

# OFFICIAL RECORD OF PROCEEDINGS

**Thursday, 9 January 2003**

**The Council met at Three o'clock**

## **MEMBERS PRESENT:**

THE PRESIDENT

THE HONOURABLE MRS RITA FAN HSU LAI-TAI, G.B.S., J.P.

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

THE HONOURABLE JAMES TIEN PEI-CHUN, G.B.S., J.P.

DR THE HONOURABLE DAVID CHU YU-LIN, J.P.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

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

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

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

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

THE HONOURABLE NG LEUNG-SING, J.P.

THE HONOURABLE MARGARET NG

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

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE BERNARD CHAN, J.P.

THE HONOURABLE CHAN KAM-LAM, J.P.

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

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI

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

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE WONG YUNG-KAN

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

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE YEUNG YIU-CHUNG, B.B.S.

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

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

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

THE HONOURABLE AMBROSE LAU HON-CHUEN, G.B.S., J.P.

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

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

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

DR THE HONOURABLE LAW CHI-KWONG, J.P.

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

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

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

THE HONOURABLE LI FUNG-YING, J.P.

THE HONOURABLE HENRY WU KING-CHEONG, B.B.S., J.P.

THE HONOURABLE TOMMY CHEUNG YU-YAN, J.P.

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE LEUNG FU-WAH, M.H., J.P.

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

THE HONOURABLE AUDREY EU YUET-MEE, S.C., J.P.

THE HONOURABLE MA FUNG-KWOK, J.P.

**MEMBER ABSENT:**

THE HONOURABLE JAMES TO KUN-SUN

**PUBLIC OFFICERS ATTENDING:**

THE HONOURABLE DONALD TSANG YAM-KUEN, G.B.M., J.P.  
THE CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE ANTONY LEUNG KAM-CHUNG, G.B.S., J.P.  
THE FINANCIAL SECRETARY

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

THE HONOURABLE HENRY TANG YING-YEN, G.B.S., J.P.  
SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY

THE HONOURABLE MICHAEL SUEN MING-YEUNG, G.B.S., J.P.  
SECRETARY FOR HOUSING, PLANNING AND LANDS

PROF THE HONOURABLE ARTHUR LI KWOK-CHEUNG, G.B.S., J.P.  
SECRETARY FOR EDUCATION AND MANPOWER

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

THE HONOURABLE JOSEPH WONG WING-PING, G.B.S., J.P.  
SECRETARY FOR THE CIVIL SERVICE

DR THE HONOURABLE PATRICK HO CHI-PING, J.P.  
SECRETARY FOR HOME AFFAIRS

THE HONOURABLE MRS REGINA IP LAU SUK-YEE, G.B.S., J.P.  
SECRETARY FOR SECURITY

THE HONOURABLE STEPHEN IP SHU-KWAN, G.B.S., J.P.  
SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR

DR THE HONOURABLE SARAH LIAO SAU-TUNG, J.P.  
SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

THE HONOURABLE FREDERICK MA SI-HANG  
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

THE HONOURABLE STEPHEN LAM SUI-LUNG, J.P.  
SECRETARY FOR CONSTITUTIONAL AFFAIRS

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

**CLERK IN ATTENDANCE:**

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

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

**PRESIDENT** (in Cantonese): Members will please remain standing for the Chief Executive.

**PRESIDENT** (in Cantonese): Honourable Members, the Chief Executive will first address the Council.

**CHIEF EXECUTIVE** (in Cantonese): I am very glad that I can come here again today to meet with you. I would like to emphasize that to lead Hong Kong out of the economic difficulties and restore the confidence of people in their future is a prime task of the Government of the Hong Kong Special Administrative Region (SAR), and this is also the greatest challenge before us. In fact, the way forward for our economic development is already very clear, and that is, to capitalize on our advantages and strengthen our four pillar industries: finance, tourism, logistics and producer services; we will also foster the development of creative industries, promote innovation and technological progress and support the diversified development of small and medium enterprises. We will expedite economic co-operation with the Pearl River Delta to facilitate economic structuring in Hong Kong and increase the job opportunities for Hong Kong residents. After feeling our way over the past few years, I believe we have now embarked on the right track. The way forward is realistic and practicable and has also won the approval of the community. I hope we can all work hard on all these fronts.

**PRESIDENT** (in Cantonese): The Chief Executive will now answer questions raised by Members. Members should be aware that they may, for the purpose of elucidation only, ask a short follow-up question after their question has been answered.

Many Members have already pressed the buttons to indicate their wish to ask questions. I would invite Members to raise questions in turn. If Members wish to ask follow-up questions, please raise their hands to so indicate.

**MR TIMOTHY FOK** (in Cantonese): *Madam President, Mr TUNG,.....*

**PRESIDENT** (in Cantonese): Mr FOK, please stand up to ask your question.

**MR TIMOTHY FOK** (in Cantonese): *Madam President, Mr TUNG, in your policy address yesterday, you mentioned that Hong Kong will be developed into a arts and sports city, and creative industries will be developed to instill a new element in Hong Kong's economic development. The arts and sports sector is greatly encouraged by this, and I would like to reflect their views here. Most arts and sports organizations are of a relatively small scale and they have to rely on subsidies for funding. Does the Government have any concrete plans such as in the area of technology, organization and management to support these organizations?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, as regards arts and sports, I understand that the Secretary for Home Affairs — that is, Secretary Patrick HO has given a lot of thought to this, for example, how to inject vitality into our arts and elevate sports to a new level. In fact, I have also discussed this matter with Mr FOK on many occasions. Sports have become an important commodity, and the Government will definitely work hard in this area to promote it vigorously. As to the question of whether it should be fully subsidized by the Government, I think this may not necessarily be the case because I believe, in addition to the efforts of the Government, the participation of the whole community is also equally important insofar as the development of a civil society is concerned. I am confident that we can make significant progress in this area in the coming few years.

