

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 13 February 2003

The Council met at half-past Two 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 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 JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN KWOK-KEUNG

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.

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

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.

MEMBERS ABSENT:

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

THE HONOURABLE CHAN YUEN-HAN, J.P.

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

THE HONOURABLE ALBERT CHAN WAI-YIP

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

PUBLIC OFFICERS ATTENDING:

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

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

CLERKS IN ATTENDANCE:

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

MS PAULINE NG MAN-WAH, ASSISTANT SECRETARY GENERAL

MEMBERS' MOTIONS**FIRST REPORT OF THE SELECT COMMITTEE****Continuation of debate on motion which was moved on 12 February 2003**

PRESIDENT (in Cantonese): Council will continue the debate on the motion of First Report of the Select Committee.

DR TANG SIU-TONG (in Cantonese): Madam President, over half of the population in Hong Kong are living in public housing units built by the Government, and the formulation, implementation and monitoring of public housing policies are concentrated on the Housing Authority (HA) and the Housing Department (HD), two mammoth organizations. Since its inception in 1973, the HA has built nearly 800 000 flats, spending hundreds of billions of public money every year. It is thus only reasonable for it to accord prime importance to building quality. Very unfortunately, as indicated by the findings of the Select Committee, for a very long time in the past, the HA never actually treated "quality" as its most important target. Half of its focus was on costs, and the other half on time. As a result, the policy- and decision-making mechanisms gradually led to the emergence of loopholes in monitoring and supervision. The whole building process came to be plagued with problems. In the end, these loopholes in supervision gave rise to criminality. It can be said that the HA itself was the cause of its own problems.

The building scandals this time around, besides involving political blunders, the administrative errors of individuals and illegal acts, also exposes the problems with the public housing construction framework. As the largest property developer in Hong Kong producing thousands of flats a year, the HA should logically be supervised by an independent third party and come under the ambit of the Buildings Ordinance in the interest of ensuring building quality. When the housing scandals came to light in 1999, I already questioned the reasonableness of the HA's self-regulation. But the then Secretary for Housing, in reply to my oral question in this Chamber, said that this arrangement was time-tested and the Government did not intend to make any changes for the time being. My question asked at that time is now vindicated. The Select Committee's investigation into several scandals has even proved that the structure of the HA is simply unable to effectively enforce self-regulation.

Though there is an independent audit unit in the HD, "supervision" will still have to be brushed aside given the pressure of unrealistic production targets, and when costs and time must take precedence. The role of a developer and that of a regulator are conflicting, and so building problems are inevitable. In the end, people lose all their confidence in public housing. Therefore, I hope that the authorities concerned can enact legislation as quickly as possible to bring public housing under the ambit of the Buildings Ordinance, so as to plug this long-standing institutional loophole.

As a matter of fact, apart from institutional problems, other factors, such as the arrogance, blunders, dereliction of duty and even unlawful acts of individuals are also the culprits. In order to prevent the recurrence of similar incidents, the problematic institutions and framework must be thoroughly reformed, and those officials who should be held responsible for the scandals must be appropriately disciplined.

Mr Frederick FUNG's amendment to the original motion adds that the former Secretary for Housing, Mr Dominic WONG and the former Director of Housing, Mr John MILLER should be condemned and punished. According to the investigation report, these two men must undoubtedly be held responsible, but theirs should be a kind of political responsibility. "Stepping down" is undoubtedly the capital punishment for those who must be held politically responsible. But these two men are no longer holding the posts; they are no longer involved in housing affairs or policies. The former Secretary for Housing has even left the Government. Therefore, it is difficult to impose any substantive punishment on them. But condemning them for their dereliction of duty is still a possibility. That of course is not the job of the Select Committee.

The Report also proves clearly that a number of HD officials must be held responsible; some of them are even guilty of dereliction or even negligence of duty. I question the ability of these officials to continue to handle housing affairs and enforce housing policies. I also agree that they should be appropriately disciplined. I understand that the authorities have launched an investigation into 13 HD staff members in response to Mr Stephen SELBY's investigation report. Five of them have now been disciplined and two others are still waiting for the outcome of the investigation. But I believe that the Report of the Select Committee should be much more comprehensive and thorough than other similar reports in the past. It also supplements the investigation outcome concerning two other incidents. Therefore, the

Government is obligated to appropriately deal with the officials criticized by the Report.

Although some of the officers were not guilty of serious dereliction of duty and do not deserve disciplinary actions or dismissal, and although some of them have been transferred out of the housing structure, the authorities, when considering their promotion and transfer, must still remember that the legislature, as a monitoring organ, has formally passed negative comments on these officers of the executive authorities. If the executive authorities ignore these comments, then it is an act tantamount to contempt of the Legislative Council!

Madam President, as the saying goes, "a rotten tree breeds worms". Looking back at the past, we can see that similar short-piling scandals resulting in demolition of buildings also happened in the 1980s. Although the HA and HD did make some improvements in the wake of them, scandals have still occurred again now, a decade or so later. And, the scandals are even getting increasingly serious in nature. Therefore, when I review the history today, I really cannot help questioning the worth of the HA as a bloated framework embracing the functions of policy-making, finance, planning, development, building and even supervision.

Madam President, I so submit.

MRS SOPHIE LEUNG: Madam President, I am glad to see that the Select Committee on Building Problems of Public Housing Units has made thorough inquiries into the building problems and identified critical issues in our public housing policy structure. I hope that all parties concerned, be they government officials or representatives of the construction industry, will learn from their mistakes and emerge from them even stronger.

It may be hard for one to understand how mistakes of this scale could have happened in organizations that have a history as long-standing as the Housing Department (HD), the Hong Kong Housing Authority (HA), and so on. But if you look deep down into the root of the cause, it is not difficult to realize that we are not giving as much attention to corporate governance as we should be.

While I cannot pretend to be an expert in corporate governance, I do feel strongly about the lack of it in our public sector. And I am going to share with Members my views on this today.

The word "governance" comes from the Greek word for "steering". Naturally, the word "steering" entails a target, leadership committed to identify clear direction and guidance towards that target, teams committed to perform with dedication, reliable measures to monitor the progress, and devices to remove or minimize obstacles during the course of work to ensure that the pre-defined target is accomplished. In the context of our discussion today, it is, therefore, translated into accountability, management effectiveness and commitment amongst others.

Taking the HA as an example, it is charged with dual roles, both as a developer and a regulator of the construction of its own buildings. This reminds me of Mr Andrew GROVE, Chairman of Intel, who once said, "Everybody needs a boss, especially the CEO". I am not suggesting that we should create a boss for the HA, but it appeared from First Report of the Legislative Council Select Committee on Building Problems of Public Housing Units (the Report) that it was not able to cope well with these two potentially conflicting roles. In the spirit of "steering", we need reliable measures to monitor work progress. Effective checks and balances should be introduced where necessary to hold people accountable for their actions, in order to safeguard public interests.

There is also confusion in the setup among the Housing Bureau (HB), the HD and the HA. I find it rather shocking to see in the Report that "the line of command between HB and HD is not clear" and also, "although HD reports to HA, it is practically not possible for HA members to scrutinize and oversee the work of HD". This is the same as saying that you have two camps of leadership, but neither of them can steer or monitor your work. As "steering" looks for clear direction and guidance, interlocking organization structures and ambiguous relationships, like what we have seen or heard just now, would only give rise to loopholes and excuse routes for lazybones. Out of the current reorganization between the HB and the HD, I hope that we will see a streamlined housing policy structure that is conducive to effective management and transparency.

With streamlining operations and work processes, I also wish to highlight the significance of risk management. The Report mentioned that the HD, in its streamlining efforts in 1996, has introduced "straightforward paper" approval procedure for the Building Committee in the HA, resulting in increased risk exposure. This turned into mounting obstacles and deviation of direction. I suggest that an effective system be put in place, for risk assessment at all times, minimization and management, if not already so.

But system and structure are not everything. We all know that no matter how sophisticated a system is, it is unlikely to provide for every eventuality. Culture fills the gap, as it determines how people behave when they are not being supervised or watched.

The Report concluded that staff management and deployment of human resources by the HD were ineffective, using phrases such as "lack of supervision" and "no due regard being given to the experience and expertise of staff when assigning work." We need dedicated teams for effective "steering". If behaviour of this sort is considered acceptable in their culture, individuals hoping to make a difference will find it hard unless they carry enough weight. I say this because I truly believe that there are many individuals in the public sector who really wish to give their best, but somehow they are not able to do so. That is why it is essential to inculcate the public sector with a sense of responsibility to help develop a governance culture that allows individuals to excel and encourages commitment. These goals require a new mind-set or even drastic adaptation to changes, but they pay in the end.

On the subject of a new mind-set, I must say that I am impressed with the HD over the way it dealt with the recent faulty gate incidents, despite its initial reactions. First, it was quick to respond with a territory-wide inspection of all the gates in public housing estates, thereby avoiding further accidents caused to the public. What is more, it took up responsibility for services that are already outsourced. Under the intricate contractual arrangements among the HD, the management company and the gate supplier, I consider this a big step forward towards good governance. But of course, they also stand to criticism that if they had done much more better in the beginning, they would not need to do such preventive work now. And I certainly hope that the accountability system of the Government will lead to more and better examples of this kind of spirit.

I particularly would like to mention the impact of outsourcing. More often than not, you actually work with groups of companies with company structures or systems that you probably have little control over. How to "steer" this loose network of relationships and ensure agreed standards are met is an art as well as a science. It is because of this that I consider it necessary for the Government to pay closer attention to the management of outsourced activities to ensure that quality public services are maintained. This is the 21st century, and outsourcing is the way to go. So we have to overcome this obstacle. The management of contractors and subcontractors mentioned in the Report perhaps is a case in point.

Madam President, we may also ask: How do we compare ourselves to other countries in the region? According to a survey conducted by the Association of Chartered Certified Accountants in June last year, among 200 leading firms in Asia, Hong Kong ranked second behind Singapore and was well ahead of Japan, China and Malaysia in terms of having good corporate practices. From this survey, we know that we are progressing well in the private sector. What we would also like to see, I think, is for our Government, including the public sector, to show the same vigour, if not more, towards good governance.

Before I finish, allow me to quote an academic research on "good governance" by Harvard Business School. According to the magazine *Economist* last month, they looked at 1 500 firms in the 1990s, and found those that were more responsive to shareholders would have enjoyed returns of 8.5% a year higher than those run as management dictatorships or following old practices.

What I wish to show here is that there are justifications for good governance. To the private sector, the driving force is to attract investors and profits. To the Government, it is people's lives that could be at risk, as shown by the short piling incidents in question. In a wider context, the future of our society could be at risk.

The process of new governance is already underway, and we look to our Government for new approaches in policy-making and implementation to provide a good environment and infrastructure in which people live and business operates.

Madam President, with these words, I support the motion. Thank you.

DR RAYMOND HO (in Cantonese): Madam President, the Select Committee set up by this Council has investigated the building problems of public housing units for two whole years, and its members have spent huge amounts of time on hearings, internal meetings and perusal of documents. As a member of the Select Committee, I know fully well that it has conducted very in-depth studies and summoned a total of 85 witnesses in completing its investigation with a most serious attitude and before publishing its first report.

According to the investigation findings of the Select Committee, the unrealistic housing production targets set down by the Government, the inadequate performance of the role of the HA as a supervisor of the construction of public housing and the ineffective human resources and project management by the HD are the main reasons for the series of public housing building problems. On the basis of my contact with the construction industry, especially the engineering sector, I can say that most members of the industry support the conclusions drawn in the Report.

The Select Committee has pinpointed the crux of public housing building problems and also the defects of the organizational structure and institutions for public housing construction, instead of merely lashing out at the HD's front-line professional and technical personnel. The industry agrees to such an observation.

