem we cannot afford to overlook. What is more, it seems that the unemployment rate will continue to rise while the problem of unemployment is spreading to various businesses and sectors of the community. In addition, large enterprises like the ATV, the Furama Hotel and so on have recently laid off a number of their staff members. As a matter of fact, the current economic slump is resulted from the bubble economy which relies on real estate property and financial services but overlooks industries and the manufacturing sector. In the face of such a grave economic situation, the general masses naturally expect our own Government to do something to strengthen the economy of Hong Kong and resolve properly the unemployment problem, thereby leading us out of the present recession.

Mr Deputy, the current problem of a rising unemployment rate is directly related to the regional financial turmoil. In the midst of a general economic downturn, it is very difficult for the Government of Hong Kong to come up with any immediately effective measures. However, I am not saying that the Government is unable to help the people ride out the storm. As Hong Kong keeps a handsome fiscal reserve, the Government should abandon its obsolete and conservative financial theory at this critical juncture and make extra provisions to stimulate the economy and to resolve the unemployment

problem. In addition, it should also introduce reductions in fees and charges as well as tax rates and rents, with a view to improving the business environment, stimulating consumption and increasing employment opportunities. The Government could also hasten its speed in implementing the various relief measures regarding the economic re-adjustment and help resolve the problem promptly by stepping up the promotion work as well as actively and effectively helping the medium- or small-sized enterprises to obtain loans from financial institutions.

On the other hand, the Government should exercise stringent control over the importation of foreign labour, thereby preventing foreign labour from taking away the job opportunities from local workers. The relevant laws should be amended to subject those employers who employ illegal workers to serious punishment and law enforcement efforts should also be stepped up, so as to resolve the problem of illegal workers and to protect the employment opportunities and interests of the local workers. In regard to the issue of foreign domestic helpers, the policy to import foreign domestic helpers have been in force for 28 years since 1970 and so far more than 170 000 such workers have entered the territory. Therefore, it is time we conducted a comprehensive review on the impact of such a large amount of foreign workers have on the local labour market and the economy of Hong Kong. As for the security guarding services and elderly care services which are short of manpower, their poor remuneration and benefits at present should be improved to attract the unemployed to join the trades. The Government should also put in more efforts to examine the system of unemployment insurance, with a view to resolving the short-term problems for the unemployed and thereby reducing the factors that would give rise to social instability.

Mr Deputy, the Federation of Trade Unions has on a number of occasions made suggestions to the Labour Department, the Education and Manpower Bureau, as well as the Financial Secretary regarding the problem of unemployment. As our suggestions are very much similar to the content of the motion moved Mr LEUNG Yiu-chung, I support the motion. I hereby urge the Government to attach due importance to the views expressed by Honourable Members of this Council and take prompt actions to help the people ride out the storm. I so submit. Thank you, Mr Deputy.

**DEPUTY PRESIDENT** (in Cantonese): Mr Bernard CHAN.

**MR BERNARD CHAN:** Many of our Members of this Council, like most people of Hong Kong, would have felt the pain that the recent economic turmoil has unleashed on our society. We see our businesses shrink, our flats devalue, and some of our relatives and friends lose their jobs or live in fear of going to work the next morning to find that they are being laid off. We, on the contrary, have just got new jobs. As Legislative Councillors, we receive considerable remuneration. It is our job to help relieve Hong Kong people's misfortune by resorting to our jurisdiction. I deeply believe what can really help, apart from a little bit of financial aid, like rent cuts, is an unyielding faith in our future.

Many people have cast a vote of confidence in Hong Kong by purchasing a flat or working incredibly hard. Their desire is simple but solemn — to lead a decent life. The middle class has been particularly enthusiastic in helping to keep the economy alive, but is now badly hit by the economic crisis. What they are looking for has little to do with financial aid, but new initiatives and job opportunities. They are most ready to earn their living and, most important of all, to regain their dignity by resorting to their professional skills and wisdom. These are what they deserve, they believe.

Mr Deputy, in times of massive lay-offs and closure of companies, our unionist Councillors have done a lot helping the jobless. The motion before us carries multiple measures proposed by the Honourable LEUNG Yiu-chung which deserve further study in great depth. I am afraid I cannot lend my support lightly right now.

I would like to reiterate that unemployment has become a great concern for middle class families which previously earned several tens of thousands of dollars per month. What they expect from the Government are new initiatives for future development, rather than an advice to dump their savings to untried businesses, which may unfortunately result in a total loss. Only if we capitalize on our professional skills to provide first-class services and resources to somewhere else can we regain our livelihood — and dignity.

I urge the Government to be far-sighted and give us a vision to tide over these hard times. Mr Deputy, I shall abstain from voting. Thank you.

**DEPUTY PRESIDENT** (in Cantonese): Mr CHAN Wing-chan.

**MR CHAN WING-CHAN** (in Cantonese): Mr Deputy, as a result of the financial turmoil, the economy of Hong Kong is suffering a downturn. Every sector has its own hardships and the number of unemployed workers keeps on rising. The economic outlook is not optimistic at all. Although recently the Government has twice put forward stimulus measures to rescue the economy and to relieve the people's hardships, to the wage earners' disappointment, the Government has yet to draw up a comprehensive package of measures to help the unemployed ride out the difficulties. Although the Government has put forward a package of the so-called "nine-course banquet" measures, the unemployed, nonetheless, receive no real benefits.

In the face of rising unemployment, the Government should take a more aggressive approach to create jobs. We in the Federation of Trade Unions (FTU) met with the Financial Secretary a few days ago to present to him a series of measures to stimulate the economy, which included improving the business environment, expediting the implementation of infrastructure projects, creating more jobs, exploring more social development services, such as elderly services, child care, domestic help as well as the support for new immigrants. All these services can improve community development and create jobs.

Take the child-care services as an example. Many women in Hong Kong are forced to give up their jobs because they have to stay at home to take care of their small children. When their children are older and these women wish to return to the labour market, they will have great difficulty finding a job and they become the so-called non-working population as described by the Government and their working ability is thereby neglected. Some social bodies have thus suggested that the Government should set up a nanny registration system to provide certain training for the housewives who take care of their young children at home to become qualified nannies. At the same time, the Government can also co-ordinate the child care services to facilitate these women returning to the labour market. This will help reduce unemployment to a certain extent.

Moreover, the FTU has also suggested opening up more holiday flea markets to allow the unemployed another way of earning a living. As flea markets are open on holidays and Sundays, the rent of the stalls is low and the objects for sale there are usually inexpensive but of good quality, they will certainly attract many people to visit and make a purchase there on family days. At the same time, holiday flea markets, also need to hire management staff, thereby making some temporary jobs available. Hence, this can be said as achieving two ends in one move.

In addition, to launch environmental improvement projects, such as sewage, cleaning the environment and tree planting programmes in the city, will also need to hire temporary workers, thus increasing employment opportunities.

In respect of the issue of unemployment, the FTU has always maintained that labour importation has to be halted. Besides, the Government has also complied with our request and immediately expedited the implementation of massive infrastructural projects. This we have welcomed. Although the implementation of infrastructural projects can stimulate the local economy, only when it can be ensured that local workers are offered the jobs first will the infrastructural projects help resolve the unemployment problem. I have said this from our past experience. The opening of the new airport on the day before yesterday has turned over a new leaf in the history of aviation in Hong Kong. I remember that when the construction of the airport commenced, local workers had high hopes that plenty of jobs would be available. But what was the real situation? The Airport Authority set up a recruitment centre and few local workers got employed. Even for those who were employed, they were only given jobs in small projects and were usually out of work within two or three months. As a result, the whole new airport project was awarded exclusively to foreign workers. Therefore, if the Government does not halt the importation of labour, nor set up a monitoring mechanism to ensure local workers' priority of employment, the massive infrastructural projects will only be something "appealing to the ears but useless" to the local workers.

Mr Deputy, the Government should step up its efforts in cracking down on illegal workers to prevent more of the local workers' "rice bowls" being snatched away. The Government has never set a upper limit for the number of imported professionals. Last year, the Immigration Department issued a total of over 56 000 working permits, the highest number in all these years,

to foreigners to work in Hong Kong. As far as I know, as mentioned by Miss CHAN Yuen-han just now, 10 British nationals were issued working permits to work as bartenders in local bars. Mr Deputy, many local people are qualified to be bartenders. Why do we need 10 foreigners to come to Hong Kong to work as bartenders?

Mr Deputy, thousands of households in Hong Kong are suffering as a result of the merciless deterioration of the unemployment problem. It is difficult for the unemployed to find work again, and for those who are still holding a job, they are under the constant fear that they would be laid off or sacked any time. The Government should pay close attention to and look squarely at the various problems caused by unemployment to help the unemployed tide over these difficult times.

Mr Deputy, I so submit.

**DEPUTY PRESIDENT** (in Cantonese): Miss Christine LOH.

**MISS CHRISTINE LOH:** Mr Deputy, Mr LEUNG Yiu-chung asked the Government to develop local industries. There seems to be a mistaken impression that Hong Kong has no industries. Actually, we have some very successful businesses in the industrial sector. These companies, however, do not manufacture very much in Hong Kong nowadays. They manufacture where costs are the lowest, or they manufacture close to their export markets, even if that means paying higher costs.

These companies are successful, not because they are cheap, but because they are good at what they do. Their central functions of product development and engineering are still based in Hong Kong. Their marketing and distribution units are also in Hong Kong. I do consider these as our high value-added activities. These companies need good technicians to improve and create their products. They also need support staff to handle their global production and distribution networks. The days of low-cost, low-skill manufacturing in Hong Kong are over. If we want to develop high-cost, high-skill industries and services, we need to dramatically upgrade our intellectual capital. As a small, open economy thrust into the global

markets, we need more than ever to be highly skilled. There are opportunities, for example, in bio-technology, in East/West medicine research and in environmental technologies. These are just a few examples. There are more growth areas.

When I was listening to Mr LEUNG Yiu-chung in the earlier debate, Mr Deputy, he seemed not to have put much faith in the usefulness of financial services. I hope he will change his mind because this is genuinely an important and a potential growth area. As a banking centre, Hong Kong is way, way behind London and New York. Hong Kong's stock market capitalization is only a fifth of the size of London's and one-twentieth the size of New York's. Hong Kong also cannot rival London and New York in volume of transactions or number of financial deals. Our foreign exchange and futures trading are really no more than second-class in scope and in volume. With Tokyo in trouble and Singapore no better than Hong Kong, there is an opportunity for growth. With China's reform, Hong Kong is best placed to help China raise capital. This is essential to help China modernize. What we need to do is to have a vision and a plan to be Asia's premier financial centre. Industry needs financial support. The Government had better get real financial professionals to head its financial services bureaux.

Anyway, these are issues for future debate, Mr Deputy. But going back to Mr LEUNG Yiu-chung's seven proposed measures to help unemployed persons tide over difficult times and rejoin the labour market, some of the measures are already part of the seven parties' proposal to the Government, such as to speed up infrastructural projects. I would put one proviso, Mr Deputy, and which is, that will not lead to sacrificing environmental concerns.

There are several of Mr LEUNG Yiu-chung's seven measures which I am unable to accept, however. For example, I really am not sure that to use legislation to require employers to consult labour unions or employee representatives before resorting to layoffs will help reduce the number of people being laid off.

Mr LEUNG Yiu-chung and yourself, Mr Deputy, might remember that not very long ago, may be several months ago, one local hotel tried to suggest ideas on how to minimize laying off staff. The measure they proposed may not have been too attractive. It was something like asking a portion of their staff to take unpaid leave for some months, but that the hotel was willing to



continue with some benefits such as medical care. When that proposal was made public, I recall that it was roundly condemned by trade unionists. Perhaps trade union representatives could have mediated in that case rather than to have condemned the employer's effort. In the end, what happened was there seemed to have been no channel for discussion, and the hotel after a short while decided actually to lay their staff off.

So, I do want to pose one question, and that is, how labour activists and labour union representatives in Hong Kong can actually try and use their skills and experience to mediate rather than to call for legislation at this stage.

We all know, Mr Deputy, even if we were to accept this proposal to have legislation, it will take many months for the laws to be thought through and to be passed by this Council. Since today the problem is we are having a rising unemployment situation, if it is possible in some cases to minimize the problems, I will call on our very committed labour representatives in this Council to do what they can to mediate rather than to condemn employers for wanting to cut costs.

The business climate is truly difficult today. Sales have gone down. If you are operating a small business and relying on local business, you are not able to get credit. You have a liquidity problem. What you want to do is to try to increase productivity, and that is why you may want your workers to work longer hours. These are very practical measures. I think it would be wrong for us to roundly condemn what employers are trying to do to lower costs and to increase productivity.

For these reasons, Mr Deputy, I am unable to support Mr LEUNG Yiu-chung's motion.

**DEPUTY PRESIDENT** (in Cantonese): Mr LAW Chi-kwong.

**MR LAW CHI-KWONG** (in Cantonese): Mr Deputy, several of my colleagues from the Democratic Party will speak on the motion moved by the Honourable LEUNG Yiu-chung. Our spokesman on this subject, the Honourable Andrew CHENG, will also discuss it in detail. I will only concentrate on two items in Mr LEUNG Yiu-chung's motion, which are: first,

to increase the manpower resources in the social services; and second, to introduce unemployment assistance.