**MR MA FUNG-KWOK** (in Cantonese): *Madam President, I have a question for Mr TUNG. The new team under the accountability system has assumed office for half a year and in order to allow them to run in more smoothly, the delivery of the policy address was delayed for three months. The Chief Executive delivered his policy address yesterday and the policy address could actually reflect the overall performance of the new team. Our general impression is that while the policy address has set out the direction, there are not many concrete measures. In this connection, what is Mr TUNG's assessment of the work of the accountability team over the past six months?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, this policy address and policy agenda are indeed a product of collective effort. I think the policy address should set out the direction. Can we say that this policy address is

hollow? Well, it is not. This is because the policy address has covered many substantial issues. For example, the State Planning Commission will soon conduct a feasibility study on our bridge; 24-hour passenger clearance will take effect from 27 January; and travel arrangements for residents of Guangdong Province to visit Hong Kong in their personal capacity will soon be implemented. These are all substantial issues. Basically, this document is directional in nature and future policy addresses will also be similar. The few issues that the public is most concerned about will become the crux of the policy address, whereas the policy agenda will clearly state what needs to be done and implemented by each Bureau Director in each policy area. All these directions can be seen in the policy agenda. In fact, if the policy address and the policy agenda should reflect how well the accountability system has worked, then I would say it has worked quite well. What is more, all accountability directors are very dedicated and devoted. They will try to win over the public and respond promptly to every incident in the community. So, the fact is, the accountability system has really made the Government as a whole embody accountability. As such, I am satisfied with many aspects. Of course, as regards the overall assessment, we have already promised the Legislative Council that we will conduct a full assessment within one year. Let us talk about this again in six months.

**MR MA FUNG-KWOK** (in Cantonese): *Madam President, I would like to follow up one point. Does Mr TUNG think that the accountability team has already passed the run-in stage? Are they now at the omni-co-operation stage? Or, are they still at the stage of only sharing some common beliefs?*

**CHIEF EXECUTIVE** (in Cantonese): *Madam President, perhaps I could put it this way. Over the past six months, we have been working very hard together. We have now come to understand and trust one another, so the accountability system has really worked quite well. In the next six months, we will continue to work in this direction; and so far, I think they have been doing better than I have anticipated.*

**DR PHILIP WONG** (in Cantonese): *Madam President, first of all, I have to apologize to the Chief Executive because I did not stand up when he left the Chamber yesterday. (Laughter) This is actually the best sign of my confidence in the administration of the Chief Executive.*

*I would like to ask a question in relation to the solution to the deficit problem. First of all, I really appreciate the fact that the Chief Executive and the 16 Secretaries of Departments and Bureau Directors have taken the lead in cutting their pay by 10%, and I hope that all civil servants will follow suit. However, as the circumstances of individual civil servants are different, may I ask the Chief Executive if he would find a way to let them have a "sweetener" first? By doing so, civil servants will think they still have something to gain in spite of the pay cut, and will be willing to accept a 10% pay cut voluntarily, or if they are willing to do so, the Chief Executive may undertake to extend their retirement for one year or for a certain period of time when they reach the retirement age of 55 so that they can enjoy some compensation at the latter stage of their career, that is, to offer them more "sweeteners", so that they can answer the aspiration of the public more readily.*

**CHIEF EXECUTIVE** (in Cantonese): "Sweeteners" are always required in political transactions (*laughter*) and such deals have often been made between the Legislative Council and the Government. However, I would like to tell Members that insofar as the issue of civil service pay reduction is concerned, firstly, several government officials and I have exchanged views with civil service unions on an extensive basis and we would continue to do so in the near future.

I would like to reiterate that first, the fiscal deficit is not caused about by civil servants; second, civil servants have always worked very hard for Hong Kong; third, from the opinion of the public, we can see that they think that service of civil servants is better compared to that in 1997. This is the relevant background.

Secondly, the Hong Kong community is now facing a very tall challenge and a lot of issues have to be dealt with. Such tasks will eventually have to be performed by civil servants with diligence. The stability of the community and its future development also depend on the concerted efforts of all civil servants. In the course of the consultations, the civil servants have told me that they are willing to strive to reduce the fiscal deficit. They are also aware that the Government has always wanted to reduce its fiscal deficit and \$20 billion must be cut from our expenditure by 2006-07. They have also indicated that they are willing to accept a pay cut if the need arises. Secretary Joseph WONG has already started discussions with civil servants with a view to reaching a

consensus and examining how the objective of expenditure cut can be achieved. The Government is also aware of the urgency of this issue and is keen to resolve it as soon as possible, for this is not only something that Hong Kong people are concerned about. The international community, the financial sector and members of various sectors of the community are also keeping a close watch on how we are dealing with this issue. I would like to tell Dr WONG that the officials of various government departments and I are highly concerned about this issue and I trust we can achieve a very good result in the end.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, I think Mr TUNG has not faced up to the issue that Members are most concerned about when he delivered the policy address yesterday and in his earlier address.....*

**CHIEF EXECUTIVE** (in Cantonese): I am sorry, I could only get the English interpretation. I am sorry, Mr LEE Cheuk-yan, I could only hear your speech in English. *(Laughter)*

**PRESIDENT** (in Cantonese): Mr Chief Executive, please test your earpiece again.

**CHIEF EXECUTIVE** (in Cantonese): It is working now. Mr LEE, you may now speak.

**MR LEE CHEUK-YAN** (in Cantonese): *Yes, Mr TUNG, do you get the Cantonese or English channel now? (Laughter)*

**CHIEF EXECUTIVE** (in Cantonese): It is all right now.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, I think the Chief Executive has actually avoided an issue of enormous concern to the public both in his earlier address and in the policy address he delivered yesterday. The public thinks that the Government is doing a very bad job of governance and this*

*has led to a confidence crisis. That means many members of the public have a lot of grievances and they do not have any confidence. This is mainly due to a lack of confidence in the Government, a lack of confidence in Mr TUNG, but there is no way that they could change the Government and replace their leader for there is no democratic system to resolve the political confidence crisis problem? Can Mr TUNG tell us how he is going to address this political problem of confidence crisis? The Chief Executive is also aware that if the public does not have confidence, our economy will not be able to do well. Some academics have even said that the greatest problem and the greatest obstacle in the fostering of social cohesion is Mr TUNG himself. I earnestly hope that Mr TUNG could face up to this problem that the public is gravely concerned about, that is, the political problem of confidence crisis in relation to his power of governance.*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, the only point that Mr LEE Cheuk-yan has failed to mention is that this is his personal opinion, but he has passed it off as the view of a third party.