More importantly, in addition to identifying the roots of the problems, the Report also puts forward 13 recommendations on improving the procedures and quality of public housing construction, which may prevent the recurrence of similar incidents. Actually, many public housing construction policies and procedures at that time, or even many existing ones, have long been concerns to the industry.

To an engineer, time, costs, quality and safety are all equally important factors of consideration in each project. But this was not the case in reality when the relevant incidents occurred.

Up to the mid-1990s, the annual production of the HA had never exceeded 55 000 units. Since the Government's supply of land to the HA had been uneven, and also due to delay in the HA's construction projects at the early stages, a bunching of production subsequently occurred in the last two years

covered by the Long-term Housing Strategy announced in 1987 (that is, 1999-2000 and 2000-01). The projected flat production under the Public Housing Development Programme of June 1997 even reached the peak of 114 694 flats. Although it was merely a projection, the Select Committee is of the view that the projection in effect came to be regarded as the flat production target. Given such a bunching of production, the authorities concerned simply concentrated on costs and time to the neglect of quality and safety.

Bidders for HD projects generally faced rather fierce competition. Many contractors would therefore quote lower prices in the hope of getting a works contract. After obtaining a works contract, a contractor would usually subcontract part of the works to other companies with the relevant experience. This kind of subcontracting was in itself basically normal, but then was turned into something quite different over time — a profit-oriented, multi-level system of subcontracting. And, owing to the extremely small profit margins, the subcontractor at the lowest level would often have to sacrifice their works quality, or they might even break the law and resort to jerry-building in a bid to make more profit.

Moreover, in order to achieve the target of massive flat production, the HD also shortened the terms of contracts awarded by it. Since the penalty for delayed completion was very heavy, many contractors simply deviated from the relevant engineering specifications in exchange for speed. As recommended by the Report, to tackle all these problems, the authorities concerned must step up its supervision of the subcontracting system and seek to raise the work quality of subcontractors. Besides, in respect of tender assessment, more weighting should be accorded to the past performance and technical proposals of a company, while reducing the weighting of bidding prices.

Marked by (1) a "meeting culture", with too many lengthy meetings and too many working groups; and (2) a paper management culture, with too many guidelines, too many forms to fill out and too many procedures to follow, the management culture of the HD was yet another problem. In order to meet ISO requirements, controlling officers often had to spend lots of time on filling out different kinds of forms, thus failing to conduct any site inspections. On the other hand, internal communication was rather poor, and some front-line staff were even unaware of the revisions of works manuals.

The HD's project management was also fraught with problems. Following the outsourcing of works to consultancy companies, it did not exercise any appropriate supervision like other works departments. The establishments of the consultancy companies commissioned were, moreover, heavily biased towards architects instead of engineers. As a result, there was no effective monitoring of some professional engineering aspects, such as building structure problems. A most undesirable situation thus resulted.

As for the construction sites of the HD, except those in remote areas, there were no resident engineers. The supervision of HD construction sites was undertaken by Clerks of Works, a non-engineering professional grade. In fact, with their training and experience, a Clerk of Works should not be charged with the responsibility of supervising the foundation and structural works in a site. Instead, they should only be assigned to follow up some non-engineering works. The supervision duties in respect of foundation works should be undertaken by resident engineers and Inspectors of Works. Besides, due to the heavy workload, some engineers had to oversee and supervise several construction sites concurrently. A Chief Engineer of the HD had to take charge of some 100 construction sites at that time, and even a Senior Engineer had to oversee some 20 construction sites. It was therefore virtually impossible for an engineer to inspect each site physically on a regular basis. They could only effect supervision by relying on the reports submitted by non-engineering professionals. This greatly reduced the effectiveness of supervision.

As early as 1996, the Hong Kong Housing Department Structural Engineers Association already detected that there were many problems with the HD's management and staff establishment for construction sites. On 26 April in the same year, the Association put forward a series of recommendations to the HD; unfortunately, these recommendations were not accepted. But following the emergence of various problems, the senior management of the HD even put the blame on front-line staff. This was very unfair indeed.

In terms of overall management, the HD also upheld layman leadership and slighted professional management. Since very few senior staff possessed a professional engineering background, the role which engineers could otherwise have played was often ignored, and this in turn affected the quality of construction works.

Many of the 13 recommendations made in the Report can provide effective solutions to the above-mentioned problems. In fact, the authorities concerned

have already started to implement some of the relevant measures, such as enhancing the partnership relationship with building contractors and consultants. Some results have already been achieved.

Besides, I also hope that the Government can carefully work out the timetables for implementing the relevant works projects. It is also advised to distribute these projects evenly, so as to avoid any uneven distribution of workload for the construction industry, because this may affect the healthy development of the industry. The Government should also consider the enactment of legislation to reduce the increasing incidence of default payments in the industry. Many construction companies are now unable to receive the payments due to them after completing the contracted works. The problem of default payment is aggravated by the multi-level subcontracting, and this has endangered the normal operation of the entire industry. In a recent meeting with the Chief Executive, I raised with him the problems and solutions concerned. I hope that the Government can consider all these carefully.

Finally, I am of the view that the authorities concerned should be left to make decisions on whether to punish the government officials involved. The Report has already stated clearly the reasons for the officials' dereliction of duty and the extent to which they should be held responsible. The authorities concerned should study the Report carefully and take appropriate follow-up actions.

Madam President, I so submit.

MRS SELINA CHOW: Madam President, the Select Committee on Building Problems of Public Housing Units (the Select Committee) says:

"HA is the largest developer of housing in terms of number and floor area. It is at the same time the regulator of its own building works and assumes a role similar to that of BA for ensuring safety and quality of its buildings. It also performs a role similar to that of APs and RSEs under the BO, although it is not subject to the regulation of the BO. The Select Committee considers that such a mixture of roles may not be in the best interest of the public."

Dead right. To be exact, the Hong Kong Housing Authority (HA) is the largest developer in the world. The root of the many problems lies in the

impossible size and structure of the HA, and in particular the humongous development portfolio it is tasked to build. For this, the Government has to bear full responsibility.

We do not know if the over-ambitious building programmes for public housing set in motion by the Colonial Administration of the early 1990s had anything to do with its intention to enhance its good name on the eve of its withdrawal. Suffice it to say that the creation of the Housing Branch in 1994, which became the Housing Bureau in 1997, indicated the Government's recognition that special measures had to be taken and co-ordinated within its own bureaucracy to ensure that the huge building programme must be better facilitated.

Therefore, while sympathizing with the Select Committee's criticism of the Secretary for Housing for not addressing the imminent problems of overload, it is only fair to recognize that he was not acting alone. Operating to the principle of collective responsibility, the Secretary for Housing reported to the Chief Secretary, and in terms of major housing policies, to the Executive Council. The question should be asked whether the Governor in Council had raised the queries at the right point to prevent the negative effect of bunching. So while I agree that the Secretary for Housing should be held responsible for his failure to ensure that the production target was realistic, I do not think that the Government of the day could entirely absolve its responsibility of having adopted such a target.

Another question that desperately needs an answer is: Who was the Chief Executive of the HA? From the description of the operation in First Report of the Legislative Council Select Committee on Building Problems of Public Housing Units (the Report), the Chairman of the HA seemed to be the head of the Authority for implementing the government housing policy. Indeed, she clearly had an executive function. She also sat on all the standing committees of the HA except the Complaints Committee. According to the Report, all papers submitted to the Building Committee that made decisions regarding building and construction were discussed and cleared beforehand at the weekly management meetings chaired by her. With such a setup, it would appear that the monitoring function of the Building Committee could be threatened, or even undermined, by an overwhelmingly strong executive led by the Chairman. For that matter, it would appear that even the HA's internal monitoring role is questionable, since it was led by the head of the executive, for with the Chief

Executive doubling up as Chairman of the Board, who would have the power and authority to question decisions of the management?

The Select Committee found that as early as 1995, all parties concerned had been aware of the bunching problem caused by the irregular supply of land. In fact, the Chairman of the HA went as far as to put on record her view in a letter she wrote in December 1996 that the Development Programme was unrealistic. At that point, the projected number of units to be produced was 106 000. By June 1997, this number has soared to over 114 000.

Instead of readjusting the targets to realistic levels, these unrealistic targets were taken as sacred, and corners were cut, quality sacrificed, workloads stretched to unreasonable limits, and professional skills and competence set aside.

With the anticipated bunching of the production loading, it would be logical to assume that any additional manpower would be professional staff who are qualified to advance the building programme. What actually happened was inexplicable. The only reason I can surmise is that those who made the decision to deal with the situation lacked the professional judgement and management understanding required.

What happened was that the major restructuring at the corporate level in effect reduced the professional expertise by kicking upstairs the original discipline-based Assistant Director of the New Development Branch. In his new post as Deputy Director of Housing/Works, he no longer monitored the operation of development projects. Under the new structure, the crucial responsibility of the daily operation of development and construction was passed onto the Business Director of the Development and Construction Branch, and this post was open to all disciplines. This meant that the key person in charge of the construction programme, and a construction programme under the extreme pressure of time, could be someone who was not professionally qualified to do the job. In fact, this was indeed what happened. The depletion of professional knowledge and skills did not end at that level alone. Under this Business Director are staff of different disciplines. In short, the HA had a Chief Executive who did not know anything about construction. Neither did her number two, the Director of Housing. The Deputy Director who did know was not given the task, and the executive under him who was charged with the duty and responsibility of overseeing and leading this task was not qualified.

In my view, the surrendering of the requirement of key leaders of the development and construction operation to be qualified discipline-based personnel had a detrimental multiplying effect of de-professionalizing the operation from the senior level downwards.

The Select Committee criticizes the HA for its ineffective staff management and poor deployment of human resources, as well as its ineffective project management. Much of this can be attributed to the inadequate recognition of the importance of filling jobs with people who are professionally qualified in the discipline specific to the task.

The Select Committee advocates that HA buildings should be subject to the same regulatory control as private developments. I do not necessarily disagree. However, if we compare the situation in the HA with the seven government departments in the Works Bureau which undertake building and construction work for the Government, it is worth noting that these departments are not subject to the Building Ordinance. Why is it that they have been able to keep up the standard and quality commensurate with those in the private sector? It boils down to the very strict discipline and protocol that they apply to their own work. The same should be achievable in the HA, as indeed it had been achieved in the early days of its existence in the 1970s despite the hectic building programme that they had to adopt at the time. However, given the recent happenings and the large and unwieldy structure of the HA, the Government should seriously consider splitting the building and construction responsibilities from the HA, either to assign it back to the Government, or to a professionally qualified building authority tasked specifically with the development of public housing.

The Report of the Select Committee shows quite clearly that it was the Chairman of the HA and the Director of Housing at the head of the organization who should be primarily held responsible for the structural and management policies that formed the framework for disaster. They had the duty and the power to ensure that the system was the right one to deliver the right results. They should also have appointed the right people for the right jobs to enable standard and quality of a high level to be maintained, in spite of the fact that they themselves did not have the know-how. Tragically, they did not have the insight or the understanding.

Madam President, this Council owes the Select Committee a vote of thanks for the meticulous, rational and objective way that it has handled the

investigation. I for one am glad to find that the Report has proved this Council right in our vote of no confidence passed in June 2000. We now look to the Government to do the righteous thing to recapture public confidence in the area of building of public housing.

In those words, Madam President, I support the Honourable Albert HO's amendment to the original motion put forward by the Honourable Miriam LAU.