In the previous motion debate, the Honourable Fred LI has already expressed our support for the establishment of a social welfare fund on behalf of the Democratic Party. He also pointed out how urgent the need for family services is. Concerning the social welfare services that suffer a shortage of manpower at present, there are too many on the list, and I will not give a detailed account of each of them. To be brief, I will highlight three items to which the Government has turned a blind eye in recent years. They are:

1. The first is family casework service. According to the service standard set by the Government in 1981, that is, 17 years ago, there is a manpower shortage of as high as 35% at present. In other words, the Government needs to employ 410 additional family casework social workers in order to attain the standard set 17 years ago.
2. The second is the medical social work service. According to the service standard set by the Government in 1979, that is, 19 years ago, coincidentally, there is also a manpower shortage of 35%. In other words, the Government has to create 184 more medical social worker posts in order to attain the service standard set 19 years ago.
3. The third is the school social work service. The social welfare sector and educators, and even all Hong Kong people who care about the well-being of the students, with the exception of government departments, all agree that there should be one social worker in every secondary school. In a recent report about the review on the school social work service, the Government still ignored the consensus reached in society that there should be one social worker in every school. And then, appearing to have made a great concession, the Government symbolically raised the manpower ratio and had two social workers shared by three schools. I hope that the Government will just stop going to all such trouble of consulting the public. Over a decade ago, the community had already made it very clearly that they wanted one social worker in every school. The Government should stop

pretending to be ignorant of this and then speaks of conducting a public consultation. Calculating on the basis of one social worker in every school, we now have about a 32% shortage in manpower and require an additional 143 school social workers.

There is already a shortage of 737 social workers in the above three categories of services alone. If the Government complies with the people's wishes or if it attains the service standard that it promised over 10 years ago, not only no social work graduates would fail to find work but there would even be insufficient social work graduates to meet the demand!

For the remaining part of my discussion, I will comment on the issue of introducing financial assistance for the unemployed. Both in the 1995 and 1998 Legislative Council elections, this was a very hot topic for discussion during the election campaigns, but regrettably, we never heard a positive reply from the Government. In the past, the Democratic Party put forward many suggestions on the improvement of the present Comprehensive Social Security Assistance (CSSA) system to help the unemployed, such as raising the assets limit so that more households affected by unemployment who have financial needs may receive help. However, since the Government is going to consult the public concerning the review on the CSSA system shortly, I will wait and discuss the details later. On the other hand, we suggest that the Government should consider the establishment of a contributory unemployment insurance scheme and consult the public about it so as to allow the public to decide whether there should be a more comprehensive unemployment security system. In respect of how much money should be injected by the Government and how much the employer and the employee should contribute respectively, we can leave it to discussions during the consultation.

With these remarks, Mr Deputy, I support the motion.

**DEPUTY PRESIDENT** (in Cantonese): Mr Edward HO.

**MR EDWARD HO** (in Cantonese): Mr Deputy, as the Honourable James TIEN has said, the Liberty Party does not agree to some of the measures proposed by Mr LEUNG Yiu-chung but I do agree to the proposal on infrastructural construction. I would like to talk about the relation between

employment and infrastructural construction or indeed an expedition of the same. I also hope that the government officials present here today will convey my views to the Secretary for Works or the other Policy Secretaries concerned because I know that they will not read our speeches. The expedition of infrastructural construction does not necessarily mean that there will be a substantial increase in the employment opportunities for local professionals or local workers of the related sectors. Although I support that the Government should speed up the implementation of the necessary infrastructural projects, I think that the Government should look closely into its old policies which were unfavourable to the local professionals and construction industry so that locally trained professionals and workers can be given the best chance of securing an employment.

Our experience has told us two things. First, for many infrastructural projects, their grand scales and the resources and skills required to match such scales have rendered many medium and small companies or even some companies of a relatively large scale in Hong Kong totally unqualified to participate. Second, because of the scale of the projects, they may have a special requirement for certain skills or experience. It is the usual practice of the Government to open up the contracts for international tender to engage the companies to be in charge of these projects. But since the Government has all along neglected the need to effect technology transfer, local companies has not got the chance to gain such experience, and as a result, they are in an inferior position when competing with other companies.

My suggestions are as follows:

1. The works contracts should be drawn up in such a way that local professional companies or construction companies will be qualified to participate and even medium and small companies are given the chance to bid for the tenders as far as possible.

2. Although I do not object to opening up large-scale projects for international tendering as this is provided by the World Trade Organization (WTO), I think that as long as the principle of fair competition is not violated, there is justification for including the skills and experience of undertaking local works as an important condition for granting the contracts. It is undeniable that the local professionals, contractors or workers will certainly make concrete

contribution to any projects undertaken in Hong Kong and their local experience will enable them to carry out the projects more smoothly. Therefore, to include this as a condition for awarding the tender should not contravene the provision of the WTO. Under these circumstances, I suggest that the Administration should have the consultancy contracts awarded through international tender executed by the companies or consultant firms headed by local professionals or people from the local construction sector in the form of a joint venture or other means of co-operation. As regards the contractors, the Administration should also take the same approach when necessary so as to allow, as far as possible, local companies to fully take part in these projects. This will not only increase local workers' employment opportunities but will also effect a transfer of technology.

3. Concerning the technology transfer, I have made criticisms repeatedly in this Chamber. Taking the example of the Airport Core Programme Projects that have just been completed, almost all the projects were designed and monitored by foreign companies while local companies have not been benefited from the whole programme whatsoever. China is implementing many large-scale airport projects at the moment and is also opening them up for international tender. It is a shame that although Hong Kong has just completed such a grand international airport, Hong Kong companies lack sufficient experience and qualification to bid for these projects in China. We extremely regret such a situation.

4. Although the Government claims to have chosen foreign consultants or contractors for reason of the best price value, it is usually the case that although the foreign consultant firms or constructors do have a good reputation in their own countries, they are only "dragons from the other side of the river", so to speak, when they come to Hong Kong. More often than not, they fail to send the most competent staff to undertake the contracted projects in Hong Kong. Sometimes, they even employ "new recruits" in Hong Kong or our neighbouring places and hastily put them on the job. That is to say, these companies sound more impressive than they really are and Hong Kong may not get the greatest benefit out of them. On the contrary, to set down as a term of award that the companies participating have to have established in Hong Kong for a considerable period of time will ensure that there will be the participation of the most competent professional personnel available. Therefore, before appointing a foreign company, the Administration must ensure that it has the participation of local specialists and major

persons-in-charge. Only in so doing can foreign companies and local companies be on fair grounds.

5. Some professionals have pointed out that we cannot expedite the completion of infrastructural projects at all costs because this will lead to a waste of resources. We only hope that the Government will speed up the implementation of the infrastructural projects.

Lastly, Mr Deputy, in respect of the requirements of the WTO, Hong Kong should be considered the fairest, most open and law-abiding place, as we have practically imposed no restriction on the entry of foreign professionals. But has the Government noticed that some countries, despite their apparently open invitation for tenders, have made it very difficult for foreign professionals to obtain a working permit in these countries because these countries practise protectionism by means of entry restriction? Therefore, the Government is obligated to request the WTO to require these countries to change and prohibit these countries which appear to uphold the principle of fair trade from using an invisible hand to contravene the provisions of the WTO.

Mr Deputy, I so submit.

**DEPUTY PRESIDENT** (in Cantonese): Mr Andrew CHENG.

**MR ANDREW CHENG** (in Cantonese): Mr Deputy, as regards the motion moved by Mr LEUNG Yiu-chung, I will comment on items two, three, four and seven on behalf of the Democratic Party.

First, it concerns expediting the implementation of the infrastructural construction. A few days ago, the Government advanced the commencement of five infrastructural projects the construction prices of which amount to \$1.3 billion in total and it is estimated that 530 posts will be created within two to five months. According to the 1998 Budget, the Government intends to commence work on 29 major capital projects worth \$25.6 billion in total in early 1999. These projects will be funded from the Capital Works Reserve Fund. The Government should advance the commencement of such projects for three to five months so as to create more employment opportunities.

The Government had once said that after the completion of the various Airport Core Programme Projects, it would first embark on three railway projects, namely, the West Rail, Mass Transit Railway Tseung Kwan O Extension and the Ma On Shan Rail Link to make them the core of Hong Kong's infrastructural development. In fact, these three priority railway projects proposed in 1994 had been planned for years. The prices of these three projects add up to about \$100 billion in total. If the Government allocates more resources to speed up the land resumption and planning work to advance these projects, they will certainly stimulate the economy of Hong Kong and improve the employment situation.

Mr Deputy, with respect to the construction of the Ma On Shan Rail Link and the Tsim Sha Tsui Extension, the Government estimates that the Lands Department which is in charge of land resumption and other land-related matters has to spend an extra \$15 million on recruiting more staff and contracting out part of the land surveying and draughtsman work. To implement these priority railway projects, the Government has already set aside \$24 million to cover the costs of additional staffing by the Transport Bureau, Highways Department, Transport Department, Planning Department and also the Civil Engineering Department. If the work of various stages of the railway projects can be expedited, the Government can make the provisions and start the recruitment earlier.

Mr Deputy, the Government used to award most of the contracts for major projects to foreign companies and these companies employed large numbers of expatriates. Local companies and local workers could hardly benefit from such projects. Therefore, the Government should break the contracts for large-scale projects into smaller ones, giving local contractors more chance to bid for them. At the same time, the Government should also lay down in the contracts strict restrictions on the employment of expatriates to give local professionals and employees more employment opportunities.

However, it should be noted that the Democratic Party does support the Government's expedition of the implementation of the infrastructural projects already planned. But if the Government blindly opens up posts only for the sake of increasing employment opportunities, that is, to open up posts for the sheer sake of creating more jobs, we think that this may end up wasting public funds.

Mr Deputy, in respect of the halting of the "Supplementary Labour Scheme", in the light of the strong opposition of all sectors in society and also the financial turmoil, a few days ago, the Government finally decided to shelve the plan of importing construction workers temporarily. At present, with the high unemployment, few jobs are available and there are more hands than needed. Under these circumstances, the Chief Executive should even more rigorously honour his promise made in last year's policy address to give priority to protecting local workers' employment rather than to go against the public's wishes and allow the importation of labour to continue. At the end of May this year, there were a total of 5 800 places available for supplementary workers but only 3 400-odd were filled. The Government should halt the Supplementary Labour Scheme immediately so that the remaining more than 1 000 jobs can be filled by local workers.

Lastly, Mr Deputy, as regards the allowance granted to participants of the Employees Retraining Scheme (ERS), the Democratic Party has the following views.

At present, the allowance granted to participants of the ERS is indeed open to question. The Employees Retraining Board (ERB) has mainly based on two principles in determining the daily allowance. First, it is calculated by taking half of the median wage, and then dividing it by 26, the number of working days in a month on average; that is, taking the present median wage of \$10,000, one half of it is \$5,000, and dividing it by 26 days, the result is \$192.3 daily. But the present daily allowance provided by the ERB is only \$153.8 which is apparently in breach of the original principle. Second, another consideration for the determination of the allowance is the wage level obtainable when the participants get a job after finishing the course.

In fact, Mr Deputy, the usual practice of the ERB is to review the allowance and adjust it every year. Nevertheless, no corresponding adjustment has been made to the allowance over the past two or three years. The ERB has delayed the review for the reason that they were waiting for the consultant's report on the Review of the Employees Training Scheme. But after the publication of the report, the ERB did not review it immediately. Consequently, the allowance for the participants enrolled in the programmes in 1995 was in fact lowered. Until today, the participants of the Scheme have yet to receive the reasonable allowance.



Mr Deputy, finally, I would like to remind Members of this Council who are also Members of the ERB to review as soon as possible the problem about the ERB trainees' allowance as I have just mentioned. They should not contravene the basic principle and suppress the allowance that the trainees deserve. In doing so, more Hong Kong people can receive some basic training under the ERS and have a better chance to secure a job in future.

With these remarks, Mr Deputy, I so submit.

**DEPUTY PRESIDENT** (in Cantonese): Mrs Selina CHOW.

**MRS SELINA CHOW** (in Cantonese): Mr Deputy, as regards the motion of Mr LEUNG Yiu-chung today, I think that all Members here share the same feelings in many aspects because we do not wish to see any further swell of the unemployed ranks but nonetheless we cannot support Mr LEUNG Yiu-chung's motion. Mr James TIEN has already commented on several of the items already. Basically, we do have different points of view, but I wish to talk about the thoughts of my own and also of the Liberal Party. We do have differences here but I hope that we will respect the differences of one another.

I believe that no one wishes to see the present situation of Hong Kong where so many are jobless. But we feel that this is one symptom of the ailing Hong Kong economy. To treat this symptom, we have to trace the cause of the illness. The Government and society alike have to do their best to help the economy recover as soon as possible. In doing this, we must remind the Government that it has to make more efforts policy-wise so as to allow those who have the ability to create wealth to take the lead in helping the economy recover. Then the unemployment problem can gradually be resolved. Regarding the businessmen that I talk about, most of them are owners of small businesses who employ a very small number of workers. In spite of this, I feel that we must always keep these tens of thousands of small employers in mind because they represent a very important force in the economy of Hong Kong. During April and May, I had the chance to talk to many such small employers because of the election campaigns. They feel that the various pressures exerting on them at present are troubling them seriously. They feel that not only the deteriorating economy exerts a pressure on them but the Government or the general public does not understand their difficulties and

puts even more pressure on them. Hence, they hope that we can look squarely at the problems confronting them. For example, item (5) of the motion states, "(to) introduce legislation to require employers to consult labour unions or employee representatives before resorting to layoffs". But none of these employers wishes to lay off their workers. They all hope that their business runs well and they like to employ more workers. Who would not want his business to keep on growing? The problem is that under this economic downturn, they have no choice but to lay off their workers. Then, at the same time they are facing all kinds of restrictions some of which may even be imposed by law. These small employers are defenceless against such circumstances. Unlike big companies, they do not have the personnel department, personnel manager, legal advisor; hence, in the face of such situations, they are totally powerless.