When the economy is poor, it is perfectly understandable that the public will have demands and expectations on the government. In fact, we must also work harder. However, are we really doing so badly? The problems that Hong Kong is facing are problems brought about by economic restructuring, problems brought about by the globalization of world economy, problems brought about by a knowledge-based economy, challenges brought about by the rapid economic development on the Mainland and problems brought by the bursting of the bubble economy. These problems are very complicated and we have taken a series of measures over the past five years to deal with the relevant work. In fact, while the conditions are critical in Hong Kong, we are still doing better as compared to other regions in Asia and we are really better than others. So, are we satisfied? We are still not satisfied and will continue to work diligently. As I said earlier, we have already found a way forward during this period of time and this road is very clear, that is, to capitalize on Hong Kong's existing advantages, enhance our four pillar industries, and to promote the restructuring of the Hong Kong economy by riding on the trend of favourable developments of our Motherland, in particular through co-operation with the Pearl River Delta Region. Since the cause of this problem is so complicated, we certainly need some time before we could achieve the desired result. The

problem could not be solved simply by saying a few words and shouting a few slogans. This is not as simple as that. From the experience of foreign countries, we can see that economic restructuring takes a long time and the process is very painful. We have to accept this situation. You may ask, "have we made any progress?" In 1997, the number of visitors to Hong Kong was 1.13 million passengers trips, and it increased to 1.65 million passengers trips last year. Why is there such growth? How has it been achieved? This is achieved through the concerted efforts of the tourism industry, the Government and all the people. In regard to the logistics industry, Hong Kong handled a container throughput of 14 million TEUs in 1997 and this has now increased to 18.4 million TEUs, enabling Hong Kong to retain its first place in the world. How has this result come by? This is achieved through the efforts of everybody, through government negotiations with the Mainland over cost reduction and favourable arrangements for boundary crossing, and also because we managed to attract the best experts to Hong Kong to help promote our logistics industry. Why have so many foreign companies come to Hong Kong, and why have they chosen to come to Hong Kong instead of other places? You may be aware that, there were 2 500 such foreign companies in Hong Kong in 1997 and now there are 3 200. It is not true that such companies have come to Hong Kong of their own volition and we have done nothing to achieve this. This is actually the result of our efforts. A couple of years ago, everyone was very concerned about environmental protection and said our air quality was bad. However, the *South China Morning Post* reported last November that our air quality was very good, that such good air quality had been rare, and so there had been great improvement. In fact, I can go on for a whole hour telling you about the work that the Government and the public have done. However, Mr LEE, what is most important at the moment is for us all to work together with confidence, to actually put our efforts in doing something and do it well. I personally have great confidence, and we have already found a road that is acceptable to the community and I trust we can walk out of this quagmire following this road.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, I think Mr TUNG still fails to understand one point. I do not think the public is saying that the Government has achieved nothing over the past five years. They only think that the Government has said a lot, chanted many slogans and made many promises but many of those have fallen through, thus creating a confidence crisis. However, the response of Mr TUNG to all this is: You should place your*

*confidence in me for we have already identified a way forward. In fact, five years have passed. The public have already waited for five years and they no longer have any confidence. How can the Chief Executive restore people's confidence? I talked about the issue of social cohesion earlier, but Mr TUNG has not touched on this issue in his policy address. Does it mean that even he is not confident that there will be cohesion in society that can make everyone struggle for Hong Kong? However, Hong Kong cannot afford to "go wrong".*

**CHIEF EXECUTIVE** (in Cantonese): Mr LEE, Hong Kong will not "go wrong" and no matter what you say, Hong Kong will not "go wrong" for it has a lot of advantages and nothing will go wrong if we follow our direction. We will certainly succeed.

**MR ERIC LI** (in Cantonese): *Madam President, I am speaking in my personal capacity. However, I do not share the view of Mr LEE Cheuk-yan. I feel that this year's policy address, particularly in the area of economic analysis, is the most objective one throughout all these years. This year's policy address is not only being realistic in addressing the present-day problems, it also shows the industrial and commercial sector and professionals that the Government is moving in the direction they have been longing for. The only thing I hope Mr TUNG will do is to devote vigorous efforts to implementing these policies to show us results.*

*Today, my question is raised from this perspective. I agree with Mr TUNG's point, that is, we have to attract as many talented people as possible to come to Hong Kong with an international outlook. However, may I ask why Mr TUNG mentioned only attracting talents to work in Hong Kong in his policy address delivered yesterday? Let us take Canada, the United States, Australia and the United Kingdom as examples, they have been absorbing foreign exchange earnings by way of education. Let me cite an extreme example. The University of Oxford will admit not only students living in nearby boroughs, instead, it will admit students from all over England and top-notch students from all over the world. These students would stay in the United Kingdom upon graduation and start their own businesses, make investments or work. Since we have invested a lot of money in universities and private international schools, why should our education policy not be engaged globally and adopt a similar view in absorbing regional talents to admit students?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, Mr Eric LI has raised a good question. I agree with his proposals very much. On several past occasions, I have also discussed the issue with accountability directors and principal officials. I believe Prof Arthur LI also agrees with this point and the proposals of Mr Eric LI. Certainly, given the prevailing fiscal deficit, we probably need more time to implement such a scheme. However, I think what Mr LI said was right, that is, we should head in this direction. I believe it will increase the competitiveness of Hong Kong on the one hand, and give impetus to the development of the community at large on the other.

**MR ERIC LI** (in Cantonese): *Madam President, I would like to raise a short follow-up. To the best of my understanding, in the Harvard University and the University of Oxford, for example, the number of overseas students admitted is about 30% to 40% of the total number of students. Although Hong Kong has made investments up to billions of dollars in the most elite university education, the number of overseas students accounts for 2% or 3% only, which is even below the 5% threshold. I hope the Government can put the relevant timetable into effect as soon as possible, to show us some prospects, and I hope these overseas student will become talents for us.*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, this is a good suggestion. Thank you.

**DR YEUNG SUM** (in Cantonese): *Madam President, Mr TUNG advocated vigorously the development of education in last year's policy address and stated that the Government would increase the investment in education significantly. Although he also stated in this year's policy address that the Government would invest in education resolutely, it is already a far cry from the remarks on significant investment he made in the previous policy address. Moreover, he has stated publicly that the Government would cut its expenditure by \$20 billion. May I ask Mr TUNG whether there would be a cut in education funding? If the answer is positive, will it not contradict the pledge he made in the past concerning the unyielding investment in education?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, we will invest in education resolutely. The Secretary for Education and Manpower would conduct a thorough review of all the expenditures on education, but we would maintain the necessary funding for items where enhanced efforts are called for. However, I think Honourable Members would agree that if some projects are found unnecessary or they should not proceed, we ought to further consider whether the relevant resources should be redeployed to other areas of education. Through thorough reviews and redeployment of resources, I am confident that we will do better and achieve better results in education. Dr YEUNG Sum, we are determined in making investments in education.

**DR YEUNG SUM** (in Cantonese): *Madam President, does the reply given by Mr TUNG just now imply that education funding is bound to be cut? I have asked this just now. If the Government really cuts the expenditure in this respect, will it not contradict the pledge which has been made publicly that the investment in education would not be cut? Hong Kong remains a Chinese community, and all Chinese people attach importance to their children's education. When the economy is not doing good, parents would place more hopes on their children and hope their children will receive the best education and subsequently surge ahead of others. However, if the funding for education is really cut, then all the parents in Hong Kong will be very disappointed.*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, I have stated in the policy address that the people are our most valuable resource. In the past five years, education funding has been increased by 50%, which is a significant growth. In fact, Honourable Members can see that no matter my colleagues or myself, we all attach great importance to education from the very first day to now. Besides, as I have said just now, education funding will not be affected. However, I hope Honourable Members will understand that if any area lacks efficiency or needs adjustment, we would make the relevant changes and redeploy the resources in pursuit of sounder development in education and better results.