MR LAU PING-CHEUNG (in Cantonese): Madam President, a resolution was passed by this Council on 7 February 2001 to set up a Select Committee to conduct an inquiry into the series of incidents related to the construction of public housing. Being a representative of the Architectural, Surveying and Planning Constituency in this Council, I have since joined the Select Committee alongside 14 other Members. The Select Committee has held a total of 70 hearings and 115 meetings. I would like to take this opportunity to thank Ms Miriam LAU, Chairman of the Select Committee, for the time and energy she spent accomplishing the onerous task of chairing those meetings, as well as the tremendous support provided by the Secretariat in preparing documents and summoning witnesses for the Select Committee to enable it to conduct an in-depth inquiry into the incidents and draw conclusions on them.

Madam President, despite that some institutions and people had, before the setting up of the Select Committee, conducted an inquiry into the incidents from various angles and made a wide range of proposals, the Select Committee's report has not only explored in-depth the causes of the four incidents, but also analysed thoroughly the interface of the HA, the organ responsible for formulating and implementing public housing policies at the time of the incidents, with the HB and the HD, as well as the implementation procedures. Moreover, a comprehensive analysis of the incidents from beginning to end and 13 recommendations were contained in the Report. Although some of the conclusions and recommendations made by the Select Committee happen to coincide with the inquiries conducted by other institutions and people, and certain improvement measures have already been taken by the Government before the publication of the Report, the value of the Report is not in any way being reduced. This is because the Report provides us with detailed information on the minute details and presents the sequence of events in an objective manner. I believe public judgement and the Government's decision to punish the relevant officials will eventually be based on facts.

In retrospect, the public could merely see the superficial problems between 1999 and 2000 when a series of public housing incidents were uncovered at the very beginning. Added to this were some biased reports, such as the alleged failure of some front-line HD staff to strictly discharge their duties after accepting entertainment offered by contractors. The attention was directed at front-line professional staff of the HD. This has resulted in the loss of faith among the people in the local construction professionals. I think this is unfair.

Madam President, the Select Committee has now completed the inquiry into the four public housing incidents. To avoid prejudicing the criminal proceedings being conducted, only three of the four public housing incidents were mentioned by the Select Committee in its first report. Concerning the three public housing incidents, the Select Committee has identified building problems of varying degrees of seriousness, and set out its findings in detail in the Report. We can see from the Select Committee's Report that, apart from corrupt practices, there are general objective conditions too. Under specific circumstances, unruly elements can, taking advantage of the objective conditions, engage in corrupt practices. Paragraph 5.185 of the report reads: "The debacle of the Yuen Chau Kok (YCK) project was the direct consequence of fraud. However, the fraudulent acts might not have been so easily perpetrated if not for the combination of a number of factors and the aggregate failure of various parties in performing their duties."

The so-called "combination of a number of factors" actually refers to such factors as unclear delineation of powers, responsibilities and work of the HA, the organ tasked with housing policies, the HB and the HD, and abnormal development of the property market that resulted in distorted demand for public housing during a certain period before 1997. On the one hand, the HD was unable to cope with the housing supply target, and on the other, the top echelon of the Government was unable to give an advance warning. In order to achieve the target, the regulation of contractors was neglected by the front-line staff of the HD. Coupled with the unhealthy tendering system, a loophole was formed which was subsequently exploited by unruly elements.

Madam President, the HA has, since its establishment in 1973, played an important role in the supply of public housing in Hong Kong. At the same time, the Housing Branch was set up under the then Office of the Chief Secretary (equivalent to the Chief Secretary for Administration now), to formulate public

housing policies. With the dissolution of the Housing Branch in 1998, the functions of the HA became more diversified. In 1994, the Housing Branch was reorganized to co-ordinate land supply and housing construction, while the HD continued to serve as the executor of the HA's policies in housing production. At the same time, the Director of Housing, being the Deputy Chairman of the HA, played a major role in formulating housing policies. During the period from the dissolution of the Housing Branch to its reorganization, the formulation of housing policies took on some charges and the HD, being the executive organ, was reorganized accordingly.

With the Hong Kong economy undergoing structural transformation since the '90s, the public demand for housing continued to rise. Meanwhile, the HA was unable to meet its production target in a progressive manner because of the Government's failure to supply land evenly. Under the Long Term Housing Strategy (LTHS) promulgated by the Government in 1987, the annual public housing production was set at approximately 40 000 units per annum for the following 14 years dated from 1987. Owing to the slippage in construction programmes and land supply, the HA could only defer its uncompleted production targets. As a result, in the last two years of the LTHS, that is, 1999-2000 and 2000-01, the housing production target was forecast to be 69 941 and 69 624 respectively. In June 1997, the production forecast for 2000-01 even reached 114 694. In fact, the HA's production never exceeded 55 000 before the mid-1990s. The Select Committee considers this to be an "unrealistic housing production target". In this respect, the Select Committee holds the view that "the incumbents of the three posts (the CHA, the S for H and the D of H) during the relevant period should be held accountable." (paragraph 9.9)

In order to meet this "unrealistic housing production target", a number of initiatives were taken by the HA. Under one of the initiatives, the approval procedure was revised in 1996 with the introduction of the "straightforward paper" mechanism by the Building Committee set up under the HA to monitor production programmes. The Select Committee found that insofar as piling contracts were concerned, "instead of strengthening the approval process to deal with the increased commercial risk, the adoption of the 'straightforward papers' approval procedure, weakened that process." (paragraph 9.11) Madam President, the Government has always been criticized by the construction industry for applying the ironclad rule of "awarding tenders to the lowest bidders" in approving works contracts, without giving any consideration to the ability of the contractors in fulfilling the contracts. This is completely exposed

in the Yuen Chau Kok Incident. It was also found that the contractor had been approached by the subcontractor who provided it with a pile design and proposed that the contractor should bid in the tender and then subcontract most part of the works to the subcontractor. Despite the subcontractor's suggestion to use more expensive Large Diameter Bored Piles (LDBPs), its tender price was still approximately 15% lower than the pre-tender estimate. Should the same design of piles be adopted, the tender price would be approximately 28% lower than the HD estimate. Meanwhile, the contractor had no experience with LDBP in relation to building construction and had not undertaken HA works before. For this reason, the Select Committee believes that "tender price was the principal factor considered by the HD in selecting Zen as the Contractor for the YCK project." (paragraph 5.163)

The "award of tenders to the lowest bidders" was once again confirmed by the Tung Chung Area 30 Phase 3 Incident. It is because, despite the fact that the successful bidder had, before the assessment of its bid, been given a total of seven adverse reports on two ongoing projects in the preceding 13 months, whereas the second and third lowest bidders had been given no adverse reports at all, the contract was eventually awarded to the lowest bidder, that is, the contractor who had been given seven adverse reports.

In order to cope with the high production target, the HD resorted to such in-house measures as staff recruitment, reorganization and outsourcing part of its work, in order to meet the production target. Notwithstanding this, the workload of HD staff, particularly front-line professional staff, was also increased. According to the workload indicator of the HD, each Project Structural Engineer and Project Architect must handle two active projects and perform other ancillary duties. From 1995-96 to 2000-01, the actual workload for each Project Architect was 1.7 to 2.1 projects, and 1.4 to 2.3 projects for each Project Structural Engineer. Despite a proposal raised by a Chief Structural Engineer in 1990 to appoint an engineer to supervise each piling sites, owing to the extremely heavy workload of Project Structural Engineers, this did not become a standing practice until 2000. During this interim, the percentage of sites in which resident engineers were present to supervise the piling works was 47% in 1996-97, but it dropped to 14% in 1998-99. It is evident that manpower shortage made it difficult for monitoring to be carried out effectively.

Meanwhile, in order to ensure consistency in the conduct of works, a large number of works manuals were compiled by the HD for its staff and consultants. The manuals were however written in English and there was no standing

arrangement in the HD to explain to site staff the procedures and intention of the manuals. As a result, the site staff could only enforce the procedures set out in the manuals in a mechanical manner. The Select Committee even discovered that some manuals were not suitably updated after the organizational reform of the HD. Moreover, something considered important was left out in the complicated works manuals. For instance, Engineering Site Inspection Manual (DEI) 806 set out the inspection procedures on reinforcement and steel fabric, including sampling tests for each consignment, identification of locations of stockpiles and record of the consignment delivered and removed, but the monitoring of storage was omitted. This resulted in the use of non-compliant reinforcement bars by workers in the Tung Chung Area 30 Phase 3 project and the reinforcement bars could not be recovered or removed in remedy.

Madam President, the fraudulent acts by unruly elements might not have been so easily perpetrated if not for these objective circumstances before the series of building incidents were uncovered. In his amendment, Mr Frederick FUNG proposed to this Council to condemn and punish the two officials who were in charge of housing affairs during the relevant period. On the other hand, Mr Albert HO's amendment appealed to the Government to punish the officials who should be held accountable for the incidents. Madam President, the Select Committee has in its report repeatedly criticized the two officials without naming them. Different people might hold different opinions as to whether the criticism amounts to condemnation or whether condemnation is necessary to demonstrate the mistakes committed by the two officials. It is indeed imperative for this Council, being a legislative organ, to handle the appeal for the Government to punish the relevant officials very carefully.

As I pointed out earlier, the spate of incidents related to the building problems of public housing can be traced back to the unrealistic housing production targets set against the historical background at that time. With the rapid economic growth of Hong Kong and the rise in income, there was a general rise in public demand for housing. The robust development of the property market also pushed property prices to one record high and another. Members might recall that a luxury flat in the Mid-Levels could sell at over \$10,000 per sq ft during the peak period of the property market. Many people complained that even university graduates could not afford to buy property for their own occupation. In this connection, some so-called "snails without shells" made repeated petitions to this Council. The Government's proposal to increase housing production was generally supported by the community at that time.

In striving to meet the Government's housing production targets, albeit seemingly unrealistic today, the front-line staff were indeed doing their utmost. Let me cite the Yuen Chau Kok Incident as an example. In addition to this project, the Project Structural Engineer was also responsible for another piling project and two construction projects. His workload exceeded the target set by the HD. According to the record, he managed to make 61 visits to the site. However, the crux of the problem really lies with his lack of experience in LDBPs. As a result, he failed to make site inspections at the crucial stages as the project progressed. Even when he visited the site for inspection afterwards, he was unable to notice the irregularities. Though the Select Committee understands that his workload was extremely heavy, he had failed to take follow-up actions on the delegated tasks. The Select Committee is disappointed (paragraph 9.21) that he failed to perform his duties effectively (paragraph 9.22). Similarly, "in assigning work, no due regard was given by the HD to the expertise and experience of the staff concerned. Ineffective deployment policy resulted in some staff being assigned work which they were not entirely competent to do." (paragraph 9.17) "The Select Committee considers that the management of HD should be held responsible for the ineffective staff management and poor deployment of human resources." (paragraph 9.18)

As a representative of the Architectural, Surveying and Planning Constituency, I have some reservations about the appeal made by this Council for the Government to punish the relevant civil servants. This is not because I am trying to shield them. The Government has actually put in place a mechanism to punish civil servants who have failed to perform their duties. Moreover, the Government is not unaware of the incidents. In my opinion, the Government should be allowed to conduct investigations into the civil servants who have made mistakes in the incidents and punish those at fault. I also support the Select Committee's recommendation of notifying the relevant professional bodies of the established cases of civil servants at fault for follow-up actions, with a view to upholding the reputation established by the local construction industry over the years.

Madam President, I so submit.

MR ABRAHAM SHEK: Madam President, the Select Committee on Building Problems of Public Housing Units (the Select Committee) took two years, 115 meetings and 70 hearings to investigate thoroughly the four incidents relating to

the construction problems in the production of public housing units. Taking into account the time and resources spent, this is the most extensive and expensive inquiry commissioned by the Legislative Council. The findings of the Select Committee are worth every public dollar spent. Here, I wish to record my appreciation and thanks to the Chairman, the Honourable Miriam LAU, for her leadership and the Legislative Council Secretariat for their sterling work and support, without which First Report of the Legislative Council Select Committee on Building Problems of Public Housing Units (the Report) would probably take much longer and cost more.