Item (6) of the motion proposes "(introducing) unemployment assistance payments". Concerning this, I feel that either the Liberal Party or most members of the public will have to consider what burden this will bring to the whole community. By this, do we mean the financial assistance for unemployment? Some colleagues may say that since it is not called the unemployment welfare payment, we can then raise our hands in support. But when we talk about providing financial aid and the consideration is based on whether the recipient is unemployed, then this is a dole, is a welfare payment. But then, is Hong Kong really intending to take this step? In fact, concerning this issue, many other communities also consider the so-called "slippery slope". Once we begin walking down this slippery slope, we are already taking our first step towards socialism.

Item (7) of the motion talks about "(raising) the amount of subsidy granted to participants in retraining programmes". Again, this smacks of welfare. We strongly support the Employees Retraining Scheme, but its purpose is to train up the workers rather than handing out welfare by means of the Scheme. The most important point is that we have to strengthen the power and will of Hong Kong people to strive constantly to renew their strengths. We hope that everyone, be he an employer or a worker, can enhance his own will of self-reliance and to stride constantly forward. This is the real key to success in Hong Kong. Hong Kong has been very successful all along. Despite the economic downturn, we should not change this very essence of ours. I believe that we are able to strengthen the Hong Kong people's ability to create wealth. No matter it is the owner or worker of a big,

medium or small enterprise, if everyone is of one mind and works hand in hand, Hong Kong will certainly ride out this economic storm very quickly.

**DEPUTY PRESIDENT** (in Cantonese): Dr Raymond HO.

**DR RAYMOND HO** (in Cantonese): Mr Deputy, over the past 10-odd years, many people in Hong Kong might not have seen unemployment as a serious problem. Everyone has held the attitude that, "In Hong Kong, as long as one is willing to endure hardships and work hard, he would have no problem securing two meals." But with the rapid deterioration of the economic conditions in Hong Kong recently and the influence of the unstable factors in the Asian Pacific Region, our unemployment has reached a worrying level. From the latest unemployment rate of 4.2% published by the Government last month, we can see that the number of unemployed workers is now close to 130 000. Considering the total working population, we can see that one out of 25 people on average is out of work, the highest in 15 years, indicating that the unemployment problem has gone out of control.

Everyone also realizes that unemployment does not only affect the labourers, but the white-collar workers, the mid-level management class and even professionals are not spared. The worst hit are the retail industry, tourist industry, manufacturing industry and construction industry. To reduce the present unemployment, the Government has proposed 12 measures earlier in the hope of introducing 100 000 jobs to the labour market in the next 10 or more months. I, of course, very much agree to the Government's move but I also have the following suggestions.

By increasing the infrastructural projects and transportation projects, the Government injects large sums of money to stimulate the working population. This is of course one way to save the market, but I hope that the Government will act speedily and implement these plans as soon as possible to meet the people's pressing need. In my opinion, since the Government has the determination to advance the infrastructural projects to increase employment, it should follow the basic principle that these projects have to benefit local professionals and workers first by giving priority to them in the course of

recruitment. On the tender documents of these projects, it must be stipulated that how many local engineers and workers have to be employed and this term should be examined during the approval procedures of the tenders. In the tendering conditions and also arrangements of the works contracts, it should also be ensured that local companies should have a high degree of participation, so that the resources can be appropriately distributed and applied rather than being allowed to leak to other countries, not to mention increasing the employment opportunities or achieving a technology transfer.

I understand that over 67 000 of these 100 000 posts are only of a temporary nature the average employment period of which is only 25 months. They will only be able to meet our most pressing need. Besides, among these 100 000 new posts, close to 60% are created by the construction of infrastructural projects while posts offered by the Government only account for 10%, and the jobs relating to tourism, telecommunication, education, social welfare and others account for about 10%. In fact, these posts do require certain skills and know-how and therefore to most unemployed workers who were originally engaged in the retail, catering and hotel industries, the new posts do not seem to be able to meet their needs. After all, we cannot ask a sales lady from Yaohan to engage in masonry or a baker of the Maria's to bend the bars. Therefore, although the package proposed by the Government may reduce unemployment in the short run, it will not help resolve the problem completely. Hence, there is a need to formulate a long-term visionary policy.

The Government's proposal today must tie in with the long-term industrial development and training strategy. It must actively develop high technology (hi-tech) and high value-added industries in order to provide a steady supply of jobs and manpower in the long run. The Government needs to assist the small and medium enterprises to maintain their competitiveness and avoid further shrinkage or closing down — situations that will render more workers redundant and worsen the unemployment problem even further, so as to stabilize the labour market. As Hong Kong is now in the process of an economic transformation which is expected to take four to five years to complete, the Government must spare no effort to accelerate the transformation and at the same time encourage and assist the business sector to create more job opportunities. It should also nurture the new hi-tech industries and step up the people's training in two languages and three dialects and technological skills so that they can adapt to the new economic environment as soon as

possible and meet the requirements of the newly developed industries after the transformation.

Under the present sluggish economy, the Government should take the lead to help the various industries tide over their hardships so that they would not have to close down or lay off their workers because of financial difficulties. I truly hope that the Government will provide more assistance to small and medium businesses so that they can hold out and help their staff keep their "rice bowls".

Mr Deputy, I believe that it is not an easy task for the Administration to resolve the unemployment problem and revive the economy in a short time, but I hope that it will take solid moves to speed up the revival of our economy and help the unemployed get a job as soon as possible.

I so submit. Thank you.

9.46 pm

THE PRESIDENT resumed the Chair.

**PRESIDENT** (in Cantonese): Mr SIN Chung-kai.

**MR SIN CHUNG-KAI** (in Cantonese): Madam President,

*The bursting of the bubble economy*

This year marks the first anniversary of the establishment of the Hong Kong Special Administrative Region (SAR) and it is also a year of economic turmoil in Hong Kong. Looking back on the same day last year, the Hang Sang Index broke record highs one after another, the prices of new stocks shot up as soon as they were pushed out into the market, and property prices kept soaring. In every corner of Hong Kong, we could hear people, male, female, old and young, talk about stock and property prices, and boast about their original views. Hong Kong was prosperous and the economy robust. Who

would have expected that today, one year later, the Hang Sang Index and property prices have plunged 50% and one's property has turned from a million-dollar asset to a negative asset and the stock certificates are now worth no more than wallpaper? It is estimated that since the financial storm swept through Hong Kong, every household has lost \$2 million on average. These are all live examples of the bursting of the bubble economy. Today, however, who would admit that it was a bubble economy? Just like our financial and monetary officials, despite the hard experience of the financial turmoil since last October, they have still not faced up to the reality but keep on stressing that the financial turmoil will soon be over and that the economy of Hong Kong will soon recover given its sound fundamentals.

Today, cruel facts are unfolding before our eyes one after another. Retail enterprises and department stores such as Yaohan and Daimaru are closing down; some long-established enterprises such as the Harper Hire Cars Limited, Wing On Department Stores and Cathay Pacific have laid off large numbers of staff; frauds by securities companies such as the C.A. Pacific Securities Limited, Forlux Securities Limited, Ming Fung Securities Limited and Hing Shing Investments Company were exposed one after another; and the incidents about Maria's and KPS Video Express have brought down the advanced paying system. As a result, employers, employees, consumers and investors alike have all suffered in this economic crisis. At the same time, with the bursting of the bubble economy, the shortcomings of the local economy including the problems with the supervisory system of the securities market and the central clearing system have surfaced, dealing a blow to Hong Kong's position as a financial centre. Coupled with the high production costs in Hong Kong, the competitiveness of our enterprises has been greatly undercut.

*Short-term measures only good for temporary remedies*

The impacts of this financial turmoil are far-reaching. From the Chief Executive to the various officials of the SAR Government, they were blindly optimistic in the past and only knew to sing praises of Hong Kong. I find such an attitude should be discouraged. They have failed to look squarely at the problem and suit the remedy to the case.

The seven measures put forward by Mr LEUNG Yiu-chung today and also the motion moved by Mr CHAN Kam-lam earlier are only temporary and

expedient measures for killing the people's pain after a trauma. But they are not a panacea and can hardly close the wound and heal the body. As regards Mr LEUNG's proposal of making provisions for the creation of temporary posts, we have to be very careful because arbitrarily creating posts without taking into consideration the cost-effectiveness may perhaps reduce the number of unemployed workers in the short run but in the long run, it will only inflate the bureaucracy structure and the recurrent expenditure of the Government, and will even add to the burden of society.

The Democratic Party agrees that the Government should take some short-term measures to relieve the people's difficulties such as to return the tax, to expedite the implementation of infrastructural projects already planned, and also to carry out the promised social services, as we have requested just now. The Government has already undertaken to implement these measures and pledged its commitment to the community. It was only that it did not have sufficient resources to carry them out. We think that these measures have to comply with three principles: first, they will not affect the Government's efficiency of administration; second, a small government has to be maintained; third, its fiscal policy has to comply with the prudent financial management principle provided in the Basic Law.

#### *Direction of the long-term development*

My colleagues from the Democratic Party have already commented on the various short-term measures proposed by Mr LEUNG and I will discuss the long-term economic development strategy of Hong Kong in the following. Both Mr LEUNG and Mr CHAN have only briefly mentioned about the long-term strategy of relieving Hong Kong from its plight in their motions. Mr LEUNG opines that the Government should rigorously develop the industry, high technology and high value-added industries of Hong Kong and Mr CHAN also urges the Government to draw up a long-term industrial policy. These are the directions for the economic development of Hong Kong which are worth looking into. But it is a shame that Mr LEUNG has failed to explain in detail what he thinks should be done in the long run to resolve the unemployment problem in Hong Kong; all he has pinpointed at are but short-term measures.

At present, all multinational enterprises worldwide stress very much on cost-effectiveness in dividing the working procedures such as purchasing,

manufacturing and design. It may involve many different countries to manufacture a pair of jeans. For example, its material, style, and computer-aided design software may all come from different countries. The manufacturing industry and service industry are very closely related to information technology. Therefore, whatever Hong Kong has in mind about the development of industry, what it needs is more than a slogan.

The Democratic Party supports the industrial development in Hong Kong but this cannot be confined to the development of manufacturing industry alone as we have done in the past. After the financial turmoil, the sequelae of the local economy having depended too much on the real estate sector have been fully exposed. The plunge of the property market has hampered the development of the local economy. The restriction on land sales and the Government's high land price policy in the past have brought the rent of Hong Kong to the first or second highest in the world. This has no doubt increased the operation costs and seriously weakened our competitiveness. Therefore, Hong Kong must look squarely at the problem of over dependence on the real estate sector and embark on a diversification of the economy. On the other hand, there are also many flaws in the financial services sector which should be thoroughly rectified to restore the confidence of local and overseas investors. This is a necessary step for Hong Kong to re-orientate its development direction and role in order to restore its former glory. The United States began to review the problem of the downturn of her productivity in 1985 and after 10 years of streamlining and reforming her enterprises, her competitiveness was then restored. The Japanese economy began a downturn in 1990, and until now, almost 10 years later, it has yet to recover. Therefore, it seems that there will be some time before the economy of Hong Kong can regain its vitality.

I look forward to the opportunity of debating on the long-term policy. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr CHAN Kwok-keung.

**MR CHAN KWOK-KEUNG** (in Cantonese): Madam President, a year has passed since the reunification of Hong Kong with China. So far, the concepts of "one country, two systems", "Hong Kong people ruling Hong Kong" and "a



high degree of autonomy" have basically been put into practice. Besides, the first Legislative Council has been returned under a fair and clean electoral system, and our political systems, freedom of the press and so on have all been preserved. All these deserve rejoicing. Unfortunately, a year after the reunification, the economy of Hong Kong is now experiencing a drastic downturn and there is an ever-increasing unemployment figure — a situation indeed out of the expectation of all of us.

Honourable Members belonging to the Federation of Trade Unions (FTU) have repeatedly pointed out in this Chamber that the sharp decline of the manufacturing industries of Hong Kong will lead to two consequences. First, people will be deprived of the opportunities to engage in the manufacturing industries. Second, without the manufacturing industries as its foundation, our economic structure will lose its balance and become vulnerable to outside impacts.

Over the past decade or so, things have indeed been running very smoothly with the economy of Hong Kong. The property and stock markets have seen one boom after another, and our Gross Domestic Product (GDP) has managed to maintain an annual growth rate of around 4% to 5% on average. As a result, many people, government officials not excepted, have turned a blind eye to the decline of our manufacturing industries.

The recent financial turmoil in Asia, in addition to having huge impacts on Hong Kong, has also exposed the weakness of our economy, namely, an imbalanced economic structure. This has aroused the concern of the community as a whole, bringing home to us the importance of revitalizing our manufacturing industries.

However, we cannot possibly revitalize our manufacturing industries overnight, and our attempts to do so will not provide an immediate solution to our serious unemployment problem. Hence, the Administration must put in place some contingency measures to increase the number of jobs available. The Special Administrative Region Government has no doubt put forward a total of 12 measures to solve the unemployment problem, but these measures cannot possibly achieve their desired effect immediately, and they obviously have not been given inadequate financial support.

What the unemployed need most urgently are jobs because their failure to secure jobs has made them extremely worried, grieving over the lack of income. The recent increase in suicides and cases of wife battering and child abuse can all be attributed to unemployment. As a member of this community, I cannot help feeling concerned, and, in particular, as a trade unionist, I really share the plight of the unemployed workers. Therefore, with a great sense of urgency, we in the FTU call upon the Government to draw up as soon as possible some effective measures which can increase the number of job vacancies immediately. My FTU colleagues and I would like to make the following recommendations:

*Speeding up the progress of infrastructural construction*

One of our recommendations is the speeding up of infrastructural construction. Experience shows that a booming construction industry will be able to provide many job opportunities for workers. Besides, the construction of underground railways will also provide jobs to many local workers and newly arrived citizens.