**DR DAVID CHU** (in Cantonese): *Madam President, may I ask Mr TUNG that whether the Government would consider continue deferring the implementation of cancelling the minimum brokerage for stockbrokers? The reason is that it is*

*very difficult for stockbrokers to do business these days, besides, it is reported that over one hundred broking firms will close down shortly. As most small broking firms are run by local people, they can therefore be regarded as part of the local economy.*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, in fact, every sector, I am sorry, it is difficult to make out what Dr CHU has said, however, I believe I understand what the question is. (*Laughter*)

I am sorry. Every sector in Hong Kong is facing considerable transformation indeed, and it simply happens to every sector. I believe broking houses are also facing the same transformation process. We have to be brave to face the reality, to embrace these changes, and try to find a way out. After postponing the decision year after year, we cannot solve the problem if we are not determined to work out a solution. This is my personal opinion. Nevertheless, concerning the things we should do, I think the final decision should be made by the Board of the Stock Exchange of Hong Kong (SEHK). Certainly, I believe the Government may have some opinions, and they would be conveyed to the SEHK. However, the ultimate decision rests with the SEHK.

**DR DAVID CHU** (in Cantonese): *Madam President, I would raise a brief follow-up. I am sorry, Mr TUNG has to bear with me again. (Laughter) I know that a lot of reforms and improvements have to take place in many areas in Hong Kong. However, I hope that the Government will not knock down the entire structure immediately in taking forward these reforms and improvement, as I hope the Government will make some arrangements for the people being affected before proceeding with the reforms or abolishing the old system.*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, I thank Dr David CHU for his suggestion. I have noted it.

**MR IP KWOK-HIM** (in Cantonese): *Madam President, the theme of this year's policy address is the revitalization of the economy. I share some of the views presented in the policy address, such as a sustained economic growth can lay the foundation for improving people's livelihood and help in taking our society*

*forward. Besides laying emphasis on upgrading our pillar industries, Mr TUNG has also reiterated the need to encourage the diversified development of these industries in the beginning of his address. However, no details can be found in the address. The policy address suggested some specific measures, such as building a modern Logistics Park on Lantau Island and the Container Terminal No. 9 coming on stream in 2003. The Chief Executive emphasized sustained measures would be adopted, such as he has mentioned in paragraph 17, "We should capitalize on greater economic integration with the PRD to strengthen our role as a regional centre for business operations. We will continue to attract multinational corporations to set up regional headquarters or office". However, no specific measures were cited. Can the Chief Executive give some details of these measures? In paragraph 18, it was also mentioned that traditional industries and the local community economy played a unique role in the restructuring of our economy, therefore the authorities would actively complement their development. Can the Chief Executive cite some specific examples to illustrate what "actively" means and what measures would help the realization of these objectives?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, this policy address is a directional one. I can illustrate item by item if Mr IP wishes me to do so, because I am quite familiar with these areas. However, one hour is inadequate for me to explain them *seriatim*, perhaps even two hours are not enough. In addition, besides a copy of the policy address, Honourable Members should also have a copy of the policy agenda which are issued by us. For that reason, I hope that Honourable Members, through their dialogue with Bureau Directors, can find out what the actual problems are and what the thoughts and mindsets of the Government are, and how the Government would take forward work in each area.

**MR IP KWOK-HIM** (in Cantonese): *Madam President, I wish to clarify one point. Of course, I know Bureau Directors would further explore the policies, but the most important thing is that after proposing a policy, expeditious implementation should follow. That is, effective measures should be proposed to implement the relevant policies. However, if there are only specific representations, then we would be unable to figure out what exact measures the Government has proposed. Can the Chief Executive cite some concrete examples on how a firm grasp on the relevant work can be kept?*

**CHIEF EXECUTIVE** (in Cantonese): Let us take tourism as an example. I also have to spend a lot of time in explaining the actual situation. For example, mainland tourists may visit Hong Kong through various channels, and some have joined tours to Hong Kong. When this measure was first introduced, only four mainland travel agencies could organize tours of this kind. Now it is open to hundreds of travel agencies. In fact, the Government is implementing and promoting the relevant policy steadily with the Central Government. As to the policy under discussion, that is, allowing residents within Guangdong Province to visit Hong Kong in their personal capacity, we are working on it step by step. If we have to explain them in detail, it would be a long story. However, as far as the entire policy is concerned, our objective is to reinforce the tourism industry and attract more mainland tourists to visit Hong Kong. As to the details, I am glad to discuss with Mr IP item by item.

**MR JAMES TIEN** (in Cantonese): *Madam President, the various directions mentioned in yesterday's policy address delivered by Mr TUNG were identical to proposals advocated by the Liberal Party all along, such as measures in seeking co-operation with the Pearl River Delta (PRD), solving the fiscal deficit problem and raising revenue and cutting public expenditure. The question I would like to raise is about the stimulus to our economy, that is, the issue of attracting talented people from around the world to make investments and live in Hong Kong, which was mentioned in paragraphs 21 and 22. The wording used by Mr TUNG was "we will make reference to this policy" in dealing with the introduction of mainland talents. Does it mean that the Government will make reference to the policy to facilitate American and European talents and professionals to work and live in Hong Kong by applying the same principle to mainland talents, that is, allowing the spouses and children of mainland talents to come to Hong Kong?*

*Secondly, paragraph 22 mentioned that the Government had decided to encourage more overseas investors to settle in Hong Kong. As far as I know, many of my American and Singaporean friends have already come and settled in Hong Kong, why do they need encouragement again? Is there any novelty in this policy?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, as to the first question raised by Mr TIEN about paragraph 21, we have said that we would make

reference to this policy to facilitate mainland talents and professionals to work and live in Hong Kong. Mr TIEN's understanding is correct, that is exactly what we intend to do.

As to the issue of investment immigrants, our objective is to encourage more people who are willing to make investments in Hong Kong to settle here. I am aware of the fact that Mr TIEN is concerned about these two areas from the very beginning. I think the Chief Secretary for Administration, Mr Donald TSANG, will further explain the policy in detail to Honourable Members after presenting the paper on population policy.