After the delivery of the Report, some people criticized it for containing no new findings, and only repeating the internal investigations conducted by the Government. They were also critical that the Report did not recommend disciplinary action against top housing officials, whom they felt should be held accountable for the scandals. Moreover, they condemned it for not providing constructive solutions for enhancing the effective management of public housing construction and fostering a better culture of work quality in the construction industry. I, however, do not agree with the opinions. I do recommend that they should re-read the Report and this would do them a lot of good.

The Select Committee has spent an enormous amount of time and efforts on this inquiry, conducting it comprehensively in an independent and impartial manner. It also summoned witnesses and ordered them to produce papers to get to the root of the building problems. Ultimately, the function of the Select Committee was not to adjudicate on the legal liability of any party in the construction scandals. The importance of the inquiry was to identify the truths and submit recommendations at institutional and policy levels to improve the quality of public housing. All government departments involved in public works and in outsourcing projects would do well to draw lessons from this Report and prevent any similar mistakes in the future. Further, the inquiry aims at encouraging the promotion of more effective management, enhancing the quality of works and accelerating the pace of reform in the construction industry. In the light of these results, I concur with the points set out in the Report of the Select Committee.

Madam President, the harshest criticism leveled at the Report is that it does not recommend disciplinary action against the top three housing officials, whom critics feel should be held accountable for the scandals. But in my view, the Select Committee, in its inquiry, has never intentionally or unintentionally

protect any officials or government organizations. If it had, the inquiry did not need to be that extensive. What we did was to search and look for the truths, and then report them, and nothing more. I also feel that the wordings used by the Select Committee, and I quote: "regrets" and "condemn" those responsible, are strong enough to reflect on the individual participant's credibility. Whether the officials should be penalized or not is outside the Select Committee's scope. People may think that punitive actions against the housing officials would have a deterrent effect. But I think that such result is negligible. The scandals have already fuelled a great public outcry for reforming the public housing system. Additional punitive action against top housing officials will not recover any of the wasted public funds nor reduce the inconvenience brought to the public.

What the inquiry has revealed are the gaps in the operations and housing policy of the Government of the Hong Kong Special Administrative Region. One of the main lessons learned is that the Government set unrealistic production targets without providing adequate regard to the capability and resources of its executive arm. During the period of massive housing production, the Hong Kong Housing Authority had not devised adequate and effective controls in its project management and site supervision. As a result, it created a window of opportunities for some unscrupulous contractors and individuals to commit offences to further their ill-gotten gains.

But as the old saying goes, it takes two to tango! This is what had not happened in the production of public housing. Over the years, the Government should have developed a close, interdependent working relationship, one based on common interests, with the construction and real estate industries. However, in reality, the bond between the two parties has never been fully developed. I hope that this Report will set a new trend in developing trust and co-operation between the Government and the construction industry.

An obvious example is the Government's tendering practice for housing projects. For budgetary reasons, the Government began to place a disproportionate weight on the price factor. But as they say, "You get what you pay for", this system indirectly encouraged contractors to offer unreasonably low bids, so low that they appeared to return to the contractor zero profit margins. Competition was vicious, and production quality was inevitably undermined.

In the last legislative year, I introduced a motion regarding improving the Government's tendering system. I have also explicitly urged the Government to

revise its weight balance between the price factor and the quality factor. A change in this assessment method is crucial to any sort of quality improvement. It is proven that an over-emphasis on price has been — though it should not be — a cause for declining building quality in housing projects.

In construction, pricing is important, but quality and safety cannot be compromised. The Government must continue in its search for that magic balance so that an equitable and fair system of tendering can be established.

Due to the substandard and short-piling incidents, the Government and the construction industry both realized that they needed to work together to establish a better culture of work quality in the industry and rebuild its reputation. It was agreed by all that reforms were necessary. In 2000, the Construction Industry Review Committee was set up to develop reform initiatives for the industry. I look forward to the series of reforms to be introduced and implemented in the public works and construction industry.

Madam President, the key to improving construction quality is more effective site management. On-site supervising officials hold as much responsibility as contractors. Dishonest piling contractors can only cheat when site inspectors do not exercise their duties diligently and properly. During the Select Committee's numerous hearings and meetings, it was revealed that some staff of the Housing Department (HD) did not inspect the site in person, or did not conduct any inspections at all. Others conducted fake inspections and made up figures for their reports. The problem was serious and I dare say that it might appear to have existed for a long time. And it can all be traced to the Government's bureaucratic culture and lax discipline. If the Government devised a more effective system to control and regulate subcontracting activities in public housing projects, it might have avoided creating or aggravating the building problems of public housing in those years.

Nevertheless, this lack of discipline exists not only in the public housing sector. We have heard and seen, from news reports or the Director of Audit's Reports, that some civil servants have faked their attendance or overtime work records, skipped their duties, or committed other acts of minor fraudulence. Obviously, the Housing Bureau and the HD are not the only ones that need to clean up their acts. The whole Government should learn from the mistakes of the four building incidents.

Enhancing its governance has been a key task for the Government in recent years. While I have noted improvements in some areas, they are simply not enough. There is still a long way to go before a culture of service and pride is truly nurtured and thriving among our civil service workforce.

Madam President, the incidents relating to the building problems of public housing units come to a close as we assess the Report. But the significance of the Report is not merely in its findings. Just as important are the revelations of the problems in the Government's administration system and governance culture. If the officials and professionals involved fail to learn their lessons, the two years, \$14 million and efforts spent in examining the details of the whole public housing construction exercise will be an opportunity lost.

I support the original motion and the amendment of the Honourable Albert HO, but oppose the amendment moved by the Honourable Frederick FUNG.

Thank you, Madam President.

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, some people think that the problem concerning the building quality of public housing is drawing to an end; some people think that this matter has dragged on for three years and as different departments have compiled reports or conducted reviews on this, further discussions on it today seem to be obsolete. But the reality is that there are still many problems with the housing authorities and even the entire Government that warrant reforms. So, this report has served an important function of reviewing the past and facilitating future reforms.

Regarding the problem concerning the building quality of public housing, we can still be said to be lucky amidst the calamities, for the problem was detected early, thus avoiding heavy losses of human lives. But its far-reaching consequences cannot be overlooked. This incident can be summed up as bringing "three major disasters", namely, a disaster for public finance, a disaster for public administration and a disaster for public morality.

The most direct outcome of the problem concerning the quality of public housing is the disaster for public finance. Only four of the 18 piles of Blocks D and E of Yu Chui Court, Sha Tin, could meet the specifications. As a result, the two blocks which were near completion had to be pulled down and the area

was converted into a garden, costing the Government \$600 million out of the public coffers. With another \$350 million being spent on compensations as a result of uneven settlement at Blocks K and J of Tin Chung Court, a total of nearly \$1 billion of public money was thrown down the drain. What is more, the rehabilitation works required for the housing estates and delays in the sale of flats have caused losses in interest and revenue to the Housing Authority (HA). Furthermore, the reputation of the HA has been tarnished, and the public has lost confidence in the building quality of the HA. This has affected the sales of flats under the Home Ownership Scheme (HOS) and hence the recouping of the capital of the HA, resulting in financial losses.

All these have made people think that government officials and important members of the HA must be held responsible to a certain extent for the financial problems faced by the HA today. Now, officials of the HA and the Housing Department (HD) have been saying that the HA is beleaguered by financial problems and lacking in funds and so, the rent for public housing will not be reduced and worse still, it may have to be increased. Should the officials of the HD not do some soul-searching first and ask themselves if they should shoulder some responsibilities for the financial problems?

Moreover, senior officials of the HD have not learned a lesson from this incident of building problems by making improvements to the squandering culture. The Government's cessation of producing HOS flats pursuant to "SUEN's nine strokes" has obliged it to make compensation to the award-winning designers for new HOS flats. This is apparently an instance of a waste of financial resources due to the lack of long-term planning in government policies. I wish to ask: How many incidents in connection with building problems does it take before the Government learns a lesson?

Insofar as the disaster for public finance is concerned, it is still better to suffer financial losses than fatalities, and its consequences are also not as far-reaching as those of the disaster for public administration. Past surveys showed that administration by the Hong Kong Government had all along ranked among the top in Asia. Unfortunately, the problem concerning the quality of public housing has smashed this legend in one go. No one could ever expect that in order to save time in view of an increase in housing production, the Building Committee of the HA, being made up of non-full-time members and responsible for monitoring HA housing projects amounting to tens of billions of dollars

annually, had introduced the "straightforward papers" approval procedure whereby a large number of piling contracts were awarded without discussion.

Besides, the HA has implemented centralization of powers and adopted the "through-train" approach of taking up both the construction and monitoring work on its own, not being subject to the Buildings Ordinance. As a result, it has turned out that the work of the HA is monitored by the HA itself, which means that it is not subject to any form of control at all. So, when the production of housing increased, problems thus arose.

The HD is responsible for construction, monitoring, and so on. As stated in the Report, manpower had been lacking as housing production increased, and work had continuously been devolved to the junior staff. As a result, supervisory duties originally handled by professionals had eventually been delegated to Works Supervisors who had no professional knowledge. Under such circumstances, it is only natural that supervision on the construction sites was grossly lax.

Furthermore, it is pointed out in the Report that another reason for poor project management was that management by HD staff emphasized only the costs and time required by the projects. The HD had only stuck to one or two rigid targets to the neglect of other important factors, such as quality, and this had led to the disasters today.

The Report has proposed 13 recommendations for improvement, such as reforming the structures of the HA and the HD, upgrading the quality of contractors, and also improving the tender system as mentioned earlier on. Although the Government has accepted some of these recommendations, the success of the reforms will depend on the attitude of the Government. But judging from the present policy objectives of the Government, it is indeed not optimistic for the reforms to bear fruit.

Firstly, the Government has again employed the tactic that it used in scrapping the two former Municipal Councils, pressing ahead with the reorganization exercise in tandem with the implementation of the accountability system for principal officials on the pretext that there are problems with the existing public housing structure. However, the way in which the reorganization is conducted has failed to respond to social aspirations for a devolution of powers and a clear separation of duties and functions among

different departments. On the contrary, the Government has carried out reforms in the direction of centralization of powers, thinking that it can rest assured as long as all the powers rest in the hands of the most senior accountable officials. But as the Report has stated, the housing quality problem was precisely the result of government officials taking up all aspects of the work but not having sufficient manpower to cope, and the outcome was that duties were delegated level by level. Supervision was, therefore, slack and a grave mistake was thus committed. Today, the Government still has not learned a lesson and worse still, it seeks to centralize all the powers. This has made people worry that the consequences might be even more serious. Besides, even if similar cases recur in future, the Secretary for Housing, Planning and Lands will not be held responsible still under the existing accountability system for principal officials. Nor will he have to take the blame and resign. He will continue to be an official with powers but not responsibilities. The so-called reforms are nothing more than window-dressing.