Since the construction industry is more flexible in providing jobs, the Government should advance the commencement dates of some infrastructural projects in view of mass unemployment. The 12 measures put forward by the Government to ease unemployment do cover the advanced commencement of some public works programmes, but we maintain that the priority employment of local workers should be specified as one of the tendering conditions.

Besides, the Government should also launch some other large-scale infrastructural projects as soon as possible. One example of such projects relates to the removal of the airport. The removal of the airport will lead to changes in the town planning and building restrictions for Kowloon East, and the population there will also increase as a result. The Government should now consider launching the construction of the Kowloon East MTR extension and the transport networks for Kowloon East and Kowloon South. The launch of these large-scale infrastructural projects will certainly increase many jobs. Regrettably, however, after long years of planning, the airport removal project has so far failed to lay down a new blueprint for the development of the old airport site. This has hindered the launching of construction works and the Government should speed up its work in this respect and announce the relevant plans as soon as possible.

*Providing stable funding to the Employees Retraining Board (ERB)*

Before the unemployed manage to secure jobs, they should make the best use of their time and attend some retraining courses to improve their occupational skills and enhance their competitiveness, so as to better prepare themselves for their future jobs.

The FTU is of the view that while the unemployed are given financial assistance, retraining opportunities should also be offered to them. Only an integrated package of financial assistance and retraining opportunities can benefit the unemployed more.

In view of the gravity of the unemployment problem, the Government should, in the short run, grant additional resources to the existing retraining bodies for improving their work, and it should also inject more funding into the ERB. In the long run, it must secure a stable source of funding for the ERB because, in our view, retraining is not a one-off need. As society develops continuously, and technological advancement incessantly made, all people, be they the employed or the unemployed, have to receive regular training to keep up with the times. Only by so doing can they avoid being discarded by the labour market.

*Conclusion*

The FTU hopes that the Government will immediately draw up some effective measures which can provide prompt assistance to the unemployed. In this connection, we wish to commend the "Re-employment Assistance Scheme" to the Government. This Scheme combines the concepts of financial assistance, training, employment package and voluntary community services. In addition to providing appropriate financial assistance and occupational skills enhancement to the unemployed, it will also better enable them to serve the community, increase their self-confidence and rejoin the workforce. We hope that the Government will accept our recommendations to really benefit the unemployed.

Madam President, I so submit.

**PRESIDENT** (in Cantonese): Mrs Sophie LEUNG.

**MRS SOPHIE LEUNG** (in Cantonese): Many Members of the Liberal Party have already commented on the motion moved by Mr LEUNG Yiu-chung. I would just like to express my views on Mr LEUNG's proposal that (the Government) "should actively develop local industries as well as high-technology and high value-added industries" and other labour problems.

The recent financial turmoil has made some Hong Kong people realize that a concrete manufacturing industry is an essential element of our economic framework and that only through an active development of our industry can we really create employment for Hong Kong and rescue it from this dire crisis. With such great social expectations and such a tremendous responsibility laid upon us, the industrial sector — I am only a small industrialist so to speak — feels flattered and will make our utmost efforts to live up to people's expectation.

Here, I wish to share with Honourable colleagues what the industrial sector has been through in the past 10 odd years. The heavy blows that we have suffered have come from many sides. In these 10-odd years, because of the uncertainties about the future of Hong Kong, investors have lacked incentives to continue to make investments. Members will have a clear understanding about this just by looking at the amounts of investments made in Hong Kong in the past decade. When investors lack incentives to make continuous investment, industrial development will suffer. In addition, with other industries such as retailing, services and finance gaining importance, workers keep switching trades. As the younger generation only care about pursuing better working environment in the office, making quick money and heavy speculations, they care less and less about the industry. With the series of high land price policies as mentioned by Members that have pushed up the inflation, coupled with the polarization between the employers and employees in recent years, just as Mrs Selina CHOW has said, small and medium enterprises (SMEs) are at a loss as to how to cope. Under these circumstances, the industrial sector and owners of SMEs can only bear with their difficulties silently.

Today, hearing the call for our help to revive the industries expeditiously, we somewhat feel that we are like "ZHONG Wuyan", that is, when they do not need us, they will trample on us as they like, but when they need us, they will call on us to shoulder this important and glorious task. Why? What have actually happened? Please do not forget that as many as 98% of the companies in Hong Kong are SMEs and most of their owners are self-made men who started out as merely "wage earners". Is there now a clear demarcation line between the "wage earners" who are high up above and the "bosses" who have to bear with the unseen slander of being "unscrupulous employers" because they are capitalists? What indeed are the reasons for that?

What I wish to point out here is that if only the employers and employees can brush aside the stereotyped scenario that they must stand on opposite grounds when their interests are involved, that is, if they can care and understand each other more so that they can work hand in hand to create a win-win situation; then will they be able to break out of the present crisis, vigorously turn the tide of the local manufacturing industry going downhill and enhance our overall competitiveness. One owner of a SMEs vented his grievances to me for three whole hours last Saturday. Finally he concluded by relating to me an incident in which the watchman of his building said to him, "Mr DUAN, I prefer to have my job rather than yours. It is such a great pain to be in your position." This rightly reflected the problems of many owners of SMEs, the "unscrupulous employers" as branded by many people.

Whenever we talk about the labour importation problem, we will certainly touch a sensitive nerve of the whole relationship between the employer and the employee. But I think that I am obliged to explain to everyone that only when the existing manpower shortage problem is resolved and the ever rising operational costs are restrained will those factory owners who are willing to remain in Hong Kong to carry on their manufacturing activities have the chance to survive, and have the ability to help create employment opportunities and develop towards high-technology and high value-added industries.

Taiwan has relaxed the importation of foreign labourers in recent years. This policy not only has allowed the apparel industry to maintain its strength, but also created many management posts to allow the factory owners to again

develop their business in Southeast Asian and Central and South American regions. Taiwan has already surged ahead of Hong Kong now and the factors for their success merit our study. In fact, many other advanced industrial countries also allow the importation of labour to engage in mundane jobs which local people are unwilling to do. Are we willing to face up to these realities and examine the reasons behind, or do we just take a broad-brush approach and categorically say we do not need importation of labour?

Take some newly developed areas as an example. Recently, Saipan of the United States has successfully transformed its economy by importing large numbers of Filipino and Chinese labourers. Now, in addition to tourism which is the major component of its economic framework, Saipan has a manufacturing industry too. I hope that we can truly return a chance to the manufacturing industry of Hong Kong to do another miracle. Over a long time, Hong Kong has lacked a strategy on the development of manpower resources. The question we now face is how we can probe deeply into the cause of this problem and find a solution to it. I am very glad to see so many people working hard for the benefit of the labour sector and I look forward to working with them to explore a new course.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): Miss Emily LAU.

**MISS EMILY LAU** (in Cantonese): Madam President, on behalf of the Frontier, I speak in support of Mr LEUNG Yiu-chung's motion.

First of all, I would like to tell all my colleagues here that I believe that we, the Frontier, do share the feelings of the many colleagues who have spoken earlier, including those from the business sector. We feel that Hong Kong is in a dire economic crisis and everyone here hopes that the Legislative Council can do something. I believe that the over 6 million citizens of Hong Kong also have high hopes of us and expect us to do something.

Some colleagues have mentioned the difficulties of the employers who are owners of SMEs. We, the Frontier, do fully understand their problems. During the election, many people from the business sector had supported us

democrats. I believe that we have absolutely nothing against the business sector. What we wish to put forward is something that everyone feels fair and we have no partiality to anyone, no matter he is a billionaire or a recipient of the Comprehensive Social Security Assistance (CSSA) payments. Some Members comment that someone is trying to introduce socialism to Hong Kong. This is extremely ridiculous. I just do not believe that the suggestions put forward by Mr LEUNG Yiu-chung have such a tendency. I very much agree that we have to strike it out on our own and constantly strive to renew our strengths as some Members have suggested. But the problem is, which I hope that the Government also understands, we are now caught in a grave crisis. As the Honourable LEE Cheuk-yan has just said, ordinary people and "wage earners" are suffering greatly and we also know that some employers, the owners of SMEs, are also having difficulties. We would not say that all businessmen are unscrupulous employers but when we find that workers are being exploited and treated very badly by their employers, Members or the media would unavoidably brand these employers as unscrupulous employers. However, we, the Frontier, perfectly understand that we cannot over-generalize everything and therefore I hope that those colleagues who represent the business sector will not try to stir up antagonism among us. We are all representatives of citizens of Hong Kong and among them, there are ordinary people, "wage earners" and also businessmen.

Madam President, Mr LEUNG Yiu-chung has put forward many suggestions but I will only speak on several of them. First, concerning the creation of temporary posts, we have heard Mr LEUNG Yiu-chung, the Democratic Party and other colleagues emphasize, and we shall reiterate it here, that only when it helps with the situation and there is such a genuine need should this be implemented. Actually, Hong Kong is a very conservative society and even though we are elected Members, we would not advocate resolving the unemployment problem by spending large sums of money because of the gravity of the situation. In fact, the Secretary should have heard loud and clear today that none of us have requested the Government to inject money blindly. Should there be the need, we do agree to the opening of temporary posts but we also have a major concern that some unscrupulous employers in the business sector would exploit the workers by means of setting up temporary posts. Some colleagues of the Liberal Party have not spoken yet; they may perhaps tell us later whether they have heard of such cases. But this is exactly the fact and I believe the Secretary has also heard workers complain that their posts are of temporary nature, hence many of their benefits

are cut and sometimes their wages are suppressed too. If this is the truth, we, the Frontier, will not agree to the creation of temporary posts and we will also oppose the Government's taking the lead to open such posts as the Government plays the leading role in many things, for example when it takes the lead in lowering the rents of its buildings and shops, others would follow. If the Government takes the lead in exploiting workers and encourages the business sector to do likewise, we, the Frontier, will certainly denounce such actions of the Government severely.

Secondly, it is the halt of the Supplementary Labour Scheme. I have repeatedly said in this Council that importation of labour could be allowed when necessary. The Frontier has also discussed this matter. Several days ago, we talked to the Secretary about our concern that there might be loopholes in the present Scheme which led to local workers not being able to get jobs because unscrupulous employers would set up many barriers in the interviews and then they would apply for the importation of foreign workers on the grounds that they were unable to find workers here. Madam President, we do support Mr LEUNG Yiu-chung's suggestions, but if the community has a consensus that owing to the social development of Hong Kong or other reasons some kind of work which would not be favoured by local workers, then we would support the importation of labour. The Administration should understand that society does have a consensus in respect of the situation about the Filipino domestic helpers and the livestock farming work, and I also believe that everyone does support the importation of foreign help. As long as there is a consensus in society, we think that we can allow labour importation. But because we are not yet convinced that this Scheme can really help achieve the full employment of local workers, we support Mr LEUNG's suggestion.

Another point is about the introduction of unemployment assistance payments. We do agree to the remarks of the Honourable LAW Chi-kwong from the Democratic Party about the need to enhance the CSSA payments and service. The Administration should not wait till the unemployed workers are in utter destitute before allowing them to apply for the CSSA allowance. We fully appreciate the concern about this service being abused, and therefore we call on the Government and the relevant authorities to examine the cases carefully. The people of Hong Kong do not want to see the CSSA scheme being abused and hence we, the Frontier, hope that the Government will do its best to examine the applications.



Madam President, the Frontier is in support of Mr LEUNG Yiu-chung's suggestions and we look forward to working together with the colleagues from the business sector to make the people of Hong Kong feel that this Council is really working for their interests. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Dr LUI Ming-wah.

**DR LUI MING-WAH** (in Cantonese): Madam President, first of all, I wish to point out that I understand why local trade unions and workers are opposed to the Labour Importation Scheme. But if we make a close analysis, we can see that Hong Kong really needs to import some semi-skilled, unskilled and highly-skilled employees. After years of progress, Hong Kong people have developed to hold greater expectations of their jobs and they are unwilling to take up quite a number of jobs. Our situation is very much like that of Switzerland in which many lower positions are taken up by the French. Therefore, Hong Kong needs to import some workers to take up certain jobs which local people are unwilling to take up. Otherwise, the relevant industries will be forced to relocate to places outside the territory and certain businesses may even have to close down to the disbenefit of our society and economy.

Also, many of us have raised the point this evening that Hong Kong has to develop high technology and high valued-added industries. Although there are many universities in Hong Kong, the engineers trained by local universities lack experience. In the past, some scientific disciplines were not found in Hong Kong and there were no highly-skilled design engineers. So we must import capable and highly-skilled talents into Hong Kong to help the development of local industries. Otherwise, we will not be able to do our economy as a whole any good. For the above reasons, I support the idea that we must import workers and continue to pursue the Labour Importation Scheme.

As for the proposal made by Mr LEUNG that legislation should be enacted to require employers to consult trade unions or employee representatives before resorting to layoffs, I cannot agree to that. I would like to make it clear that when an employer makes a decision to lay off his staff, he has have been left without alternatives. A lot of resources have to be put in

to train up an employee who will become experienced, and no company is willing to give up such an invaluable asset. So I think the Government and the community should encourage the employers and employees to consult one another in respect of layoffs instead of legislating to compel employers to discuss with employees before making a decision to lay off them, or else the principle of a free economy will be violated.

Madam President, I so submit.

**PRESIDENT** (in Cantonese): Mr HO Sai-chu.

**MR HO SAI-CHU** (in Cantonese): Madam President, many proposals are found in Mr LEUNG's motion, and colleagues have expressed their views on them. I would like to focus only on the Supplementary Labour Scheme (SLS) because apart from being a Legislative Council Member, I am also a member of the Labour Advisory Board and a member of the committee which monitors the implementation of this SLS. I am therefore quite well-informed as to how the Scheme is implemented.