**MR JAMES TIEN** (in Cantonese): *Madam President, I thank Mr TUNG for his clear explanation. I would like to know more about the point of making reference to the policy to facilitate overseas talents to come and settle in Hong Kong. Is it just like the policy of attracting American and European talents to come and settle in Hong Kong, that is, there is no restriction on their trade? In the past, only people engaging in high technology and financial services would be allowed to come and settle in Hong Kong. Have the restriction on trade and quota system been lifted now? Is that what the Government intends to do?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, Mr TIEN's understanding is correct, that is what we intend to do.

**MR BERNARD CHAN** (in Cantonese): *Madam President, Mr TUNG mentioned just now and yesterday that he would consult the civil servants in order to start the civil service pay adjustment work in 2003. May I ask Mr TUNG whether a pay level survey would be conducted? If the answer is positive, how long will it take, in his opinion, to complete the survey?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, I believe the Government has to find an appropriate way to deal with the issue of civil service pay. The Secretary for the Civil Service, Mr Joseph WONG, is concentrating on discussing the issue with civil service colleagues. In matters concerning pay

adjustment, of course a mechanism should be put in place. Currently, we already have a mechanism. As to how the mechanism will develop in the future and whether a pay level survey will be conducted, I believe we should give Secretary Joseph WONG some more time for discussions with our civil service colleagues. Certainly, the Government will explain the matter to the public once we have come up with a conclusion.

**MR BERNARD CHAN** (in Cantonese): *Madam President, does Mr TUNG already have the intention in his mind to conduct a pay level survey in 2003?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, the Government will proceed with the work as soon as possible, that is, to hold discussions with the civil servants. The Government will speed up the work in order to come to an agreement with the civil servants because we are aware of the urgency of the fiscal deficit problem.

**MR WONG SING-CHI** (in Cantonese): *Madam President, I believe Mr TUNG is also aware that in the past, when Hong Kong was affluent, the poor did not fare any better. Hong Kong is now worse off and I am worried that these people will take the brunt and become even poorer, since some Bureau Directors and government officials have said that consideration would be given to reducing Comprehensive Social Security Assistance (CSSA). Mr TUNG said in paragraph 61 of the policy address that the Government should show its sympathy to the disadvantaged. Mr TUNG also mentioned in the policy agenda about establishing a caring and just society, however, he did not propose any specific measures relating to the people's livelihood in his policy address. Will the Government reduce the CSSA for the elderly, the vulnerable and the disabled?*

**CHIEF EXECUTIVE** (in Cantonese): The Financial Secretary and Dr YEOH Eng-kiong are now examining the issues relating to the CSSA. This is part of the work in preparing the Budget and I know that a final decision has not been made.

I wish to tell Members that the Government has always considered the work relating to the people's livelihood very important. I also said yesterday that the economic problem is the greatest concern of the public at the moment. Only by boosting the economy can we ensure sustained development in the people's livelihood and society. If the economy cannot be boosted, then everything else is in vain. Therefore, we will concentrate our efforts on fixing the economy, and this is also the focus of my policy address. However, this does not mean that we consider issues relating to the people's livelihood unimportant.

I wish to talk to Members about issues relating to the elderly. The expenditure earmarked for services for the elderly this year is \$3.5 billion. Compared with \$1.7 billion in 1997-98, the amount has doubled. At present, more than half of the elderly, that is, 58% of them, are living in government-funded public housing. The number of people on the Waiting List fell from 16 000 in 1997 to only 7 000 now. At present, we provide about 26 000 subsidized places in homes for the elderly, representing a 66% increase from the number in 1997. We have 38 Support Teams for Elders and 12 000 volunteers have established numerous teams in various communities to provide support for elderly people in need. In fact, we are working on many areas. In addition, concerning the disabled, the expenditure in 1997 was \$9.8 billion, but it has now increased to \$16.2 billion.

Concerning the people's livelihood, the Government has done a lot in the past five years and we should be proud of this. Of course, with stretched financial resources, the Government has to make better use of the resources for social welfare to enhance their efficiency. However, I believe we must adhere strictly to one principle, that is, we must take care of those who are genuinely in need of help and care. We will definitely take care of these people.

**MR WONG SING-CHI** (in Cantonese): *Madam President, I did not ask Mr TUNG how many services the Government has provided to the elderly. My question was clearly on whether the CSSA for the elderly, the vulnerable and the disabled would be reduced. I have also said that even if economic measures are very effective, the elderly, the vulnerable and the disabled will not become rich as a result. If the amount of CSSA for them is reduced, then even their subsistence will be affected. I hope Mr TUNG will be able to see the actual circumstances of the elderly and refrain from reducing the CSSA they receive. Mr TUNG has cited some figures, but the services he mentioned by him are not*

*related to CSSA. In fact, the elderly people in society have very clearly voiced their hope that Mr TUNG will not cut back the CSSA they receive. I hope Mr TUNG will be able to hear such views and that the Secretaries of Departments and Directors of Bureaux will not consider cutting back the CSSA for the elderly, the vulnerable and the disabled when they examine this issue.*

**CHIEF EXECUTIVE** (in Cantonese): Mr WONG, of course we can hear the voices of the elderly. Since day one of coming into office as the Chief Executive, the focus of my work has been on the two areas of elderly care and education. What I intended to tell Mr WONG just now was that in the past five years, we had in fact done a lot. As regards the CSSA, I reiterate that no final decision has been made and the Government is examining this issue.

**MISS CHAN YUEN-HAN** (in Cantonese): *Madam President, my question is about the problem of unemployment. At present, there are about 1.3 million people in the working population with an education standard below Secondary Three. This is Mr TUNG's first policy address after he assumed his second term of office as Chief Executive. As one of those concerned with the problem of unemployment, may I know what measures the SAR Government has put in place to solve the problem of structural unemployment faced by over 1 million people at present? We agree with the promotion of economic recovery proposed in the policy address since we know that only a vibrant economy will bring employment opportunities. Mr TUNG elaborated in paragraphs 5 and 6 of his policy address on the reasons for the emergence of a bubble economy in Hong Kong in the past and how this had made Hong Kong economy change from one with diversified development into a service-based economy driven only by the property and financial sectors. After the burst of the bubble economy, I think the Government has made no special effort to assist the more than 1 million people in the working population with an education standard below Secondary Three in the restructuring economy. They cannot go back to the Mainland and work there, yet the policy address did not mention how the Government will solve the local unemployment problem. Can Mr TUNG tell us which paragraph in the policy address has mentioned how this problem can be solved?*

**CHIEF EXECUTIVE** (in Cantonese): We are of course very concerned about the unemployment problem. Members also know that on the one hand, it is a structural problem, and on the other, it is also a cyclical problem.