In fact, we all know that the reforms of the HA aim only to centralize powers, rather than genuinely improving housing quality and management. This shows that what need to be reformed by the Government is not only the system, but more importantly, the bureaucratic culture. The Government cannot consider itself to be superior to the masses, thinking that it can pull wool over the people's eyes and resolve the problems by centralizing all the powers and rejecting public participation and monitoring. Finally, this would only lead to continual procrastination in solving the problem, and when the problem has aggravated beyond remedy, the situation would be utterly disastrous. The successive cases of residents being hit by loosened parts of metal gates at public housing estates recently are indicative of the bureaucratic and unrepentant culture of the Government. After the first or the second incidents, senior HD officials still passed the buck onto the management companies outsourced by the Government, and the management companies or the contractors simply shifted the responsibilities onto subcontractors and so, inspections were conducted by housing estates individually, and frivolously. It was only after the occurrence of the third incident that the HD formally sent staff to check the metal gates of all housing estates. We must ask: Is it that the Government will address a problem squarely only after it has occurred for several times and when casualties are involved? The Government obviously has not learned a lesson from the incidents of substandard piling by carrying out reforms to the most fundamental and important culture of bureaucracy.

Moreover, it is stated in the Report that management by the HD had put emphasis only on costs and time, without giving consideration to quality and other issues. The problem has not been resolved and worse still, it has become even more serious. Given the fiscal deficits, the top echelons of the Government have introduced measures to cut expenditure across the board, giving an overriding precedence to financial resources, without having regard for quality and the consequences. This makes people worry that problems similar to the short pile incidents might arise in all government departments, which would lead to an even greater disaster in public administration.

Another major consequence of the problem concerning the quality of public housing is the disaster for public morality. The incident has not only shown that many people in Hong Kong would neglect the life and death of other people in order to make quick money by building housing blocks with quality problems. It has also shown another important point and that is, officials who should be held responsible have not been given due punishment and what is more, they have been given a promotion and salary raise. Under such circumstances, how can we inculcate in the next generation a correct concept of right and wrong?

When a motion of no confidence was debated in the Legislative Council in June 2000, Mr Dominic WONG, the then Secretary for Housing who was responsible for the housing policies at the time could still stay aloof and even came to other people's defence by alleging that the Legislative Council debate was only premised on public comments and requesting us to distinguish right from wrong. After detailed hearings, this Report today, I believe, has given an unequivocal account of right and wrong. The Report has actually criticized him categorically for his failure to ensure that the Government's housing production targets were realistic. Given this accusation, the Government still has not stated that he should be given any form of punishment. Rather, he can still receive a pension amounting to as much as over \$10 million. Is this reasonable?

The case of Dominic WONG is not the worst. In July 2000 the Legislative Council passed a motion of no confidence in Dr Rosanna WONG and Mr John Anthony MILLER. According to the usual practice, both of them should have resigned on their own initiative. While Dr Rosanna WONG had resigned before the debate, she was appointed as the Chairman of the Education Commission by the Chief Executive in 2001, whereas Mr John Anthony

MILLER has been promoted to be the Permanent Secretary for Financial Services and the Treasury. In doing so, the Chief Executive not only disrespected the Legislative Council. More importantly, he had confused right and wrong, giving people the impression that one must commit mistakes in order to stand a chance of being promoted. Besides, Mr YUEN Tze-chu, the then Business Director/Development, should have an unshirkable responsibility for the blunders in the works. But not long after the incident, he was not punished in any way and was even promoted to be the Deputy Director. This has not only led to diminished public confidence in housing quality. Public confidence has also diminished even in the administration of the entire Government. To rebuild its prestige and restore public confidence in the Government, the Government must answer the public aspirations and criticisms on all the persons concerned in the Report by punishing these officials and persons who must be held responsible.

Madam President, to prevent the recurrence of disasters in public finance, public administration and public morality caused by the problem of public housing quality, I think reforms must be carried out at three levels. The 13 reforms recommended in the Report are basically targeted at two levels, namely, administrative and institutional reforms. However, if no fundamental reform is carried out to the Government's bureaucratic culture, then all the administrative and institutional reforms are just empty talk. Government officials can still ignore public opinions. They can still shield one another. The top echelons of the Government can still take other people under their wings.

Madam President, I think society as a whole has already paid too much for this bureaucratic culture. The Government must now learn a lesson from the bitter experience and implement reforms. This can brook no delay, or else society would have to pay an even dearer price.

Madam President, I so submit.

DR DAVID CHU (in Cantonese): Madam President, I support the endorsement of the First Report of the Select Committee. The Report has provided an objective and detailed analysis of the causes and consequences of the three public housing incidents, enabling the public to have a more comprehensive understanding of these incidents. It has also made many substantive recommendations to upgrade the quality of public housing.

Madam President, the series of public housing problems have brought about huge losses amounting to hundreds of millions of dollars in public resources. Worse still, as members of the public have purchased their property with their lifelong savings, the short piling incidents have made them suffer damages financially, and even mentally. Moreover, the short piling incidents have dealt a blow to the confidence of property buyers in public housing, thus adversely affecting the first-hand and secondary markets of the Home Ownership Scheme (HOS) flats. I think the Government must seriously learn a lesson from the incidents and thoroughly improve the work attitude and culture of the staff of the Housing Department (HD) by reforming the HD's management structure and upgrading the quality of works projects under the premise of putting the interest of residents before everything else.

From the Report of the Select Committee, we can clearly see that the work attitude of HD staff was far from professional, and there were problems with the working mechanism for the production of public housing. Problems were also found from the process of planning, procurement policy, human resources policy to project management. Being an international metropolis in Asia, Hong Kong claims to have a highly efficient government, and as we already have decades of experience in the development of public housing, it is indeed regrettable to see that so many problems have still arisen. The short piling incidents have reflected the unsound monitoring systems of the relevant institutions.

First, all the housing units built by the Housing Authority (HA) are not subject to regulation by the Buildings Ordinance. Staff of the HD thus perform the dual roles of developer and works regulator concurrently. This approach of self-regulation in the absence of monitoring by a third party is lacking cannot guarantee the quality of works.

Second, I think the mechanism of awarding contracts to the lowest bidders, coupled with multi-level contracting, will increase the risk of jerry-building, which is not conducive to ensuring the quality of works. It is stated in the Report that after the HD had awarded the works contract to a contractor, the staff of the HD would put emphasis only on costs and progress management. Monitoring of the quality of construction works was passed onto the consultants, and the HD had only taken on the liaison role. Although the staff of the HD had to handle a lot of work, I think they should not have adopted the practice of

delegating their duties downwards, such as professionals delegating their duties to the Project Clerk of Works who subsequently delegated his duties to the Assistant Clerk of Works. As a result, the supervisor on the lowest rank had to take up supervisory duties not commensurate with his capability, and the short piling incidents thus arose. How can such practices ensure the quality of works?

Madam President, as we all know, living in contentment is the greatest aspiration of the wider public of Hong Kong. Although the Government has decided to cease the production of HOS flats, it still has to provide public housing units, and this will involve considerable spending out of public coffers. Therefore, I hold that reforms of the work culture and monitoring mechanism of the HD can brook no delay. While many reforms have been implemented, their actual effects still remain to be seen. To restore public confidence in the quality of public housing, the Government must explain to the public the progress and effectiveness of the implementation of the reforms on a regular basis. Moreover, the Government should expeditiously incorporate public housing into the ambit of the Buildings Ordinance and stringently regulate subcontracting activities to ensure the quality of buildings.

Finally, I think that the implementation of follow-up and remedial measures by the HD must be premised on the interest of residents. Insofar as the two problem blocks at Tin Chung Court, Tin Shui Wai are concerned, the HD has already spent more than \$160 million on the remedial piling works. The works have taken more than two years, and there have been repeated delays to the completion date. What exactly are the problems? Are they technical ones? While these two blocks will be converted into public rental units, I think the relevant authorities are indeed duty-bound to account to the public on the safety conditions of these buildings, so that people who will move into these units can put their hearts at ease. I so submit.

MR LEE CHEUK-YAN (in Cantonese): Madam President, before delivering my speech, I would like to put this on record: I had made tremendous effort in participating in this Select Committee. However, no matter how great my effort had been, it could never be compared to that of the Chairman of the Select Committee. Therefore, we really must put on record the excellent leadership of the Chairman of the Select Committee. If we say that we had spent a long time

on the inquiry, the time spent by the Chairman must be much longer than what we had spent on it. Besides, I am also grateful for the diligence of the staff of the Legislative Council Secretariat. I believe this inquiry must have made some kind of a record in the history of the Legislative Council, because both its duration of time and its scale were unprecedented. I think the universities should confer some academic degrees on the Chairman of the Select Committee and the staff of the Legislative Council Secretariat, because in the beginning we really knew nothing about piling and now we all have learned a lot about the work processes. I think we had studied the issue very comprehensively before writing up this Report. I believe we can say this is a dissertation of the Legislative Council. I suppose people studying engineering disciplines in the universities should read this dissertation.

Certainly, we had to conduct such an inquiry mainly because of the emergence of four incidents, actually two major ones and two minor ones. The major incidents involved Yuen Chau Kok and Tin Chung Court, which had actually caused a loss of public revenue of \$1 billion, and made the people cast great doubts on the overall quality of public housing, especially the quality of HOS flats.

In the course of participation in the inquiry, I found that my prime feeling was one of shock. What made me so shocked? I was shocked at the existence of the element of "cheating" from beginning to end in the incidents. It was my first shock. It was really an issue that involved public morality. How could the people do it so unscrupulously just for the sake of money? In order to avoid being penalized for failure to meet the deadlines, they could resort to absolute "cheating". This was my first shock. I was extremely shocked at the unscrupulous practices of certain individuals in the industry.

The second shock was that officials of the HD were not aware of the existence of the cheating practices even though there were people "cheating" from the beginning to the end. This was very shocking because we could identify the cheating practices, but the officials of the HD could not. This reflects that the supervisory system had collapsed. If you want to know how the cheating practices could take place from the beginning to the end, I may quote an example. Please refer to the part on Yuen Chau Kok in paragraph 5.161, which narrated the complete process of "cheating". Firstly, someone started "cheating" with the assessment of tenders. How could people cheat in the assessment of tenders? It was because a company without any relevant

experience could still win a tender for it offered the lowest bidding price. The second "cheating" incident occurred like this. Theoretically, the HD did not permit a company to outsource all of its contracts to subcontractors. However, as we reviewed the incidents, it was obvious that certain principal contractors had outsourced all of its contracts to subcontractors. Such principal contractors had held up 4% of the tender fee and outsourced all the work to subcontractors at the remaining 96% of the tender fee. I suppose the contractor charged the 4% fee as handling charges which were meant for the costs of "letting its licence", or similar to that. Of course, there could be some controversies — some people may not agree that was "letting of its licence". But from our point of view, it was similar to that. Therefore, that company charged 4%, and then another company responsible for purchasing materials also charged another 3% as the administrative costs. So, somebody "cheated" at that point as well. Therefore, someone cheated at the starting point of submitting tenders, and then someone cheated at the point of subcontracting. And when it came to the part of construction, we can take a look at paragraph 5.161, which I think gives a most fascinating account of what happened. It is described that, "Zen, the Contractor, had no experience in LDBP works in relation to high-rise buildings and had to totally rely on Hui Hon, which took up almost the entire project at a low contract price." This reflects exactly the two points raised by me just now.

And then the Report goes on to say, "According to evidence, Hui Hon did not purchase adequate temporary casings or provide the machinery capable of installing temporary casings in the pile shafts during excavation down to the bedrock level. This set in motion a chain of events". It mentions a chain of events here, implying that there were people "cheating" from the beginning to the end. First, "..... beginning with some pile shafts not excavated to the founding levels"; this was one of the events. Then, "the temporary casings not installed to the founding levels; collapse of excavated walls in some pile shafts; use of Supermud". Supermud, as mentioned here, is something very interesting, as it has a very good name. Supermud is something that sounds magical, but it still failed to prevent the walls from collapsing. Therefore, they made use of the "magic tape" which sounded like another magical item. The "magic tape" is a measuring tape which had been tampered with by removing certain sections. So another "cheating" practice took place at this point.