I agree with the views expressed by the many Members who have spoken before me, that the unemployment rate is high and that people are worried. The Government is trying all possible ways to prevent unemployment from getting worse. The formulation of the SLS is the result of a historical process in which I took part all through and for which I can still remember very vividly. Maybe the Secretary can tell us clearly the current situation of the Scheme. But I just want to briefly talk about it so that Members will understand why I am opposed to putting a drastic end to the SLS, and this is also what the Liberal Party is against.

The Scheme is in fact derived from the Labour Importation Scheme in which tens of thousands of workers were involved. As we totally support the idea of giving priority to Hong Kong people in employment, the Scheme would be defective if we import workers without putting a stringent system in place to control it. And because of this, we had a lot of discussions and referred to international labour laws and labour standards. We adopted a tripartite approach when we wanted to solve some labour issues. After some very detailed discussions, employees' representatives accepted this SLS.

Just now we have mentioned one or two figures on the SLS. For the past two years or so, we have only approved the applications for some 5 000 or so imported workers, but the actual number of workers who came to work in Hong Kong is only about 3 000. The contracts for these workers specified an employment period of two years. In other words, some of these contracts will soon expire. Approval will have to be sought before replacements can be made. But anyway, the number of workers imported under this Scheme is very small, because applicants have to go through a very carefully set up and detailed mechanism. Employers will need to advertise in the newspapers for the vacancies, the Labour Department will need to make referrals, and numerous tests will have to be made to ensure that the employers are genuinely unable to fill the vacancies before they are allowed to import a small number of workers. I have verified quite a number of applications with this kind of situation, but approval was not automatically granted after an application was verified. All of us in the committee were very keen in our work and we took it as our responsibility. It goes the same for employees' representatives.

Some Members said that they could find local people willing to do certain kinds of jobs. If this is true, I believe the representatives of the employees on the Labour Advisory Board would not have approved of applications for the importation of workers for these worktypes so easily. Of course, if this is really the case, I wish they would not have approved of the importation of these workers, because we are firmly in support of the idea of giving priority to local workers in employment. We have compiled some statistics. There are 36 advertisements for jobs in the *Hong Kong Standard* last Friday and 56 advertisements for jobs in the *South China Morning Post* last Saturday. Are all these advertisements put up by those unscrupulous employers who want to spend money just to make a show, knowing that we are about to hold a motion debate on imported workers today? I would never believe in that. I hope none of us sitting here today will believe in that also. We have to admit that we have many job vacancies and many unemployed people are out there looking for jobs, but the question is, there is a problem of mismatch. And we need to work hard to sort it out.

When we grant approval to applications for the importation of workers, very often we will examine if the applicants are only applying for two or three workers who cannot be hired in Hong Kong. This is to allow operators of small and medium sized enterprises to continue to run their business. This is how we usually do things. And only in the above kind of situation will we

usually give our approval. But if we put a drastic end to the SLS, many of these small and medium sized enterprises will have to close down because they are unable to hire workers and their applications for importing workers have failed. When this happens, more people will lose their jobs. So if we look at the figures, we should absolutely not think that if we take away the 3 000 imported workers, then there will be jobs for 3 000 local people. The truth may just be the opposite, for there may well be a further 10 000 people finding themselves unemployed.

Owing to the above reasons, I strongly urge all Members to carefully consider the issue and never agree to the proposal of putting a drastic end to the importation of labour. We should help our medium and small sized enterprises to continue to employ local workers and curb the rise in unemployment. We must give the companies some more room to manoeuvre so that they are willing to work with us to steer out of the difficult times.

Thank you.

**PRESIDENT** (in Cantonese): Mr NG Leung-sing.

**MR NG LEUNG-SING** (in Cantonese): Madam President, on the motion moved by Mr LEUNG, I would like to talk on the part on the speeding up of the progress of infrastructural projects.

According to a report on global competitiveness published by an international management association with its headquarters in Switzerland, Hong Kong ranks number three in terms of overall competitiveness but only 19th in infrastructural competitiveness. The fact that Hong Kong is comparatively backward in infrastructure development obviously puts it in an unfavourable position when it comes to raising our international competitiveness. So in these circumstances, the speeding up of the progress of infrastructural projects will not only help create more new jobs but also ameliorate the serious unemployment problem. In the long run, it will also help Hong Kong steer clear of the economic doldrums and lay a solid foundation for future progress.

With a huge fiscal reserve, Hong Kong has a leading edge over the other countries in Southeast Asia which are hard-struck in the financial turmoil in that it is able to use its reserve in the right place and at the right time to speed up the progress of infrastructural projects. Our Government must be able to use this edge in financial resources and pave the way for Hong Kong to get out of its present economic predicament.

In carrying out these infrastructural projects, we should bear in mind some basic guiding principles. As an international city which upholds the principles of open market and free competition, Hong Kong should avoid being influenced by undue protectionist tendencies and it should consider all companies in granting project contracts, though priority should be given to local companies. But if foreign companies do have a technological edge, the authorities should consider allowing local companies to co-operate with foreign companies and contract out the projects with technology transfer as a condition. In so doing, the technical capability of local companies will be enhanced. There should also be proper arrangements in the terms and conditions of various kinds of contracts, so that these projects will help to boost local employment.

On the issue of setting priority in the overall planning of infrastructural projects, the Government should consider giving priority to projects which will facilitate the future development of high-technology and high value-added industries in Hong Kong. The kind of projects which should be carried out should not be confined to infrastructural projects in transport but also those in such high-technology infrastructure as telecommunication, and information superhighway, as well as projects which are matching facilities for the future hi-tech industrial park. All in all, the Government should have the vision of paving the way for the future development of high technology and undertake plans to speed up the progress of infrastructural projects. On the other hand, at the same time when we speed up the progress of infrastructural projects, we should be mindful of their environmental impact. In implementing reclamation projects, for example, proper environmental impact assessment should be made beforehand. Short-sighted acts must not be done simply for the sake of speed, as a ruined environment will only make the people of Hong Kong suffer, and they will be denied the benefits which are supposed to be brought by these infrastructural projects.

Madam President, in face of the present economic situation, the Government should and is capable of adopting many effective economic measures to relieve the hardship brought by unemployment. Among the other suggestions raised by Mr LEUNG to ameliorate the unemployment situation, the one which calls for the introduction of legislation requiring employers to consult the employees before resorting to layoffs is doubtful both in terms of effectiveness and practicability. For this kind of suggestions which claim to solve the problem of unemployment, and given the hostile business environment, can hardly be accepted by the employers. The proposal may also lead to the question of continuity for a long-term employment policy, and will bring in a new variable to our bid to attract foreign investment into Hong Kong. In the end, this proposal may not be helpful to bringing about an economic recovery, let alone solving the unemployment problem at its roots. Therefore, I still have great reservations for some of the proposals contained in the motion.

Madam President, I so submit.

**PRESIDENT** (in Cantonese): Mr Michael HO.

**MR MICHAEL HO** (in Cantonese): Madam President, tonight I wish to talk about collective bargaining and consultation, and the issue of retraining allowance. Then I shall also discuss the staffing problem in the medical sector.

There has recently been a spate of news on companies laying off its employees. For employers who wish to tide over the times of economic hardship, many would prefer to reduce staff or to vary the terms of employment contracts, or to reduce salary or work. And in Hong Kong, the workers and the employers do not have equal bargaining positions. The workers are weak and small in number, and very often they have to swallow every disgrace and humiliation. The situation is very much different from the Honourable Mrs Sophie LEUNG's earlier claim that it was the employers who had to swallow every disgrace and humiliation. If the Employee's Rights to Representation, Consultation and Collective Bargaining Ordinance which was

passed before the 1997 handover were not repealed by the Provisional Legislative Council, then we would not need to talk about the right to consultation here tonight.

The right to consultation that we talk about is in fact about putting the employers and employees in an equal footing so that they can discuss matters of common interest. This will help to improve labour relations so that both parties can negotiate on a fair basis. In fact when the employers run into trouble in their business, and when laying off the staff is not the only way out, if they can consult the employees and ask their advice on how to tide over the difficult times, this may be beneficial to the long-term development of the company and labour relations may be improved. If both parties can work together, the productivity of the company can be raised. The kind of consultation I have in mind is for both parties to sit down and talk. This does not mean that any agreement will necessarily have to be made. I hope Honourable colleagues will understand that we are not saying that there should not be any layoffs when both parties fail to come to an agreement. For from the beginning we have not taken consultation to be like this.

As for the question of retraining allowance, some people said that the allowance should be raised to a level sufficient for the recipient to support his family. We think that this is like indirectly transforming the retraining allowance into a kind of living allowance or even unemployment allowance. The Democratic Party thinks that those people who are unemployed and find themselves hard to get by should apply for Comprehensive Social Security Assistance (CSSA). Mr LAW Chi-kwong has raised some points on this just now and so I do not wish to repeat them here. These people need to apply for the CSSA, and not the retraining allowance. The Democratic Party has made this point clearly already. We hope that the application procedures can be as smooth and rationalized as possible so that these people will not have died of starvation before they get the payments. We must emphasize that the Employees Retraining Board is not a shelter for the unemployed. Retraining programmes are aimed at retraining those displaced workers who want to upgrade their skills so that they can rejoin the labour market upon mastery of new skills. We support the idea of giving these retrainees a reasonable allowance so as give them an incentive to learn and equip themselves for future employment. This will in the long run help to mitigate the problem of unemployment and make the Hong Kong economy more competitive.

As for the increase of medical personnel, the Democratic Party has always thought that the number of medical personnel is not sufficient. It is unfortunate that the Government had not rectified this problem some years ago when the economy was robust. We therefore ask the Government to hire more medical and nursing staff. I wish to make it clear that we are not creating new posts for the sake of ameliorating the unemployment situation, but that these posts should be created out of sheer necessity. This will really make the people who need services get what they want and improve the medical services.

Madam President, I wish to remind the Government that before more resources and manpower are put in, it is absolutely imperative that we change the financial management mechanism of the Hospital Authority (HA). The current arrangement is for the Government to grant an one-off provision to the HA annually and the HA enjoys great flexibility in hiring different kinds of employees. This flexibility has resulted in many cases where hospitals have axed and frozen posts and redirected the use of funding. Such uses include the purchase of equipment, renovation and employment of people to fill certain posts which those in power would like to see them created. If this system is allowed to go on, then the following scenarios may happen to government funds: 100 more nurses are hired this year, another 50 will be forced out next year and the money so saved will be used for other purposes. Since the Secretary for the Treasury is a government representative in the HA, we strongly hope that she will initiate a clearly-defined establishment in the HA, so that public funds can be used to hire people to fill those posts we want to create.

Lastly, I wish to respond to the views expressed by two of my Honourable colleagues. The importation of domestic helpers is approved of by the people of Hong Kong. And they will also welcome foreign professionals if there are no local professionals available and provided that they will make a transfer of their skills when they come to Hong Kong. But after their skills are transferred, their positions should be returned to local workers.

Just now Mrs Sophie LEUNG mentioned the unscrupulous employers. I hope our employer friends will not be too sensitive to such a remark, for indeed there are some unscrupulous employers around.

Thank you, Madam President.



**PRESIDENT** (in Cantonese): Mrs Sophie LEUNG.

**MRS SOPHIE LEUNG** (in Cantonese): Madam President, perhaps I need to clarify what the Honourable Michael HO has said. I was not saying that there were unscrupulous employers around. What I meant was people commonly made such slanderous remarks against the employers of Hong Kong. This is an extremely unfair kind of slander.

**PRESIDENT** (in Cantonese): Mr Michael HO.

**MR MICHAEL HO** (in Cantonese): The "unscrupulous employers" which I said just now was what I thought some Hong Kong people had said, and this merely referred to those truly unscrupulous employers.

**PRESIDENT** (in Cantonese): I believe we all understood what was being said. Mr LEE Cheuk-yan.

**MR LEE CHEUK-YAN** (in Cantonese): Madam President, on behalf of the Hong Kong Confederation of Trade Unions (CTU), I support the motion moved by Mr LEUNG Yiu-chung. Many of the proposal contained in his motion are, indeed, the main suggestions which the CTU has presented to the summit on employment.

I would like to remind Members that unemployment in Hong Kong has become a very serious problem. In 1998, the unemployment rate is 4.2%. Adding to this the 2.6% underemployment rate, it has reached 6.8%. In fact, it is misleading to say that this unemployment rate is the highest in 15 years. I think this is not the real picture. If the underemployment rate is included in the calculation, the current situation is even worse than that in 1984, because the unemployment rate is actually the highest in 25 years. If this situation persists with the unemployment rate keeps climbing further, we really do not know what Hong Kong society will turn out to be. So in today's debate, I hope that we can really think about the issue and open our minds to new

proposals and fresh ideas to see how we can solve the present unemployment problem.

The Government, in particular, should come up with some new ideas in responding to the unemployment problem. What the Government did in the past was very disappointing. This is because some high-ranking officials and policy makers were born with a silver spoon in their mouth. Now we are facing adversity. The day when they were born with a silver spoon in their mouth have gone. In adversity, we can see that they are at a loss in dealing with problems. We can also see that they are out of touch with society. Why do I say so? Some high-ranking officials and policy makers are like Queen Marie-Antoinette of France before the French Revolution. On seeing some starving poor peasants, she asked them why they did not eat cakes since they were running out of bread. It seems to me that some people are asking the same question. Dr the Honourable CHUNG Sze-yuen told the jobless to take up casual work. There is, in fact, no casual work available. The Honourable Antony LEUNG suggested those who are unable to find a job in Hong Kong to work in mainland China. Many people who had worked in the Mainland told me that once their skills were passed to the mainlanders, they would be sacked. Even those who worked as skilled workers in the Mainland were dismissed and they remain jobless after returning to Hong Kong. Some have remain unemployed for a long time and some are even jobless for one whole year because there is no job opportunity even in the Mainland. Perhaps Mr Antony LEUNG is not aware of such situation. The Education and Manpower Bureau has, on past occasions, initiated the "Business Starter Programme", but how can they start up a business if they have no capital? How can they acquire the money for setting up a new venture when the banks are tightening up credit?