Unfortunately, the problem faced by Hong Kong now is more of a structural nature. In order to solve this structural unemployment problem, the economy must be restructured and we must get out of the situation step by step and upgrade the quality of our human resources. Miss CHAN, all this work takes time. It takes time to restructure the economy. As I have said a number of times, this will be painful, but we must accept this fact. However, does this mean that the Government will do nothing? Certainly not. For example, we are promoting the tourism industry because we know that it can create employment opportunities. We are doing all we can to promote the logistics industry because it can also create employment opportunities. We are promoting the local community economy with a view to promoting employment. I have also said that we will strive to crack down on illegal workers so as to increase employment opportunities. These policies cannot completely solve the unemployment problem, but they can alleviate the pressure. We can see that the unemployment rate has fallen slightly in the past few months. Indeed, I very much wish I could tell you that I have found the solution, but this is not the reality and I believe the unemployment rate will remain high for some time to come. This is one of the consequences of economic restructuring. This is because, for many years, we have not done enough in many areas, such as in manpower matching and education, thus leading to the present situation. We will continue to work hard.

**MISS CHAN YUEN-HAN** (in Cantonese): *Madam President, I do not mean to negate the many efforts made by the Government in this area in the past few years. For example, we consider Mr TUNG's proposal to promote creative industries desirable; another example is the diversified development mentioned in paragraph 16 and in some other paragraphs, which I also consider to be desirable. However, according to the experience in the past few years, we often found that after the Government had proposed some plans, there was no specific timetable for their implementation. When the bureaucracy encounters problems, the proposals may then go awry or vanish, therefore, many Hong Kong people say that the more significant the policy proposed by the Government, the more worried they are, because the Government is all words and no action. The Government is now proposing the promotion of creative industries and a diversified economy. What are the details of specific implementation? Will it work to merely rely on two Directors of Bureaux to implement the plans? We have already seen too many instances of this nature in the past, so we do not have much confidence. Is the Government determined to solve these problems, or will it just do things in a slipshod way when it encounters difficulties?*

**CHIEF EXECUTIVE** (in Cantonese): The Dragon Market was proposed by Miss CHAN and it has been put into practice. I also want to have a look at it in one or two weeks' time. Therefore, when the public makes suggestions, the Government does respond to them actively as well as implementing them immediately.

As regards creative industries, Members can prepare some questions to test Secretary Henry TANG and Dr Patrick HO next week. They should be able to respond to Members well. Under the accountability system, the Secretaries of Departments and Directors of Bureaux are all very responsible. We will deliver.

**MS AUDREY EU** (in Cantonese): *Madam President, Mr TUNG stated first and foremost in the first paragraph of his policy address that the most important task of the Administration is to lead Hong Kong out of the present economic difficulties and restore people's confidence in their future. I would like to ask a question relating to restoring people's confidence in their future because after the release of the Chief Executive's policy address, many news reports, radio programmes and many other commentaries have expressed a lack of confidence in the proposals presented in this policy address and consider that all the solutions proposed by the Chief Executive will not be able to lead Hong Kong out of its economic difficulties. May I ask Mr TUNG which paragraph or part of the policy address can restore people's confidence in their future?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, to restore confidence, we cannot merely rely on an article or the words spoken by a person. Firstly, I have to make everyone see our direction of development. I have said just now that I am very pleased to see that our present direction of development has won the approval and support of society. Our direction of development is to give full play to our strengths, enhance the four pillars of our economy and expedite economic integration with the PRD to enhance our economic vitality and promote restructuring. In fact, society approves of such a direction and we are working in this direction.

A Member reminded me that the creative industries are very important. I also agree that the creative industries are very important. I wish to stress that we have a direction in development. After determining this direction of development, it is up to the Government to deliver. The Government is really working very hard, and for many years, we have managed to produce results in our efforts on the four key areas of our economy and a lot has been done, no matter on financial services, tourism, logistics or producer services. Everyone should be able to see this. We are now forging closer co-operation with the PRD and pooling our strengths together in development. In this regard, we are also confident that we can deliver. Concerning the general public, the Government has to let them see gradually what we are doing. In the future, the Government will also give the public a clear account of our work in these aspects.

Take the logistics industry as an example. An air services agreement was reached between Hong Kong and the United States last year. This aviation agreement is very important to Hong Kong, since it can give impetus to the logistics industry at the airport in Hong Kong. Cathay Pacific, Dragonair and airlines in Taiwan have also worked out air services agreements between Hong Kong and Taiwan, which are also very important to Hong Kong. We are now actively promoting the air service industry, therefore Members can see that between 2002 and 2003, Cathay Pacific and Dragonair have bought 25 airplanes. They now have 100 airplanes and have to employ an additional 2 000 workers. In the future, Dragonair, Cathay Pacific and Air Hong Kong Limited will buy about 20 airplanes. It can thus be seen that our policies are implemented successfully. We will continue the work in relevant areas and let everyone know that we are heading in the right direction.

However, does this mean that the problems have been solved? No, they are not. As I said yesterday, there are at present many people who are suffering from the economic restructuring. There will still be people with negative equity assets, as well as those being subjected to pay cuts or unemployment. We hope that these people can receive training or retraining and more employment opportunities will be created as far as possible, whether in the tourism industry or logistics industries. I have said to Members just now that we will create more employment opportunities by various means. These problems have not yet been completely solved, but they are part of the process of restructuring. As to other tasks that we want to carry out, all of them are now in progress.

**MS AUDREY EU** (in Cantonese): *Madam President, Mr TUNG is very right in saying that confidence cannot be restored merely by the words of a person or an article. Madam President, Mr TUNG spoke at length about the work being carried out by the Government, but it takes time for the effects to be seen. However, there is one measure that does not require a long time for it to see effect and the effect will be immediate. Moreover, it is an action that can also be taken immediately. This measure is the one mentioned by Prof KUAN Hsin-chi, the person responsible for promoting cohesion among the public in the Central Policy Unit, and that is, to issue a White Bill on legislation to implement Article 23 of the Basic Law (Article 23) and consult the public on the provisions. Mr TUNG said in paragraph 55 of the policy address that he had heard a lot of views and attached great importance to them. The demand for a White Bill is cross-sectoral and also very clear. This is an action that can be taken immediately. If Mr TUNG takes such a course of action and consult the public on the details of the legislation to implement Article 23 by way of a White Bill, he can at least boost the confidence of the public. May I ask Mr TUNG if he can do so? (Laughter)*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, I reckoned beforehand that Ms Audrey EU would ask such a question. *(Laughter)* It is only natural and justified to enact laws on Article 23. After Hong Kong's reunification with the Motherland, we have the civic duty to make laws on this issue. I stress again that this is done to protect national security and will in no way compromise the rights and freedoms of Hong Kong people, nor will it affect Hong Kong's characteristics as an open and plural community in the world. We will handle this matter in accordance with the international conventions of the United Nations.