So, after using the "magic tape" to cheat, then "the manoeuvring of tremie pipes in air-lifting" took place. When it was the time for checking whether the water was clear, the tremie pipes were laid at a higher level, where the water was

clearer. And then, there was "installation of reinforcement cages and concreting at night". It was a mystery why the works could be carried out at seven o'clock in the evening. Why the works could be allowed to proceed after seven o'clock and nobody went to inspect the situation? The staff of the HD said explicitly that application for overtime works beyond seven o'clock in the evening would not be allowed. They said they had informed the Environmental Protection Department (EPD) that they would not allow them to work. However, the EPD did not take action to forbid them to work, nor had the HD sent any staff to inspect the situation. So somebody had taken advantage of the situation and cheated at this point again. Then, "..... and concrete being mixed with the collapsed soil and Supermud at the lower end of piles. The series of irregularities or even fraudulent acts occurred as attempts were made to cover up one problem after another".

And then there were many areas that required checking. For example, a sonic tube was used to conduct quality check by using ultrasonic tests. It failed and could not produce good results. So HD staff allowed the engineering staff to bore another specimen. But after boring for a while, they suggested to use another test — the vibration test. By using vibration, they wished to see if this would work. All along, they had been saying that this test did not work, so they tried another method. Anyway, eventually they managed to do it and then it was all right. This account of the events was very shocking to me because there was "cheating" from the beginning to the very end. Yet, in spite of all kinds of supervisory systems of the HD, they let the relevant parties get away with it. Why could they manage to do so? This is exactly the area where we consider a review is most wanting.

If we think it was due to the collapse of the entire supervisory system, then we need to conduct an overall review which should start from the very top, that is, including "the trio" — the Chairman of the HA, the Director of Housing and the Secretary for Housing. We have to examine if any part has gone wrong in the whole planning process.

The greatest problem in the planning process obviously occurred at the very top "trio" who could well be described as "having set unrealistic targets that were beyond their capabilities to achieve". They were over-ambitious, that is, they thought they could build more flats, even as many as 90 000 flats, or even

100 000 flats. They would even claim great credits in having set such grand targets. Of course, frankly speaking, I would also support them in building more flats. I cannot scold them for this and say that they should not build more flats. But the problem is, though they had very good objectives, did they have the matching measures to ensure that they had the capability to build the flats until the targets were attained? Would blunders occur under such circumstances? Sometimes, it is not a problem to set very high objectives, but it is a problem if the plans are beyond one's own capabilities. In the whole process, "having set unrealistic targets that were beyond their capabilities to achieve" would lead to the undesirable situations where the parties concerned would try to achieve the targets by all means without proper regard to the problem of insufficient manpower and whether the problem could be solved.

At that time, many trade unions had conveyed to the top management that the existing mechanism would not work. However, the approach adopted by the management in the end was, indeed the simplest way out, to outsource works projects. However, after outsourcing the projects, the problem of multi-level subcontracting emerged. For example, there should be a consultant architect to supervise the work of the contractors, who also employed consultant architects. So these consultants would supervise the work of subcontractors at different levels. As the system further developed, it would eventually run into problems. Therefore, were there a suitable system and matching measures to ensure that projects outsourced in this manner would not cause a problem of insufficient supervision? However, obviously the authorities had acted as if they had no responsibility after outsourcing the projects. And in this incident, it was revealed that there were no corresponding measures to exercise supervision, and in particular, the manpower was over stretched. Just as Dr David CHU said, the projects would easily run into problems when they came to actual execution.

On the actual execution level, there was a common mentality in the HD, that is, as long as the "goods" were delivered timely, everything would be fine. So their time control was very strict. However, in the aspect of quality, it would be all right as long as they could "get it through". But, the greatest problem lied in the fact that they let people "get it through" by way of "cheating", and eventually resulting in the present scandals. The approach of the HD created a situation in which the projects were delivered timely, but the quality was compromised. Obviously, they had ignored the factor of quality for the sake of timely delivery.

Another feeling I got throughout all the hearings was that, the HD often adopted a kind of so-called "formalism", that is, the system of forms. In other words, everything is fine as long as you do not come to meet it face to face. Anyway, as the senior management had adopted a system of forms, or a kind of forms, then the junior level staff would keep on filling in the forms. If the junior level staff did not report any problems to the senior management, the latter would act as if there were no problems at all. But could the junior level staff really realize that there were problems, or could they know how to tackle them? Very often, the management chose to ignore what was going on, and eventually led to the situation mentioned by Dr David CHU, in which the authority was delegated levels after levels, and eventually it was delegated to the frontline staff member, who might be the Works Supervisor. He suffered the most injustice. Duties that originally should be performed by the Project Engineer were now delegated to the Works Supervisor, who might not know how to perform them properly. If he did not know how to perform the duties, he would feel very helpless and at a loss. However, the senior staff would think that the junior level staff could handle the duties as long as they did not indicate otherwise, and they would not care to inspect whether they really had no problems in handling the jobs. Therefore, at the end of the day, the front-line staff had to bear the greatest injustice. Very often, they did not know what to do. But when problems emerged, they were easiest targets of blame.

Therefore, as we reviewed the whole incident, in the entire process of housing production, I hope we could see that, when the system collapsed, "the trio" had to assume the greatest responsibility because they were the designers of the system. Very often, the front-line staff members were picked as scapegoats, saying that they had been negligent in the process. This is not right. I think the greatest negligence was not the negligence of front-line staff in the course of discharging their duties. If there was negligence in the design of the whole system, the junior level staff would make mistakes very easily. This was indeed the greatest negligence.

Therefore, I think I have come up with one conclusion from the whole incident, that is, if the Government thinks that the system designers, "the trio", namely the HA Chairman, the Secretary for Housing and the Director of Housing (responsible for designing the whole system as well as the construction affairs), do not have to be given any punishment, how can it face the loss of \$1 billion in public revenue, and how can it face the whole incident? The incident

has made the public lose confidence completely. If nobody has to be held responsible, then I would fail to understand why the Government stresses accountability all the time. Even without the offices of accountable officials, someone should still be held accountable. On the issue of accountability, why should the Government be seen as being lenient with the top management, but harsh on the junior level staff? If the Government chooses to do it this way, it would make the junior level staff feel that the Government wants to make them the scapegoats, whereas the top management was left intact. If it chooses to do it this way, it would only make the public feel that the Government is protecting the senior staff or the top management. They might be accused of "officials safeguarding the officials", and of picking out junior level officers as scapegoats. Will such an approach make the public feel that justice has been done?

Therefore, we hope, through this inquiry, everyone can have a chance to have a more in-depth understanding of the whole incident. On the other hand, as we said very explicitly in our recommendations, responsible officials should be held accountable. Even if their names are not mentioned, they have been highlighted as the incumbents of the relevant posts during that period, that is "the trio". In fact, it is specifically pointed out that all of them should be held accountable. Yes, they should be held accountable. But if the Government just pay lip service by saying that they should be held accountable without imposing any punishment on them, and then just thanks the Legislative Council for its hard work, it is useless. What we want to see is: As we have already presented our stands and judgement, we think that they should be held accountable, and we expect the Government to ultimately impose explicit punishment on "the trio". Thank you, Madam President.

MR NG LEUNG-SING (in Cantonese): Madam President, it has taken the Select Committee on Building Problems of Public Housing Units two years to complete its First Report. As a member of the HA, I have reservations about the establishment and effectiveness of this Select Committee from the outset. In spite of this, I still wish to take this opportunity to pay tribute to the Select Committee for its hard work over this long period of time.

The contents of this report have, to a fairly large extent, borne out my long-standing observations on the building problems of public housing. As early as two years ago, in the debate on the appointment of this Select Committee in this Council, I pointed out that the building quality problem had much to do

with the massive production of housing units back in those years. The Report has provided detailed facts and analysis, pointing out that the 2000-01 housing target was unrealistic. So, I will not dwell on this any more. Faced with such an unrealistic production target, it is a matter of common sense that any institution would be caught in mishaps under the circumstance, and it would be surprising if it would not.

The setting and implementation of massive public housing production targets are in some measure a reflection of the wrong conception in the overall public housing policy for a very long time in the past. In short, it is intended to be an all-encompassing policy which provides housing welfare without reasonable control, and makes commitments to meeting the housing needs in society as a big government. This approach is closely related to the high land premium policy before 1997.

The high land premium policy had seriously restricted the production and supply of usable land. As a result, property prices in the private sector were unreasonably pushed up, which had inhibited the market mechanism from coming into effective play. Although the Government could obtain considerable proceeds from land sale during this period of time, the result was that many people did not have the means to buy private property of which the prices were high, and a huge demand for public housing was thus created.

In the meantime, as the public housing policy of the Government could not achieve a sound recycling effect, all that the Government could do was to keep on injecting massive public housing resources to balance out the huge demand, and this had led to a rapid growth in production. Besides, public housing resources as well as the relevant structures and establishment had been ever expanding, taking on increasingly more duties and functions. As perpetual intervention is required in respect of planning, construction, repairs, maintenance, allocation and management, problems therefore aggregated. The Government not only had to meet the basic housing needs of low-income earners, but also their aspirations to home ownership. Apart from building public housing units, the Government also had to build HOS flats. Housing estates have become more and more appealing in terms of their location, environment and ancillary facilities, comparing more and more favourably with private-sector properties. There is no practical tenure for the lease of public rental units to ensure that public housing resources can be recovered and recycled. As a result,

these resources cannot perform their true function of being utilized for the needy in a timely manner. Once a public rental unit is allocated, the tenant can occupy and possess it for good. Under such a system, all that the Government could do was to keep on building public housing units all the time. Given this lack of balance in the market with a high degree of government intervention, forecasts of public housing demand had become all the more difficult. Production targets had consistently failed to meet the actual demand, leading to the bunching of production in the end. After the bursting of the private property market bubble, the injection of massive public housing resources which included the supply of housing units could not be reversed in a short time and failed to act responsively or make corresponding, effective and prompt adjustments. On the other hand, it has also impeded the recovery and development of the property market.

So, I think that the building problems of public housing are unavoidable under this policy. Certainly, in the actual process of operation, the conflict in the roles of the HA, and loopholes in the monitoring mechanism, work procedures, and so on, had directly led to the surfacing of the hidden problems. However, making improvements to the operation is just a stopgap measure that cannot address the problem at root. If the Government continues to harness such a huge structure of public housing and commitments, the chance for problems to arise would still exist, and the bigger the scale of this structure, the higher the chance of committing mistakes.

An excessively large and centralized public housing structure will easily lead to bureaucracy, maladministration and even corruption. I believe no one would take exception to this view. Insofar as Hong Kong's public housing structure is concerned, I believe its characteristics of being enormous and centralized are obvious. But if the community demands that such enormous and centralized services and functions should continue to be taken up by the public sector, then how could its structure be possibly streamlined?

Therefore, to address the problem at root, efforts should be made to expeditiously return to the market whatever work that should be taken up by the market gradually in the light of the present market conditions in order to be truly in keeping with the times and to bring the role of the market into real play. To meet their aspirations to home ownership, members of the public should achieve it through the market, not the Government. The job of the Government is to set up a safety net to meet the basic housing requirements of people genuinely in

need. In respect of the style or look of buildings, ancillary facilities and locations of the sites planned for development, the Government should adhere to the principle of practicality. Meanwhile, public rental units should not be taken as a kind of lifelong welfare. Rather, adjustments should be made in accordance with the cyclical changes in the actual financial capability of the tenants, so that public housing resources can be recycled for use by people genuinely in need. The HA should also work in keeping with the times. Its role should be adjusted into one which relies more on the market force in its commitment for such functions as construction, management, and repairs and maintenance. In the long term, consistent and explicit housing policies should be formulated to enable the market to make reasonable adjustments on its own, in order to meet the aspirations to home ownership of a larger proportion of the public and hence reduce the demand for public housing resources in society, thereby reducing the scale of the overall housing welfare project. Ultimately, the relevant structures and functions can be streamlined in line with clear targets set, and will operate under an environment featuring a small government and a big market. In that case, there would be no room for problems similar to those of public housing quality to develop and arise. I think this is precisely the greatest lesson that we can learn from the spate of incidents of building problems.