The Secretary for Education and Manpower recently said that there would not be any climax in the summit meeting on employment to be held tomorrow. Why did he do that to dampen people's expectation of the meeting? Why do we need to hold a meeting if it is going to have no climax? Why do we need to call everyone to attend the meeting if we know for sure that it is going to be "fruitless"? I wonder if he has to manipulate everything, including even the outcome of the meeting. Is it really the case that only the Government is allowed to choose the time for a climax? Is the Government unwilling to listen to or consider opinions raised by others? Can the

Government accept other people's opinions? How can Hong Kong move on if the Government holds such an attitude?

I would like to sound a warning here that the unemployment problem has become a time-bomb that will lead to social unrest. The social unrest I referred to is not tantamount to a riot. But actually, social unrest has taken place. People were so scared that this has resulted in runs on cake-shops. Every Hong Kong people has been acting like a bird frightened by a stretched bow. This is social unrest. People's dissatisfaction is boiling. In the past, we used to say "embittered workers". Now, we have "embittered property owners", "embittered stock investors" and "embittered commercial tenants". People's grievances are boiling hot, and our society is becoming more and more ruthless. The people's confidence in the Government has plunged to its lowest. All these show that there is social unrest. As a matter of fact, there is unrest in our society.

I hope Members and government officials can bear in mind that social unrest is not only a social problem. What is more, we will have to pay a very high economic cost. This is because social unrest will make it difficult for our economy to rebound. When our society is in a state of unrest, its enterprising spirit will also be eroded from top to bottom. How can we rebound? So we need fresh ideas and new action. I still hope that we can have a climax in the meeting tomorrow. Let us go on thinking hard with a view to finding solutions for our present unemployment problem. I hope that one of the climaxes is that the Government accepts the proposals we raised today.

In fact, our proposals today are aimed at reflecting on ourselves the previous direction of the Government amidst the unemployment crisis in order to find a new direction. The first new direction is whether the Government should make use of a fiscal policy to stimulate our economy and demands in order to boost employment opportunities, thus pushing the whole economy forward. These are in fact the first and second proposals put forward by Mr LEUNG Yiu-chung.

The second crucial question is whether we should, at a time of crises, encourage more social dialogues and more dialogues between employers and employees. That is in fact the point relating to whether employees should be consulted in times of retrenchment. We feel that if employees are given a say

in their companies' retrenchment exercise, they will know how to deal with crises. But at present they have no say. Just now the Honourable Miss Christine LOH said that trade unions should do more in mediatory work. But trade unions are unable to do so because employers are unwilling to talk with them even though the legislation itself does hope that employers and trade unions can hold talks.

Just now, many discussions have been centred around the importation of foreign labour. It is time to stop importing labour. I have to get even with the Liberal Party because it has something to do with the doubtful credibility of the Liberal Party. During the elections, I clearly heard the Liberal Party candidates saying that they favoured a halt to the Supplementary Labour Scheme. But what I heard just now is totally different. In the next election, they can say whatever they like. I hope the Liberal Party can explain this later.

Finally, I hope Members can accept the concept of social protection to prevent the unemployed workers from falling too hard. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr Ronald ARCULLI.

**MR RONALD ARCULLI:** Madam President, the hour is late, so I will be as brief as I can. I would only want to deal with two points in the motion put forward by the Honourable LEUNG Yiu-chung, and they are point (3) and point (4) of his motion. Point (3) deals with the Supplementary Labour Scheme (SLS) and point (4) deals with speeding up and perhaps, implementing promptly other infrastructural and transport projects.

As far as the SLS is concerned, to my recollection, this was a scheme that was used to replace the General Labour Importation Scheme, and was a compromise between the labour and the employer representatives in the Labour Advisory Board in February 1996, and a review was carried out quite recently to reaffirm the scheme. From that point of view, despite our present economic climate and the unemployment rate, I think the essence of the Labour Importation Scheme at present — and indeed it is a matter of policy that the

Liberal Party agrees with — is that we only agree with importation to solve bottlenecks. In other words, where there is a shortage of labour in any particular industry or sector — and in this respect we are no different from what the Honourable Michael HO just said on behalf of the Democratic Party — we believe that allowing restricted importation of labour to solve bottlenecks, instead of increasing unemployment in Hong Kong, actually increases employment opportunities in Hong Kong. But as we say, the Scheme has to be monitored properly and has to be flexible to adapt to Hong Kong's economy and surrounding circumstances.

And this brings me really to the fourth point, which all of us have asked of the Government in the past few months, and that is to speed up the progress of infrastructural projects as well as to, perhaps, increase other planned transport and infrastructural projects. How can these projects be carried out if there is inadequate labour? What we need, of course, is a fair way for us to assess the adequacy of construction labour in Hong Kong to fulfil these targets. And in terms of the adequacy or otherwise of construction labour, the Hong Kong Construction Association has for many occasions put forward a very cogent and reasoned case that there are certainly bottlenecks within the construction industry which require a solution. And that is a short-term solution, not a long-term solution. The long-term solution as far as the Hong Kong Construction Association is concerned, Madam President, is in fact to train and to retrain a local labour force and indeed to attract young people in Hong Kong to enter that particular industry.

I think whilst this process is going on, it should not stop, because if it does, it may mean that others will not have work to do in the construction industry. Thus, I think, within this limited framework, we do support the importation of labour.

In terms of Mr LEUNG Yiu-chung hoping to achieve the fourth paragraph of his motion, at a meeting in the presence of all the political parties as well as the Breakfast Group and our friends from Frontier when we met with the government officials, including Mr Matthew CHEUNG, I did sound out a note of caution to my colleagues that, if the Government is expected to deliver the request of all of us, they have to keep an open mind on the issue of importation of labour.

Madam President, that is all I would really wish to say on that particular issue. Thank you.

**PRESIDENT** (in Cantonese): Mr LAU Chin-shek.

**MR LAU CHIN-SHEK** (in Cantonese): Madam President, I thank the Honourable Ronald ARCULLI for his introduction about the SLS but I would like to express my views about the formulation of this Scheme directly. I also wish to point out the present employment situation and the people's worries which Mr ARCULLI has just mentioned. I believe that all Members here, including him and me, agree. However, I want to specifically point out that when the SLS was formulated, the upper limit of 5 000 was lowered to 2 000. In June 1997 when I left the Legislative Council, the actual number of imported workers was only about 500. If we agree that the unemployment situation is much worse and the people's worries are much greater now than in June 1997, I would like to ask, then why did the Government lift the upper limit of this Scheme? Why is the upper limit abolished? Why is the upper limit of this Scheme at 5 000 now? Why is it so? If we all agree that the present unemployment situation is worse than the one then, and the people are more worried now, with those who have jobs worrying about losing their jobs and those who have no jobs wondering when they will find jobs, why do we have the courage to make a decision concerning the "wage earners" which is even worse than the one during the colonial rule?

The Liberal Party has not answered the Honourable LEE Cheuk-yan's earlier question, which is, during the elections, they personally promised the public that they would put an end to the SLS. Why are they talking about something else now? I have seldom asked a Member or a political party the same question again concerning certain issues. The reason for my asking the same question today is that I feel if the SLS is allowed to continue, it will deal a very heavy blow to "wage earners" in Hong Kong. Irrespective of the actual number, we have to consider that since we are all faced with an employment crisis and the situation we see today may worsen tomorrow and worse still the day after, should we really lift the upper limit of the number of imported workers under this Scheme and say that we will continue to allow them to come to Hong Kong? I will urge the labour representatives on the

Labour Advisory Board to stand firm and not to approve any applications for the importation of labour.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): Miss CHAN Yuen-han.

**MISS CHAN YUEN-HAN** (in Cantonese): Madam President, our discussions on the problem of unemployment have lasted for several years already — from the days of the former government, continuing into the time of Provisional Legislative Council and still going on at this very moment. Apart from the financial turmoil in October last year, the gravity of this problem can be attributed to the effect of our economic restructuring. Over all these years, unemployment has by now become a very serious problem. As the Honourable LAU Chin-shek rightly put it just now, the unemployment figure today may be 350 000, but it may rise to 355 000 tomorrow and even 359 000 the day after. The figure will just keep rising.

All along, people have kept asking me, "CHAN Yuen-han, what are you going to do about this problem?" My answer has invariably been this: I will try to work out some schemes to see how best we can help the unemployed. The handling of labour disputes is part of my routine work everyday. The recent situation concerning unemployment is really kind of very shocking, even to a person like me who has seen so much in 30 years of labour movement. The simple reason is that I have never seen any situation which is as bad as what we are facing today. Hong Kong experienced a most difficult time in the 1970s, but, at that time, people could still find jobs. In contrast, the people who come to us for assistance everyday all find it extremely difficult to secure any jobs. I do not buy the argument of the Honourable HO Sai-chu, who has just said that we are simply having a problem of mismatches, "with jobs remaining unfilled while some people are jobless". Admittedly, it may rightly be asked, "Are there still any unfilled jobs?" Perhaps, there may still be some jobs which have remained unfilled so far, but these are certainly not meant for the masses of ordinary "wage earners". So, these jobs are quite a separate issue.

What is our Government going to do to tackle such a grave situation? Over the past few years, from the days of the former government and down through the time of the Provisional Legislative Council to the present, Honourable Members belonging to the labour sector has been raising this problem with the Government. Unfortunately, the Government displayed an entire lack of any crisis awareness at the early stages. And, though it has now put in place 12 measures and nine others to deal with the situation, it has still failed to draw up a concrete scheme which can assist the unemployed in rejoining the workforce. There is no gainsaying the significance of these 12 measures and nine others in boosting our economy and manufacturing industries, and we do indeed welcome them. However, just how are we going to assist the unemployed in rejoining the workforce? It can be said that the Government has failed to provide any answers to this question. The "4-9-1" approach, that is, the measure of giving \$4,000 each for a period of nine months to a total of 1 000 retrainees, is nothing but a window-dressing measure which cannot tackle the situation faced by the entire labour sector and all the unemployed people. Faced with this situation, if we do not support Mr CHAN Kam-lam's motion and the first to fourth proposals of Mr LEUNG Yiu-chung, and if we do not agree to the rest of the proposals, how can we allay the employees' fear of losing their jobs? How can we solve the problem faced by the unemployed who simply do not know how much longer they will have to wait before they can find any jobs again? In other words, if we do not support the aforesaid important proposals on boosting our economy and manufacturing industries (boosting our manufacturing industries will be the same as adding new blood to and stopping the bleeding of our community), how can we possibly help the unemployed rejoin the workforce? According to government statistics, 200 000 people are currently unemployed or half-unemployed. In other words, if we also count the 150 000 people whose unemployment is not recorded in official statistics, the unemployment figure will be as high as 350 000. This figure will soar geometrically everyday. How is the Government going to address this problem?

Today is not the first time that the Federation of Trade Unions (FTU) raises the recommendation on establishing an unemployment assistance fund. We have long been advocating this, from the days of the former government and down through the time of the Provisional Legislative Council to the present. Today, I am very pleased to note that all those Honourable colleagues who support Mr LEUNG Yiu-chung's motion have not tried to challenge him over detailed technicalities in very much the same way as they challenged me in



1996; when I proposed the establishment of an unemployment assistance fund in 1996, I received an entirely different treatment. Why have I asked to speak last on this motion today? Because I want to speak only after listening to the remarks delivered by all political parties. I notice that Honourable Members have decided to support Mr LEUNG Yiu-chung's motion despite the fact that they may not endorse some individual viewpoints in it. This is what matters most, because by doing so, they have imparted a very clear message, and with this message, we can all give some kind of assurance to the community, especially the several hundred thousand unemployed people and those employees who are living in the fear of losing their jobs. This is indeed a very important message.

Some Honourable Members have expressed reservation about the motion, and some others have even said that they simply do not agree to it. However, in view of the grave situation that we are facing, I hope that these Honourable Members would still lend their support to the motion. Very honestly, we may hold very different views concerning the contents of Mr LEUNG's motion, but this should be no reason for any refusal to lend support to the unemployed, the half-unemployed and those living in the fear of losing their jobs. This should also be no justification for delaying the recovery of our manufacturing industries until today. Excuse me, Mrs Sophie LEUNG, but I still have to say that the FTU has in fact been opposing the government position of not assisting our industries over the past decade or so. As far as we are aware, industries can provide nearly 1 million jobs. For this reason, can anybody give us any reason why we should not support our industries? Over the past 10 years or so, the FTU has been criticizing the Government for refusing to assist our industries; we have also criticized that such a refusal has led to our present dilemma, in which the lack of diversification of our economy has deprived it of the ability to generate new vitality. Given the present situation, I hope that we can all appreciate the difficulties of the unemployed, and seek to look at the matter from this very perspective. In this debate, we may not see eye to eye with one another over each and every specific detail. For example, the proposal of the FTU and that of Mr LEUNG may not be entirely identical. However, if we can all support this motion as a matter of broad, general principles, we will have taken a very important step forward.