I have closely followed the consultation process during these last three months and found the debate to be heated and thorough. As I also said yesterday, we have an obligation to legislate and it is perfectly normal to do so. I also found that the public approves of enacting laws on Article 23, although I can also hear some voices expressing some concerns. As regards the concerns, we will examine them in depth to understand them further. In the next few weeks, we will discuss with members of the public who are concerned about this issue before making a final decision. However, I can tell Members that I believe many of the views will be taken on board when the relevant bill is tabled.

**DR LO WING-LOK** (in Cantonese): *Madam President, I support the direction of integrating the PRD Region, including Hong Kong, into an economy with complementary advantages. However, the implementation of such development cannot depend on Hong Kong's effort alone, as both the Chief Executive and the SAR Government lack the power to take initiative actions or make any decisions. Will the Chief Executive inform us of the greatest difficulty he expects to encounter in implementing this ambitious plan, and the solution to it? Will he provide us with a timetable on the implementation of this ambitious plan?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, many people in Hong Kong are keen about the views of the leaders of Guangdong Province and other municipalities on the establishment of the "Greater PRD". In early December, I visited Guangzhou and then Shenzhen to meet with the leaders of the province and municipalities to exchange extensive views. We all affirmed the potential complementary advantages existing between the PRD and Hong Kong, and that co-operation would help to develop the Greater PRD into one of the leading economic regions in the world. We very much agreed on this point, and it was believed that the PRD, Guangdong Province and Hong Kong would all benefit from the integration. After all, this is a good development direction. With this common concept in mind, many problems encountered in the promotion of development will be easily solved. Moreover, this concept has already won the agreement and support of the Central Government.

Hong Kong is a metropolitan city. We wish to bring Hong Kong and the PRD to all corners of the world, and to bring the world to Hong Kong and the PRD, to give play to the advantages of the PRD and Hong Kong. We have embarked on various project items after a consensus was reached. The tasks concerned can be put on two fronts. On the one hand, it is the task that the Government should do, that is to step up its efforts in infrastructure development, striving for consensus, improving policy, and removing obstacles. On the other hand, it is the part played by the private sector. In the past 20 years, the private sector in Hong Kong has been working hard and has made very satisfactory achievements. They also foresee that the economic integration of Hong Kong and the PRD will generate dozens of new opportunities. For instance, development in the PRD will generate a tremendous demand for professionals, and thus professionals in Hong Kong will find enormous room of development. In respect of the consumer market, the PRD, one of the fastest-growing regions in China with a population of 40 million, is accumulating wealth rapidly. It is

thus a major consumer market to Hong Kong. The PRD, with immense potential, can also serve as a powerful production base to complement the development of the logistics industry in Hong Kong. Examples of this kind abound.

The private sector has, in fact, taken the initiative to promote development projects in various aspects, and I hope the professional sector will follow suit. If assistance is required, the Government will certainly provide it. In respect of projects like the construction of the bridge and the 24-hour cross-boundary passenger clearance, the Government does have set the relevant schedules; even if one is not available now, it will be prepared in the future. If projects involve the participation of private enterprises, they will certainly be promoted by the private sector, but the Government will provide assistance as far as possible. To summarize, prospects in the PRD are very good indeed. Not only Hong Kong thinks so, other places like Europe, the United States and Japan have also started to acknowledge that the PRD is an economic region with immense potentials.

**PRESIDENT** (in Cantonese): Mr Chief Executive, it is now four o'clock in the afternoon, and you have answered 14 questions from Members, but we still have 18 more Members in the queue.

Will the Chief Executive please give us some more time, so that Members may raise a few more questions?

**CHIEF EXECUTIVE** (in Cantonese): Fine.

**PRESIDENT** (in Cantonese): Thank you, Mr Chief Executive. Mr Andrew WONG.

**MR ANDREW WONG** (in Cantonese): *Madam President, the policy address of the Chief Executive, Mr TUNG Chee-hwa, for the year 2002-03 can be considered late for three months. Yesterday, after I had heard the address, I studied it at home. I found it quite different from previous addresses as it had listed some directions only, without any details on specific policies. Some said*

*that this is an improvement, as people given no expectations will not feel disappointed in the end. However, I think the content of the policy address, including its analysis of the situation of Hong Kong and the implementation of policies, is exactly the same as those presented by Mr TUNG in the past. May I ask, through the President, Mr TUNG to think about this: If the policy address delivered yesterday had been delivered in October last year, would Mr TUNG give the same remarks? I do not mind if Mr TUNG finds it difficult to give an answer today. My question, in fact, is very simple. Since 1969 and in the past five years during Mr TUNG's terms of office, policy addresses are delivered in October. If Mr TUNG hopes to change the delivery time to January, will Mr TUNG undertake to discuss the issue with the Legislative Council before making a decision?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, regarding the discussion and decision mentioned by Mr Andrew WONG, is he referring to the policy address, or is he referring to the timetable?

**PRESIDENT** (in Cantonese): Mr Chief Executive, Mr WONG refers to the timetable.

**CHIEF EXECUTIVE** (in Cantonese): Madam President, regarding the timetable, I believe colleagues of the Government have maintained communication with the Legislative Council. As to the first point made by Mr Andrew WONG, that is, delivering the policy address in October last year, I could not do so owing to the time limit. At that time, accountable officials had just assumed their offices, and time was needed to smooth out their operation. The policy address and the policy agenda are actually a joint effort by us all.

**MS MIRIAM LAU** (in Cantonese): *Madam President, to promote the development of the logistics industry, Mr TUNG proposes in his policy address the construction of a modern Logistics Park on North Lantau Island. The Airport Authority, in fact, has made a similar proposal earlier for the development of a logistics park on the Lantau Island designated for air cargoes. I noted Mr TUNG's proposal on this modern Logistics Park, presented in his policy address, has been made with close reference to the Hong Kong*

*International Airport and express cargo terminal. Does it then imply this modern Logistics Park will be designated mainly for the handling of air cargoes? If so, will Mr TUNG let us know how the demand of port cargoes for a logistics park will be catered for? Finally, will Mr TUNG inform us of the timetable for the construction of this modern Logistics Park?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, the Logistics Park is built primarily for the handling of air cargoes. I understand that many companies, in particular multinational companies, hoping to use the Hong Kong Airport as their Asian distribution base, have been looking to the establishment of an enormous logistics centre near the airport. Limited by the space of the former Kai Tak Airport, such operations had been transferred to other places and we could just let these opportunities slip through our fingers. With the effort we put in this time, we hope to get back those operations. Ms Miriam LAU's question on the completion date of the Logistics Park is a good one. In fact, as reclamation and other works are involved, the time required will be quite long. For this reason, I proposed to identify a suitable site in the airport for this purpose. I know that colleagues in the Government have been studying the proposal, and for this reason, I am afraid I cannot provide the timetable today. However, if this is to be built inside the airport, the project can be commenced very soon; if reclamation is required, it will take longer; but we cannot afford any delay. With regard to the port cargoes mentioned by Ms Miriam LAU, there are in fact many logistics centres in different parts of Hong Kong catering for port cargoes. I think that space provided in this respect is already sufficient.