There are two amendments to this motion today. From their wordings, my personal understanding is that Mr Frederick FUNG's amendment has actually added a conclusion to the Report and that is, the government officials should be condemned. Besides, he also makes a suggestion, strongly suggesting that the Government should impose punishment on the officials. As for Mr Albert HO's amendment, while he has deleted the conclusion of "condemnation", the suggestion about "punishment" is retained. He proposes "appropriate punishment", but I do not know how it is different from "punishment". Punishment certainly includes the appropriate and the inappropriate ones. But the amendment proposes "appropriate punishment". Indeed, the Report of the Select Committee already stated in black and white and in express terms the conclusions and recommendations. The passage of the original motion in this Council will mean an endorsement of the Report, which also means an endorsement of the conclusions and recommendations in the Report. If an amendment is passed, it would mean that the Report still has omissions and that it is not comprehensive enough and hence amendments and additions are required. The Select Committee has spent a long time on investigations and even on the compilation of the Report. It took two years to

complete the Report at a cost of \$14 million and has eventually come up with clear conclusions and recommendations. I think that the contents of Mr Albert HO's amendment amount to nothing in substance, and the proposals are so lacking in punch that they absolutely do not tie in with the style of the Democratic Party. However, I consider it inappropriate to propose amendments or additions to the Report of the Select Committee by way of a motion in the Legislative Council, suggesting that the officials should be punished. The reason is that on the one hand, the Legislative Council itself should neither intervene with the executive's procedures for imposing punishments, so to speak, on executive officials nor activate such procedures. If it is within the ambit of this Council, it should have been conferred on the Select Committee. On the other hand, such a practice of adding a wretched sequel to a fine course of work will do damage to the credibility of the work of the relevant or future committees as well as the authority of their conclusions and recommendations, and will court challenges from the public on the conclusions or observations drawn by committees of the Legislative Council. Therefore, I consider this type of amendment, including the two amendments before us now, inappropriate.

Madam President, I so submit.

MR HUI CHEUNG-CHING (in Cantonese): Madam President, I was not a member of the Select Committee, and my expertise does not lie in housing. But as an ordinary citizen who has been a taxpayer for years, and seeing that the Government's housing policies and the supervisory authorities have thrown a colossal sum of public money down the drain and made a mess of public housing projects, I must vent all my dissatisfactions. The authorities knew only to squander taxpayers' money continuously to build housing units, but a supervisory system is virtually non-existent. This has opened a window for unscrupulous operators to grow fat through "rip-offs" in the housing projects by brazenly cutting down on the number of piles used. After the outbreak of the short piling scandals, the authorities knew only to spend taxpayers' money generously to engage project consultants to salvage the crisis. When the situation was found irremediable, money was again dished out to pull down the blocks. Later, some people who were indirectly involved in the scandals could nevertheless proceed to retirement, be transferred and even be given a promotion. The spate of short piling scandals has revealed the corruptive practices of discharging duties perfunctorily, connivance of malpractices, setting eyes only

on profits, defying laws, and neglecting public safety. They are absolutely bad examples of public administration.

The short piling scandals have not only put tens of thousands of homes in an awful mess, throwing taxpayers' money down the drain, but also tarnished the brand name of the construction industry and even that of Hong Kong. We must bear in mind that quality management has all along been the key to the success of Hong Kong. Today, as our costs are still higher than those of our competitors, a better standard of quality management is one of the few competitive edges left of Hong Kong. Quality makes the foundation of a brand name, which always takes long years to build up. On the contrary, poor quality management can ruin a brand name in the blink of an eye. I have engaged in the import and export trade for many years, and I know only too well that quality management of goods is the kernel of the entire production process. Despite the fact that buyers or notaries only inspect the goods by random sampling or inspect a mere 10% to 20% of the goods, all the goods must be clearly checked during the production processes at factories, not allowing omission of even one single piece of goods. For every piece of goods, the raw materials certainly must go through chemical and physical tests. After being processed into finished goods, they must go through at least four rounds of inspection, namely, the initial inspection, intermediate inspection, final inspection and re-examination conducted by hands, eyes, machines or computers. The quantity of goods to be inspected is normally 100%, and sampling checks are definitely out of the question.

I have taken the trouble to explain the quality management practices of Hong Kong manufacturers in exporting goods in the hope that the Government and the relevant authorities will pay attention to one thing. That is, for a piece of toy or garment meant for export costing only a few dozen dollars, its quality management is already expected to meet such a high standard. For a block of building that costs hundreds of millions of dollars and concerns the safety of tens of thousands of residents, should its quality management not be expected to meet a far higher standard? The general light industrial products cost much less than residential flats, but all the goods will still be inspected by dedicated workers piece by piece during the production process. If the Government and the regulatory authorities can ensure that a 100% inspection is conducted by dedicated personnel in each and every process during the construction of public housing blocks in full compliance with the rules, it would be downright

impossible for such serious problems as short piling, ground settlement, leakage, cracks, and so on, to arise!

Insofar as the Report of the Select Committee on Building Problems of Public Housing Units published by the Legislative Council, I think that it is a more in-depth and comprehensive report than that of the Investigation Panel on the short piling incident in Yuen Chau Kok published by the Housing Authority (HA) in 2000. The report has particularly revealed slack management on the part of the HA and the Housing Department (HD) in the deployment of staff and human resources and in respect of the works projects. As a result, loopholes were opened at various levels of the supervisory process, including the levels of project consultants, contractors, subcontractors and site staff, which might tempt people to commit offences and offer unscrupulous operators opportunities to take advantage of such loopholes for personal gain. In this connection, I agree with the recommendations of the Report to incorporate public housing units built by the HA into the ambit of the Buildings Ordinance, improve the policy for appointment of consultants and contractors, reform the HD's organizational structure and its system for management of human resources, and so on.

I hope that the Government can come up with specific follow-up measures and a timetable for implementation on the basis of the suggestions in the report, so as to prove by actions that the Government attaches importance to the Report and will bring the Report into full play as a warning, with a view to expeditiously mitigating the confidence crisis among the public towards public housing. Madam President, I so submit.

MS EMILY LAU (in Cantonese): Madam President, I speak in support of Ms Miriam LAU's motion and also Mr Albert HO's amendment. Like Mr HUI Cheung-ching, I was not a member of the Select Committee. But I am discussing this issue not only from the perspective of a taxpayer, for I am also a Member of the Legislative Council.

First of all, I must say that I supported the setting up of the Select Committee back then. I said at the time that in view of this scandal that had made a stir in Hong Kong and might even arouse some comments in the international community, if an institution could launch an investigation into it and

if its investigation could settle everything, then confidence could be restored. At that time, I also said that only the Legislative Council could do this job, and I still maintain this view now. Certainly, many other people can carry out the investigation. But history has proved that investigations by the Legislative Council will command support from the wider public. So, in terms of credibility, authority, independence and transparency, the Legislative Council will surely be the best. Mr NG Leung-sing said just now that if we supported the two amendments, we would be undermining the authority and credibility of the Report. I trust that Ms Miriam LAU, Chairman of the Select Committee, will certainly respond to this later on.

Like other Honourable colleagues, I must pay tribute to the Select Committee, particularly its Chairman, Ms Miriam LAU. I must also pay tribute to the Secretariat as well. I think other people just do not know how hard they have worked. Although I once was a member of a Select Committee investigating into the new airport incident, the work back then was certainly not as arduous as that of this Select Committee, and the time spent was also not as much as that required this time around. I think they have done an excellent job and I must praise them again for that. In particular, I must sing praises on Chairman Miriam LAU. I do not believe Ms Miriam LAU, the Chairman, or Mr Albert HO, the Deputy Chairman, would advance views to undermine the credibility of the Report. But since a Member has made such an allegation, I trust that Ms Miriam LAU will certainly respond to this point. I take exception to that allegation and so, I will support the amendment.

Madam President, after the publication of the Report, many people have expressed views on it. Some people have criticized it; and some others have sung it praises. I would also like to state my criticism and that is, it is indeed too long to take two years to complete the Report. Of course, I know that Members have lots of business to attend. But this Council must also learn a lesson from this. Even though the end product is very good, but if it takes a very long time to complete, it would miss the timing. That is, things to which members of the public aspire must not be materialized only after too long a time. I hope it will not take so long again in similar cases in future. To this end, I think Members will have to put aside all their work on hand, and this is precisely the price that we will have to pay.

Apart from the views of all sectors of the community, I particularly wish to hear the views of the executive authorities. Madam President, I wonder if you have heard this: Secretary Michael SUEN said that it was indeed disappointing that problems concerning the quality of individual housing projects found three years ago had put a blot on the public housing programme. I do feel greatly disappointed, for he had attempted to water down the incident as excessively as such. As a number of Members have said earlier, how much was spent on these housing projects? It is said to be \$1 billion, but I think that is an underestimation. How many residents were affected? I do not have the least idea about how calculations should be made. But then, such a situation was described as a blot only. If this is just a blot, then why should we spend two years and \$14 million to patch it up? I think this is grossly unreasonable.

Besides, Mr John Anthony MILLER, who was involved in the incident, remarked that it was a valuable experience, though painful. It beats me indeed as to why a painful experience would lead to a promotion. But he said that this incident could be turned into an opportunity for reforms in the department and the construction industry. Wow, how brilliant it is! It sounds as if he almost had nothing to do with the incident. All he had said was that the incident had caused some pain. But considering such a dear price — \$1 billion, considering the fact that so many residents were affected and the fact that the reputation of the Government, the reputation of the construction industry and the reputation of Hong Kong have been tarnished, could all these be brushed aside in a few casual utterances and then the lesson taught by the incident could be turned into an opportunity for reforms in the department and the construction industry? Could this be considered a proper account of what has happened? Just listen to his remarks, and they are a reflection of his attitude. So far, Secretary Michael SUEN still has not said a word. He will have plenty of time to speak later. I wonder if there is the word "blot" in his speech. If so, could he please cross it out. What he is going to say will reflect his attitude. So, while Honourable Members have said earlier that this should be done and that should be done, their suggestions will indeed fall on deaf ears. Having said that, however, I believe the efforts made by the Legislative Council will not be wasted. Everyone should pay close attention to the work being carried out by the Legislative Council. The executive authorities must also respond to it positively.

Here, I must commend Mr LEUNG Yiu-chung. As we all know, a motion of no confidence was passed in June 2000. The motion was proposed by Mr Fred LI. But as early as on 3 September 1999, Mr LEUNG Yiu-chung already moved a motion relating to public housing policy. Although his motion was negated at that time, for he proposed a reorganization of the Housing Authority (HA), his motion had highlighted the problem. The wording of his motion reads, "..... with the recent surfacing of successive problems in the poor quality of public housing flats and substandard piling in housing construction works, this Council considers that the performance of HA, in both formulating policy or supervising construction works, has been very disappointing". That was in 1999. Several years have passed and now, it is still said that the problems is just a blot. I do feel embarrassed for Secretary Michael SUEN in making such a remark.