On the question of how we should help the unemployed, the Honourable CHAN Kwok-keung and the Honourable CHAN Wing-chan have already given our views. Here, let me just say a few more words on the establishment of a

re-employment assistance scheme. We have analysed all the views expressed in response to our proposal on establishing an unemployment assistance fund. We decided to do so because when we raised this proposal earlier on, we found that there were many views in the community which we should take. In fact, as early as 1996 when the debate was conducted, we had already pointed out that the most important feature of any unemployment assistance scheme should be the help which the unemployed could receive in trying to re-join the workforce and find new jobs. To achieve this aim, it will be necessary to put in place an integrated package which combines training, psychological counselling and measures to assist the unemployed in keeping touch with society. Today, we have worked out and raised a concrete scheme to achieve such an aim. Specifically, the implementation of this scheme will require, as an integrated package, the provision of financial assistance, quality retraining, a market willingness to take on the retrainees, assistance for the unemployed in keeping touch with society, community services and psychological counselling. This scheme may be a bit different from the sixth point in Mr LEUNG's motion. However, I do not think that this is a matter of any significance at all. What is most important, I venture to think, is that we should all work together with the same purpose of urging the Government to make sincere attempts to tackle the livelihood problems faced by the several hundred thousand unemployed people and by many others who are living in the fear of losing their jobs. If the Government still refuses to do so, Madam President, I fear that the unemployment figure will continue to shoot up over the next three months, and it may probably reach as high as 5%. By then, even if actions are taken, it will be very difficult to reverse the trend of the labour market.

Madam President, the FTU will support Mr LEUNG Yiu-chung's motion today. Although we do not agree to it over each and every specific detail, we will still lend our greatest support to the entire motion. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr Kenneth TING.

**MR KENNETH TING** (in Cantonese): Madam President, I wish to clarify the position of the Liberal Party here. The Liberal Party has always insisted that the following two major preconditions must be met before foreign workers are to be imported: first, local workers must be given priority in employment;

second, when there are no local workers available to fill in positions in vital production processes.

Thank you, Madam President.

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

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): Secretary for Education and Manpower.

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, first of all, let me thank the Honourable LEUNG Yiu-chung for moving this motion and other Honourable Members for giving their valuable views on the problem of unemployment in Hong Kong.

*Easing the unemployment problem*

The Government is extremely concerned about the problem of our rising unemployment rate. We appreciate the worries of the different sectors of the community and are very concerned about the hardship of the unemployed.

During the debate on Mr CHAN Kam-lam's motion, which urges the Government to take "immediate and effective measures to alleviate the people's hardship", the Financial Secretary already gave a very detailed account of the measures adopted by the Government to boost the economy, and he also explained the rationale behind them. For the sake of stabilizing the economy and maintaining the competitiveness of Hong Kong, the Government considers it very important to tackle the unemployment problem by assisting the unemployed in re-joining the workforce and learning the skills required. In this way, it is hoped that the unemployed can maintain their competitiveness in the labour market, secure new jobs and remain in sustained employment. With this objective in mind, the Government has introduced a series of measures since the beginning of this year to alleviate the hardship of the unemployed. These measures cover enhanced efforts in areas such as the

provision of job vacancy information for the unemployed, more effective employment services, occupational training and employees' retraining.

*Ad hoc group on employment*

What has happened to our employment situation is largely attributable to the fact that Hong Kong has entered a period of economic adjustment. For this reason, it is expected that our unemployment rate will not drop until our economy recovers. The Government is of course duty-bound to take the lead in easing the unemployment problem, but the efforts of the Government alone will not suffice. If we are to tide over our difficulties, we must need the concerted efforts of all sectors of the community, in particular the co-operation of both employers and employees, and we view that the private sector does have an especially important role to play in the creation of employment opportunities.

In order to lead the whole community in the efforts to ease the problem of unemployment, the Government has recently set up an ad hoc group on employment under the chairmanship of the Financial Secretary. This ad hoc group will collect and collate the views of the community in a pragmatic manner, and it will also positively explore various ways of tackling the unemployment problem effectively. On 3 June, the ad hoc group convened its first meeting, during which a total of 12 measures were announced to further tackle the unemployment problem and to create employment opportunities. Since these measures have received extensive media coverage, and since time is now running short, I do not intend to repeat them now. It will convene its second meeting tomorrow morning to recapitulate on the progress of these 12 measures and discuss the further steps required. The ad hoc group will continue its work until there are marked improvements in the employment situation.

*The recommendations of the motion*

Let me now respond to the recommendations of Mr LEUNG Yiu-chung's motion.

With respect to the proposal on increasing the manpower resources for the social services, medical and educational fields, the Financial Secretary has

already explained in detail that huge spending will be made on social services, and that many jobs will thus be created. I just want to add that for the field of education, there will be 500 vacancies in the Education Department this year, and a total of 2 733 non-civil service posts will be created in the next 18 months. Of these, about 1 520 vacancies are professional or management posts, and the remaining 1 212 posts are for operative/supporting personnel. All these posts will be created for the main purpose of implementing a series of measures to improve the quality of our education.

A moment ago, some Honourable Members raised the issue of tuition fees. I would like to take this opportunity to point out that as announced by the Government early this evening, the tuition fees of all educational courses subsidized by the Government will be frozen at their existing levels (that is, at the levels of the 1997-98 academic year). In addition, the Government will also expand the scope of the non-means-tested student loan scheme, so as to benefit more tertiary students. The freezing of tuition fees will benefit all the students pursuing government subsidized educational courses offered by the tertiary institutions funded by the University Grants Committee, the Vocational Training Council, other subsidized tertiary institutions, government/subvented secondary schools and government evening secondary schools. A total of approximately 371 000 students (and thus their families) will be benefited. On average, the amount of tuition fees which a student can thus save will range from \$30 to \$2 100, and the savings for all students will amount to \$190 million. The expansion of the non-means-tested loan scheme will benefit a total of 125 000 tertiary students, including those studying in the Open University and Shue Yan College, and we have already reserved \$1.22 billion for the purpose of this loan scheme.

With respect to the medical field, there are 500 vacancies in the Department of Health this year, and in the next 18 months, a total of 2 430 new posts will be created in the Hospital Authority. Of all these new posts, there are 175 for medical doctors, 1 180 for nurses, 200 for professional therapists and 875 for executive, clerical and hospital support staff.

The Government appreciates the good intent of Mr LEUNG's proposal on establishing temporary posts. However, Honourable Members must remember very clearly that since public money is involved, whenever the

Government establishes any posts, be they permanent or temporary ones, it must provide sound justifications on the basis of actual operational needs and take account of the availability of resources. The 12 measures announced by the ad hoc group on employment chaired by the Financial Secretary will include the establishment of many new temporary posts. However, I must add that we should always be very careful with a matter like this; if we disregard actual operational needs and seek to establish temporary posts simply because of the economic downturn and the rising unemployment rate, we will be adopting an improper approach to tackle the unemployment problem. Such an approach may lead to a waste of public money and is thus against public interests.

The third proposal of Mr LEUNG concerns the halting of the Supplementary Labour Scheme (SLS). The Government understands that at this time of a high unemployment rate, when so many people are unemployed, Mr LEUNG and other Honourable Members belonging to the labour sector are indeed very concerned about the effects of the SLS and other importation of labour schemes. I can assure Honourable Members that the SLS will not affect any local workers, including the unemployed who are in need of jobs. The reason is that the labour importation policy of the Government has in fact been drawn up on the basis of the following two principles:

1. Local workers must be accorded priority for any job vacancies;
2. Employers are allowed to import foreign workers only after they have genuinely failed to recruit local workers to fill their available vacancies.

In other words, labour importation is not intended to replace local workers. Instead, it is meant only as a supplement to those occupations which experience a shortage of local workers, so that the bottlenecks in by some sectors of the labour market can be eased.

The SLS has operated in strict accordance with the aforesaid major principles governing the policy on labour importation. The Scheme has a very rigid and meticulous vetting mechanism, and all applications are assessed on their individual merits. For the purpose of safeguarding the employment priority of local workers, the Scheme requires that employers who wish to employ foreign workers must first advertise their vacancies in the local press

and try to recruit local workers through the Labour Department. It is only after they have failed to identify suitable local appointees that they are allowed to apply for permission to import foreign workers to fill their vacancies. The Scheme also requires that the wages paid to foreign workers must not be lower than the median wage of those local workers engaging in a similar occupation. More importantly, it should be noted that the SLS is monitored by the Labour Advisory Board (LAB), a tripartite body composed of the representatives from employers, employees and the Government. Actually, since the implementation of these schemes, all approved applications have received the recommendation of the LAB.

Since the SLS first came into operation in early 1996, the Government has approved the importation of some 5 000 foreign workers. So far, only 3 500 of these foreign workers have started their work in Hong Kong, representing nothing more than a mere thousandth of our 3.3 million working population. The number of foreign workers imported under the scheme is indeed very, very small compared with, for example, the 170 000 foreign domestic helpers currently working in Hong Kong.

The strictly limited number of foreign workers imported under the SLS may sometimes play a positive role in promoting and preserving the job opportunities of local workers. There are three main reasons for this:

First, many of the posts occupied by foreign workers invariably require skills which local workers do not possess, some examples being the Tang-style wood/stone carvers for the Chi Lin Nunnery reconstruction project, the tunnel boring mechanics for the Strategic Sewage Disposal Scheme and the steel frame and metal scaffolding technicians for the construction of Ting Kau Bridge (Route 3). The importation of these foreign skilled workers has not only brought about the smooth commencement of the works concerned, but has also led to the creation of posts for local workers. I believe that all of us will very much like the building groups of Chi Lin Nunnery, which feature the artistic craftsmanship of the ancient architecture of our country. I wish to point out that while the building contractor of Chi Lin Nunnery had to import a small number of craftsmen skilled at ancient architecture, it also employed more than 300 local workers to perform other types of jobs. Besides, in the case of Ting Kau Bridge (Route 3), only 78 foreign technicians were employed, but at the peak of the construction works,

more than 630 local workers were employed; and, even at other times during the construction period, as many as 300 local workers were employed.

Second, most of the employers who are permitted to import foreign workers will just employ one or two (or at most several) foreign workers. And, imported workers are usually required to fill some posts not preferred by local workers. These posts may involve duties of an obnoxious nature, the need to work in remote localities or relatively long working hours. Some examples of these posts include pig rearing workers, butchers, soya bean/bean curd/soya bean sprout processing workers and frozen meat inspection workers. These types of workers are all required for the normal operation of individual companies or even the trades and industries concerned.

Third, many of the employers importing foreign workers under the scheme are the proprietors of some small and medium enterprises, and they will just import one or two foreign workers. The number is indeed very small, but the workers thus imported are certainly of very great help in easing the labour shortage of small and medium enterprises. If these enterprises are not permitted to import any foreign labour despite their genuine failure to recruit local workers, they will certainly find it hard to survive, and the livelihood of local workers will be affected as a result.

For these reasons, as long as we uphold the principle of according employment priority to local workers, and as long as we can make sure that foreign labour are imported with prudence, pragmatism and high restraint under the joint supervision of employers and employees, we should really maintain a labour importation mechanism of some kind. That is why the Government does not favour the idea of abolishing the SLS altogether. We are always prepared, on any other occasions, to explain in detail how the Scheme operates and how rigidly local workers' employment priority is safeguarded. Besides, we are also prepared to explore with the LAB any possible measures which can further enhance the employment priority of local workers, so as to perfect the operation of the SLS.

I do wish to call upon Honourable Members to look at the SLS with a sensible attitude. During this very difficult period, employers and employees



should seek to avoid any unnecessary antagonism as far as possible. We all have the same goal — to revitalize our economy and to create job opportunities.

The fourth recommendation of the motion concerns the speeding up of the progress of infrastructural projects and other planned transport and infrastructural projects. In the next five years, the Government will spend a total of \$235 billion on infrastructural projects and public works programmes, and these will include transport projects. The implementation of all these projects will involve a total investment which is 50% higher than that of the airport core projects. Besides, they will also lead to the creation of about 60 000 posts in the coming 18 months; of these new posts, 9 000 are for professional and management personnel, and 51 000 are for operative and supporting staff.

In view of the recent surge of the unemployment rate, the Government has decided to advance by one to five months the commencement of 12 public works programmes costing \$3.7 billion in total. These programmes include the widening of the Tolo Highway at a cost of \$1,487 million and the Tsing Yi North highway project which involves \$1,160 million. It is hoped that more employment opportunities can thus be created as soon as possible. All these programmes will be launched between October this year and January next year, and a total of 1 630 posts will be created. The Government will continue to study the possibility of advancing the commencement of other public works projects by streamlining the procedures of planning, invitation of tenders and other administrative formalities, so as to provide the unemployed with more employment opportunities at an earlier time. As for those projects which are under planning, the Government will also consider the feasibility of advancing their financing, on the condition that this will not adversely affect the quality of our overall planning work.

Large-scale infrastructural projects aside, the Government will also speed up the launching of some minor works projects as much as possible, the aim being also to create more job opportunities. For example, the Works Bureau will speed up its allocation of funds for the launching of some labour-intensive maintenance works of the Government. It is expected that a total of \$518 million will be required for this purpose in the next two years, and approximately 1 000 posts will have to be created in the next six months. In addition, the Home Affairs Department will allocate an additional \$100

million over the next 12 months for the purpose of carrying out some minor environmental improvement works at the district level. These works will lead to the creation of some 200 posts.

The fifth point of the motion proposes that laws should be enacted to require an employer to consult the labour unions and employees' representatives concerned before carrying out any layoff. The Government does not agree to this proposal for two main reasons.

First, the Government is of the view that the promotion of direct and voluntary consultation on employment matters at the level of individual enterprises is far more effective and important than making such consultation compulsory by means of legislation. The reason is that voluntary consultation based on mutual goodwill will not only enable employers and employees to understand the needs and difficulties of each other, but will also make it possible for both parties to draw up mutually acceptable arrangements. This will help maintain harmonious labour relations, which are especially important under the existing circumstances. In contrast, laws which make it compulsory for employers to consult employees on layoff plans may well fail to achieve the desired result and may even impair labour relations, particularly when employers are unwilling to do so.