**MS MIRIAM LAU** (in Cantonese): *Madam President, Mr TUNG said that there are, at present, a lot of logistics service areas in the port. However, I do not think such logistics services are comparable to the modern Logistics Park to be built on North Lantau Island now proposed by Mr TUNG. Take Singapore as an example. A logistics park is set up near the airport, and another one is set up near the port. I believe the logistics industry in Singapore is still a bit behind Hong Kong; then why should Hong Kong, now staying ahead of Singapore, lag behind in respect of the establishment of a logistics park? Will Mr TUNG consider conducting a study on the demand of Hong Kong port cargoes for a logistics park as soon as possible, and to identify a suitable site for the construction of such a logistics park?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, I have not heard of the demand in this respect. However, if such demand does exist, we will certainly take active action and study it.

**MR ALBERT HO** (in Cantonese): *Madam President, Mr TUNG, during the delivery of his policy address yesterday, reiterated that the fiscal deficit problem must be resolved. He said that revitalizing our economy is the long-term solution, only that it took time; he was not sure when this target can be met. He also put forward measures that would be implemented immediately or soon, that include the major cut in public expenditure and the downward adjustment of civil service pay. Significant increases in tax will also be introduced, and these may not be limited to increase in profits tax, and many members of the public will have to pay more tax. In fact, has Mr TUNG ever thought that prescribing medicine of such a heavy dosage, aiming to settle the problem within a short period with such a high-handed approach, will definitely produce adverse results. This will further dampen consumers' confidence, aggravate deflation and increase unemployment. All these may lead to persistent protracted recession, leaving the revitalization of the economy to the indefinite future. If this is the case, how can the fiscal deficit problem be solved?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, Mr Albert HO, I said yesterday that the fiscal deficit problem was on the top of our agenda. The fiscal deficit for this financial year has already reached an entirely unacceptable level, exceeding 5% of our GDP. If we do not solve the problem, the credit rating of Hong Kong will be lowered, and the Hong Kong dollar may be attacked by the external financial sector. Once we lose our confidence in Hong Kong dollar, there will be out-flows of fund, increase in interest rate and fluctuations in the financial market; and Hong Kong dollar will finally suffer. If we want to improve our economy, we have no other option but to solve the fiscal deficit problem. Mr Albert HO just now asked me if I have ever considered that such measures would aggravate deflation. Certainly, I have thought about this, and I do appreciate the possibility. I, therefore, emphasized yesterday that in introducing such measures, we would weigh their impact on deflation and the growth of the economy. However, at the same time, we have to consider how to solve the fiscal deficit problem. Mr Albert HO just now mentioned significant increases in tax; but I have not said so, I just said that appropriate tax increases will be introduced; (*laughter*) we would only increase tax as it should

be. We understand the seriousness of the problem as a whole, but I think we are on the right track going in the right direction, that is, to cut public expenditure and to open up new sources of income appropriately. However, the most important task is to improve our economy. I believe we are going in the right direction. The Financial Secretary, in fact, has different computer models; he has been studying such models repeatedly, and he has not yet reached a decision. I believe he certainly will not do that.

**MR ALBERT HO** (in Cantonese): *Madam President, the Chief Executive certainly does hope that the measures proposed by him will be successful. However, this is not the first time he has put forward such solutions to the fiscal deficit problem. The public has an impression that this is all he can do; many have already lost their confidence in him and do not believe his continued service will yield any results. Madam President, Members of this Council do appreciate that the Chief Executive has worked very hard and done a lot during the past few years, however, the result is nothing more than that. The problem of a lack of confidence remains unsettled; confidence in this respect may affect investor confidence in the future. We now have over \$3,700 billions deposited in banks, do the people have confidence to make investments? Even investors of Hong Kong do not have the confidence to invest, let alone those from overseas. Therefore, I have to raise a question that I think the Chief Executive has expected, and that he may feel uneasy if he leaves the Chamber leaving this unanswered. My question is: If he has already exhausted all the solutions he can think off, then, has he ever thought of stepping down to allow someone who is more creative and more capable to take up his post?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, in fact, during these five years or so, I always uphold the principle of "to sense the urgency of the people and think in the way they think". I keep abreast of the times in administration and make constant improvement. I have been serving the community with all my heart. I hope I can lead Hong Kong out of the economic doldrums as soon as possible. This is a common goal we are working for. The economic difficulties Hong Kong now facing are a combination of various factors piled up over a long time, such as challenges from the globalization of world economy, the advent of the knowledge-based economy and the rapid economic development of the Mainland. All of these developments have had impact on us.

On the other hand, with the bursting of the bubble economy, we see the sufferings and impact it has brought to Hong Kong. The problem is serious; and such a serious problem cannot be resolved by a single measure, a few remarks or empty talk by a handful of people. This is definitely not the case. We have to consider all aspects, and by making steady progress with practical steps, we will success in the end. This is no easy task, not as easy as Mr Albert HO has claimed, that confidence will do. I know Mr Albert HO also sees that we are on the right track and the measures we have taken will gradually yield results. By then, achievements will be seen in every sector, the tourism industry, the logistics industry, the financial sector, and the integration with the PRD Region.

But I am sure that frequent ridicule from Mr Albert HO or one or two others will not cure the economic ills of Hong Kong. No. We have to really do something seriously. Now is not the time to point the finger of blame at one another or to ridicule the Chief Executive. It is time to unite the whole society and solve the problem. We know that we are on the right track. We have to work very hard to solve the problem. I have to make this encouragement for everybody. Many are suffering from the economic transformation and they feel life is hard. What should be done? We should encourage them; if they fell, we should help them up and tell them to try again. Only with this spirit and attitude are we going to lead Hong Kong through the economic transformation.

**PRESIDENT** (in Cantonese): Mr Chief Executive, thank you for attending the meeting today and answering questions raised by 17 Members.

## **NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 15 January 2003. The Chief Executive will now leave the Chamber. Will Members please stand.

*Adjourned accordingly at thirteen minutes past Four o'clock.*