Second, the Government has long since been encouraging employers to actively consult employees and labour unions when they are formulating or revising their policies or measures on employment matters. And we have also been encouraging employers to take full account of employees' interests. We know that the major employers of Hong Kong have actually been making adequate attempts to consult their employees and to provide them with reasonable compensation with respect to the setting of salaries and fringe benefits, manpower deployment and reorganization exercises.

In order to promote voluntary negotiations and consultation and to foster good communication, a new unit named the Workplace Consultation Promotion Unit was established within the Labour Department in April this year. This Unit, which will move into its new office in mid-July this year, is responsible for promoting direct dialogues and voluntary negotiations between employers and employees. Since its inception, the Unit has organized three seminars, at

which personnel managers were able to share their views and experience in regard to consultation and communication with employees. The Unit has also organized a workshop for the management staff of two major employers and the message on the importance of cordial labour relations was imparted. With the assistance of the Unit, another employer has established its own Workplace Consultation Committee. What is more, the staff of the Unit have launched a series of workplace visits to promote voluntary negotiations and good ways of achieving employer-employee communication.

The Government does not favour the idea of legislating on a mandatory labour consultation mechanism. However, this certainly does not mean that the Government is not concerned about the plight of those who are laid off by their employers. I sincerely call upon all those employers who are in need of manpower adjustments to negotiate with their employees in the spirit of helping each other out at this very difficult time. I also call upon all those employees who have been unfairly treated to approach the Labour Department for assistance. Actually, if we are to tide over our difficulties in the present period of economic adjustments, we will need mutual accommodation between employers and employees, and the Government will certainly play the role of a mediator.

The sixth proposal of the motion concerns the provision of financial assistance to the unemployed. In this connection, I must say that under the Comprehensive Social Security Assistance Scheme, the Government has already been providing financial assistance to those who are caught in financial difficulties by unemployment, disabilities, diseases and so on, so that they can meet their basic needs of living. Besides, under the employment legislation of Hong Kong, dismissed workers also enjoy many kinds of protection, including payments in lieu of notice, severance payments and long service payments. In case an insolvent employer is unable to pay the wages, payments in lieu of notice, severance payments and long service payments as required, the affected employees can apply for *ex gratia* payments from the Protection of Wages on Insolvency Fund. For these reasons, the Government does not see any need to put in place any additional mechanism for the sole purpose of providing financial assistance to the unemployed. The experience of many advanced countries in the West shows that once any unemployment assistance scheme becomes a lasting measure, the people will develop a reliance on such a scheme and lose their desire to seek employment. That is why we must be extremely cautious in considering an issue like this.

The most effective way to help the unemployed is to make them stand on their own feet by assisting them in re-joining the workforce. Hence, we are of the view that we should put in more resources to increase the effectiveness of our employment services and to provide more training courses, so that the unemployed can re-join the workforce as early as possible and remain in sustained employment thereafter. We also think that we should create job opportunities by adopting various measures. All these ways are far more appropriate than injecting huge resources into our existing public assistance scheme.

The last proposal of the motion concerns an increase in retraining allowance. As I pointed out just now, what the unemployed in Hong Kong want most badly are not any forms of financial assistance, but jobs or the occupational skills which can increase their chances of securing employment.

At present, on the basis of course duration and days of attendance, the Employees Retraining Board grants a monthly retraining allowance of \$4,000 on average to a retrainee attending a whole-day course lasting for more than one week. This allowance is granted to the retrainee for meeting the travel and meal expenses necessitated by taking a retraining course. The aim is to encourage those who are temporarily unemployed to take whole-day retraining courses which can teach them how to master or enhance the skills required. It is hoped that with the resultant increase in their competitiveness, they will be able to find new jobs and reduce their chance of falling into unemployment again. The retraining allowance is not any kind of unemployment assistance, and, as a result, is not aimed at alleviating the financial hardship of the unemployed.

So much for the principle underlying the provision of retraining allowance. What I have been driving at is that the Government must make sure that our resources are always being used effectively. At present, there is a steady increase in the number of people intending to take the various whole-day retraining courses offered by the Employees Retraining Board, including those one-week courses which do not carry any retraining allowance. There is in fact no difficulty in admitting enough retrainees. Hence, we consider our pressing task now is not so much of increasing the retraining allowance. Rather, we must seek to ensure that all our retraining courses can suit the needs of the market and the unemployed. One possible way of doing so is first to identify the types of new vacancies and then design courses

tailor-made to teach the skills required. The only ultimate way to increase the attractiveness and effectiveness of retraining courses is to make sure that such courses can effectively assist the unemployed in re-joining the workforce.

### *Conclusion*

Finally, let me once again thank Mr LEUNG Yiu-chung and other Honourable Members for their concern over the unemployment problem in Hong Kong and for the relevant views which they have put forward. I do not intend to respond to the personal criticisms directed at me, but I do wish to stress that my colleagues and I will pledge to keep up our efforts; we will do all we can to alleviate the hardship of the unemployed, and we will seek to achieve this goal by exhausting every appropriate, feasible and effective way which can assist the unemployed in re-joining the workforce. At the same time, we hope that with a spirit of whole-hearted co-operation and a willingness to listen to different opinions, Honourable Members will join hands with the Government to resolve this thorny issue which is likely to last for quite some time. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr LEUNG Yiu-chung, you may now reply and you have up to four minutes and 41 seconds out of your original 15 minutes.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, first of all, I am very grateful to Mr Joseph WONG, the Secretary for Education and Manpower. He said that he would like to thank Honourable Members for their invaluable advice. But unfortunately, he was praising Members in the Council for their invaluable advice on the one hand, but on the other hand the content of his speech does not seem to show any evidence that he has taken any of our advice. Most of the time he was telling us once again the proposals which the Government had made in the past and the Government's stand in this issue. There was no pleasant surprise whatsoever in his speech, apart from the sudden announcement he made tonight that school fees would be frozen in an attempt to reduce the expenditure of some families in this respect. This measure is indeed different from the other measures in its novelty. Therefore, it does not matter very much when he said that he was grateful for our invaluable advice. I hope that he would really consider our views and see if they can bring some sort of solution to the unemployed.

Many of our Honourable colleagues have put forward a lot of views on my seven measures. I admit that these seven measures may not be the best ones. But the question is, according to forecasts from the Government or other sources, there are no signs of an imminent rise in the number of jobs in the private sector to solve or alleviate the unemployment problem. So I have proposed these measures with the hope of alleviating the unemployment problem from another perspective. I am not saying that this plan can attack the root of the problem and solve it once and for all.

Just as many of my Honourable colleagues have said, the crux of the unemployment problem is the persistent failure of industrial development in Hong Kong. The active non-intervention policy of the former colonial government in particular has led to a continual shrinking of the industries in the territory and displaced local workers. It is precisely due to this reason that I would like to respond to Mrs Sophie LEUNG's view. Actually I think that she ought not feel inferior, that is to say, she ought not feel that industries are something unimportant and can be dismissed easily. The truth is definitely far from this. For where will we get workers if there is no industry? This is a very straightforward response. The question is, at this time of an industrial slump, we need to have some more far-sighted targets and practical methods in mind before we press the Government to formulate some new industrial policies.

Besides, I would like to respond to Miss Christine LOH's views. I do not have much confidence in the financial and the service sectors. When certain countries set out to develop their financial and service sectors, there exist some other conditions, that is, they do not develop these sectors alone. They are backed up by other sectors, such as the industries. But for the past decade or so, Hong Kong has been taking a "mono-track" direction of development, with the emphasis put on the finance and service sectors, resigning the industries to a continual decline. Under these circumstances, the financial turmoil that we have just experienced has helped to expose the symptoms of the situation. Problems will arise whenever the impact of the financial turmoil spread from other countries or areas. So I think if we let the finance and service sectors continue to be the mainstay of our economic development, it is never going to give us any long-term solution to the problem of unemployment.

I would like to respond to Mr James TIEN's views now. I share the same views with many of my Honourable colleagues, that is, we will not urge the Government to create more posts just because we see that many people are unemployed. We do not think in this way. Both Mr TIEN and I share the same views, and I have mentioned this when I spoke just now, that is, I feel that we should speed up and implement the addition of posts which are necessary but were not done in the past. A few Members such as Mr Michael HO, Mr YEUNG Yiu-chung and Mr CHEUNG Man-kwong also referred to this situation just now. So we are not blindly urging the Government to create new posts.

As time is running short, I would like to talk briefly on the Supplementary Labour Scheme. I can say for sure that my Honourable colleagues here do not discriminate against foreign workers, nor do they have any grudges against them. The crux of the problem lies in the failure of the present policy on imported workers in protecting the wages of local workers and preventing the wages from declining. This policy also fails to protect local workers and help them secure employment. Looking back at the past, we can clearly see such events.

**PRESIDENT** (in Cantonese): Mr LEUNG Yiu-chung, your time is up.

**MR LEUNG YIU-CHUNG** (in Cantonese): Yes, the time is up. But I just want to ask those Honourable Member who did not support my motion in the past or have not done so just now to support my motion.

**PRESIDENT** (in Cantonese): Mrs Sophie LEUNG, do you wish to elucidate the part of your speech which has been misunderstood?

**MRS SOPHIE LEUNG** (in Cantonese): Yes, Madam President. Now I see what it is meant by "quoting a remark out of its context". I only want to make it clear that I have never felt inferior myself. I am grateful to the Honourable Member for caring about me. I have never felt that I am "ZHONG Wuyan" either. Thanks for the care. I only feel that this is very

unfair to us in the industrial sector because the sector is being treated as "ZHONG Wuyan", who can be disposed of at one's will. When someone dislikes you, you will be "crushed to death". Maybe I should fax my speech to Members for a good look.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LEUNG Yiu-chung 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 CHAN Kam-lam rose to claim a division.

**PRESIDENT** (in Cantonese): Thank you, Mr CHAN Kam-lam. I was also thinking of proposing to claim a division. The division bell will ring for three minutes.

**PRESIDENT** (in Cantonese): Honourable Members, the question now put is: That the motion moved by Mr LEUNG Yiu-chung be passed. Will Members please press the "Present" button before making their choices?

**PRESIDENT** (in Cantonese): Are there any queries? If not, voting shall now stop.

**PRESIDENT** (in Cantonese): The result will now be displayed.



Functional Constituencies:

Mr Michael HO, Mr LEE Kai-ming, Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mr CHAN Wing-chan, Mr SIN Chung-kai and Mr LAW Chi-kwong voted for the motion.

Mr Kenneth TING, Mr James TIEN, Mr Edward HO, Dr Raymond HO, Dr LUI Ming-wah, Mrs Selina CHOW, Mr Ronald ARCULLI, Mr HUI Cheung-ching, Mrs Sophie LEUNG, Mr Howard YOUNG, Mr LAU Wong-fat, Mrs Miriam LAU and Dr TANG Siu-tong voted against the motion.

Mr Bernard CHAN and Dr LEONG Che-hung abstained.

Geographical Constituencies and Election Committee:

Miss Cyd HO, Mr Albert HO, Mr LEE Wing-tat, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr LEUNG Yiu-chung, Mr Gary CHENG, Dr YEUNG Sum, Mr LAU Chin-shek, Miss Emily LAU, Mr Andrew CHENG, Mr SZETO Wah, Mr CHAN Kam-lam and Mr YEUNG Yiu-chung voted for the motion.

Miss Christine LOH, Mr David CHU, Mr HO Sai-chu, Mr NG Leung-sing and Mr Ambrose LAU voted against the motion.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among Members returned by functional constituencies, 22 were present, seven were in favour of the motion, 13 against it and two abstaining; while among Members returned by geographical constituencies through direct elections and by the Election Committee, 23 were present, 17 were in favour of the motion and five against it. Since the question was not agreed by a majority vote of each of the two groups of Members present, she therefore declared that the motion was negatived.

**NEXT MEETING**

**PRESIDENT** (in Cantonese): In accordance with the Rules of Procedure, I now adjourn the Council until 2.30 pm on Wednesday, 15 July 1998.

*Adjourned accordingly at twenty-six minutes to Midnight.*

## Annex

**WRITTEN ANSWER****Written answer by the Secretary for Economic Services to Mr Ambrose CHEUNG's supplementary question to Question 1**

The Security Bureau, Transport Bureau, Health and Welfare Bureau, Transport Department, Civil Aviation Department, Department of Health, Fire Services Department, Government Flying Service, New Airport Projects Co-ordination Office, Police Force and the Airport Authority (AA) have been consulted. Information obtained is set out below.

According to the Security Bureau, in general ambulances from the Chek Lap Kok and Tung Chung Fire Stations will provide immediate ambulance service should there be an event requiring urgent transfer of patients to hospital.

According to the Transport Bureau, the Lantau Link has been designed to deal with severe weather conditions including typhoon attacks. Normally, it will not be necessary to consider closing the Lantau Link to public and private vehicles unless wind speed reaches 90 km/h. Even when the Lantau Link is closed to other traffic, emergency vehicles (including ambulances and the like) may still be allowed to go through it depending on the actual weather situation. As advised by the Government Flying Service, where there is a need and subject to prevailing condition, its helicopters may provide additional transfer service.

In addition, the AA has advised that under severe weather conditions, passengers and staff at the new airport should remain indoors or under shelters unless in very exceptional circumstances. Therefore, the possibility of complete closure of the Lantau Link coupled with heavy demand for medical services at the new airport should be remote. Moreover, to further ensure the availability of medical services on a 24-hour basis, there are two clinics at the new airport, one on the airside and one on the landside in the Passenger Terminal Building. These two clinics are manned by at least one doctor and three nurses round the clock regardless of the weather conditions. Should any person require emergency medical services, medical personnel from the clinics will provide first aid or emergency medical treatment before the ambulance or helicopter arrives to transfer him to a hospital.