Madam President, I must compliment the Select Committee again. Many colleagues have already said so earlier in the debate, but still, I have to say this again. The Select Committee had looked at the entire incident from a broader perspective, rather than only finding out what specific mistakes were made in respect of a particular project. The Select Committee had really examined the production of housing units, and as the production targets were unrealistic (Mr NG Leung-sing also mentioned production earlier, and I forget in which year he was appointed a member of the HA), that explains why those problems cropped up later and so, we should not just look at who were responsible for supervising the projects alone. This is a very good approach. But can this absolve Mr TUNG of the responsibility in connection with the problem of "85 000 housing units"? I do not think so.

Yet, I do agree with what Mr LEE Cheuk-yan said earlier. In fact, we all support that more housing units should be built. But as stated in the Report, in the mid-1990s or before that, the annual production had never exceeded 55 000. By September 1995, there were the following production forecasts: 69 000 units in 1999 and 69 000 units in 2000, and these two years saw many incidents of short piling. According to the Report, given that so many housing units had to be produced in those two years, the supervisory staff establishment of the HA must double and outsourcing was thus necessary. As Ms Audrey EU said, it gets more and more scary as one reads the Report paragraph by paragraph, for the situation of outsourcing was quite horrible. Work had been contracted out from one contractor to another, from one level to another, and so on and so forth.

It finally transpired that some laymen were engaged to monitor members of the trade. This is absolutely scandalous. This is absolutely a disgrace to the construction industry and will cause public confidence to diminish. In fact, the Government had all along maintained the production of housing units at a certain number. Only that TUNG Chee-hwa was so naive as to throw out a target of building 85 000 housing units a year for no reason at all. In the times of Chris PATTEN, there was also a fixed number for housing production. The main question is that the number back then might not necessarily be 85 000. But later, TUNG Chee-hwa said out of the blue, "Do you not know it? The target of 85 000 housing units no longer exists!" So, this makes what he has done all the more infuriating.

I would like to specifically speak on several other points that I have noted from the Report. The Building Committee absolutely cannot shirk its responsibilities. It is because it adopted the "straightforward papers" procedure in 1998 and 1999. In the first year, \$50 billion worth of contracts were awarded and in the second year, another \$16 billion worth of contracts were awarded. In recent years, the "straightforward papers" procedure has never been adopted by the Legislative Council for handling any business. The contracts being awarded totalled \$70 billion. That it had adopted this practice is grossly shocking indeed. Another point concerns tendering. I would like to focus on the part on Yuen Chau Kok in the Report. The contractor was Zen Pacific Civil Contractors Limited (Zen). How did it win the contract? It was awarded the contract because its tender price was 28% lower than the estimate. But according to the Report, the HA remained indifferent. Did the HA not find it strange that someone could bid for the project at a tender price 28% lower than the estimate? In any case, it should have at least asked some questions to ascertain whether it was possible to complete the works at that price. But the HA simply remained indifferent and did not bother to ask!

Moreover, on the question of outsourcing, Honourable colleagues also mentioned earlier that as stated in the Report, the HA was not aware that Zen had subcontracted the predrilling works to a contractor not on the approved list, namely, Hui Hon Contractors Limited, and this had foreshadowed the short piling incidents. Such being the case, how could the HA shirk its responsibilities?

Madam President, I would also like to raise a point mentioned by Honourable colleagues earlier in the debate. Names are named in the report.

Let me just read them out. They are those people in the top echelon. The first is the former Secretary for Housing, Dominic WONG. The Report said that he had failed to ensure that the housing production targets were realistic and must therefore be held responsible. The second is the former Chairman of the HA, Rosanna WONG. Allegations against her are: Firstly, she had failed to give full consideration to the capability of the HD to meet the unrealistic production targets; secondly, she had failed to review the duties and functions of the Building Committee of the HA; and thirdly, she should be held responsible for another mistake of the HA and that is, the HA had put more emphasis on the timely completion of projects than quality. These are the responsibilities that Rosanna WONG should shoulder. The third person is John Anthony MILLER. It is also said in the report that he should be held responsible, because the production had grown beyond the capability of the HD and yet, no measures had been taken accordingly and risks therefore increased. So, he should be held responsible. He had also failed to review the duties and functions of the Building Committee of the HA. Besides, he must also be held responsible for the other mistakes of the HD, which include the delegation of work to inexperienced and unprofessional subordinates with no follow-up actions being taken, maladministration and poor deployment of human resources in the department, and the adoption of an indifferent attitude towards contractors' subcontracting activities. All these are allegations in black and white. Madam President, the last person that I wish to mention is the former Business Director/Development of the HD, Mr YUEN Tze-chu, who currently holds office as Deputy Director of Housing. The Report said that insofar as the Yuen Chau Kok project is concerned, he was well aware of the problems identified in projects of private developers concerning large diameter bored piles, but he still relied on the system of reporting by staff to their superiors. It is said in the Report that he had been too complacent with the *status quo*; he had taken a passive attitude and failed to take preventive measures. So, he must be held responsible for the blunders in the works. All these are stated expressly, with names specifically mentioned.

Madam President, I support the amendment proposed by Mr Albert HO. I also share Mr NG Leung-sing's view that appropriate punishment should be imposed on all the persons concerned. I agree that before taking actions to impose punishments, disciplinary hearings must be conducted beforehand. These are what the authorities must do. They must not go back and give them the sack immediately after listening to what we have said here. So, I hope that if the authorities have not yet done this, they should do it seriously. But how

should their punishment be determined, as some of these people have already resigned, whereas some are not civil servants?

In fact, there are many kinds of punishment. We all know that the most vigorous and the most serious punishment is to remove the person concerned from office, which means dismissal, and his pension would then be taken away. One level below is compulsory retirement, but even though this punishment is imposed, the person concerned can still receive his pension. Next comes demotion, say, demotion from the rank of D8 to D7 or D6 or D4, or even a transfer. Although it means transfer within the same rank, it can reflect his superior's view that he is not competent for that job. Further down there is severe condemnation, which means that the person being given this punishment will be barred from promotion in the next five years. Below that there is condemnation, which means that the person concerned will be barred from promotion for three years. So, for those people who are still working in government departments, there are certainly options of punishment for them. Yet, I agree that this must be done through a fair process. But of course, it is impossible for the entire process to drag on for 10 years.

Finally, regarding those people who have resigned or those who are not civil servants, such as Rosanna WONG, Dominic WONG, and so on, what can be done to them? Could their pension be slashed? I have made some enquiries and found that this is not possible, unless they have committed a criminal offence. Certainly, punishment can be imposed in the form of a fine. Since the Government had incurred financial losses in these incidents, imposing a fine can be an option. However, the Select Committee has not conducted investigations in this regard, for this is not within its terms of reference. Everyone is saying that the Government has suffered a loss of as much as \$1 billion. That said, I believe no one would suggest that they should be fined \$1 billion. Even though a fine is out of the question, there is still another way to impose punishment. What is it then? Condemnation. If the SAR Government can come forth to severely condemn a retired civil servant or a person who holds public office, which will smear their records, so to speak, will they stand any chance of appointment to other public offices in future? However, Mr LEUNG Yiu-chung made a good point earlier. Although we passed a motion of no confidence in Rosanna WONG, TUNG Chee-hwa immediately slapped the Legislative Council in the face, as if saying that since you do not wish her to be the Chairman of HA, I will make her the Chairman of the Education Commission. We will always remember that someone has insulted the legislature this way.

Having said that, however, I think there are still things that we can do, and I trust Secretary Michael SUEN would respond to the Legislative Council later.

I so submit.

MR MICHAEL MAK (in Cantonese): Madam President, I was also a member of the Select Committee. Pneumonia wreaked havoc on Guangzhou these days, but some unscrupulous businessmen took the opportunity to reap exorbitant profits. Unfortunately, the Government and many officials have suffered from another disease that can be called "osteoporosis" in respect of public housing problems and their symptom was responsibility shirking. In the short pile incidents, the officials concerned suffered serious "osteoporosis". The disease had very serious implications for not only human beings would be infected, certain damages would also be done to the system to a certain extent. The officials shirked responsibilities together after the short pile incidents and declined to bear responsibilities. The Chief Executive kept defending those parties concerned without imposing suitable punishment on them. Such an attitude of shirking responsibilities regardless of people's queries and scolding is unbearable indeed. Madam President, the short pile incidents are serious and we definitely have to condemn the high-ranking and powerful Directorate grade officers for mismanagement. Actually, it has been stated in the Report that many management staff should similarly be held accountable. Thus, I support Mr Albert HO and I think that the First Report of the Select Committee of this Council on Building Problems of Public Housing Units should be endorsed, requesting the Government to impose punishment on those officials who should be held accountable for the incidents. I also support in principle the original amendment of Mr Frederick FUNG, condemning the persons concerned.

The four incidents revealed the improper policies and mismanagement of the authorities concerned and their failure to review whether the mechanism at that time was suitable. For examples, the approval procedure was problematic but the vetting procedure was yet undermined, the failure to propose a production target appropriate to the times, and the failure to prudently assess the adverse effects of the enormous pressure on the public housing construction system at the bunching of production. During the bunching of production, the senior staff of the HD delegated their duties to staff at a lower level but failed to prudently assess whether the latter could competently perform the assigned

duties, and they also failed to suitably take the expertise and experience of the staff concerned into account. The HA failed to fully perform its role in monitoring public housing construction and the senior staff of the HD was indifferent to the subcontracting of works. All these examples were set out in the Report of the Select Committee and highlighted the work style of the relevant departments, that is, the failure to keep abreast of the times and sticking to the old rut. I urge the Government to look squarely at the recommendations in the Report, suit the medicine to the illness and expeditiously carry out the relevant reforms to redefine the duties of the Housing Bureau, the HA and the HD in respect of policy formulation and implementation, and allow adequate public participation in the formulation and implementation of the public housing programme.

It seems that the series of policy blunders and mismanagement were attributable to human factors and the persons concerned could hardly be absolved of their responsibilities. It was stated clearly in paragraph 9.9 of the Report that many management personnel had to be held accountable for the incidents. How many people mentioned in the Report have actually borne responsibilities for the incidents? A reporter has recently interviewed Mr John MILLER, the Permanent Secretary for Financial Services and the Treasury, about whether the incidents had affected his career and if the motion on a vote of no confidence in him moved in this Council the year before last had put a blot on his public office. He replied that "if so, I would not have been promoted" and "it was a blot on the construction sector". Mr John MILLER played a very good trick of pushing the boat along with the current and shirked the responsibilities onto the construction sector. His "osteoporosis" was apparently beyond cure. Yet, it was a pity that the Government could not suit the medicine to the illness of the persons concerned and their conditions have conversely worsened because the Government has failed to give rewards and punishments fair and square.

The incidents not only wasted money and manpower. Firstly, merely the two scandals in connection with Tin Chung Court and Yu Chui Court have made the HA incur a loss of more than \$900 million of public money, which was absolutely a waste of taxpayers' money. Secondly, housing construction is very important and involves people's money, lives and property, so I really do not understand why the officials concerned could be so reckless and simply regarded people as nothing and looked upon them like dirt. It has also tarnished the reputation of housing construction sector that Hong Kong has always been proud of and shaken the confidence of Hong Kong people and foreigners in the quality

of HOS housing. The results of the three surveys conducted from January to March 2000 by the Hong Kong Policy Research Institute Limited on the effects of the short pile problem showed that most interviewees considered that the short pile problem had affected their confidence in the quality of HOS housing. After the outbreak of these serious incidents, the officials concerned and the management should have taken the blame and resigned long ago. Nevertheless, they still hold high positions, remain powerful and enjoy high pay and generous remuneration, which is disappointing and such a pity. I hope the persons concerned would take the initiative to take the blame and resign in good conscience to account for their actions to the people of Hong Kong.

Madam President, for a government to win the people's support, it must be efficient and people-oriented, be impartial and give rewards and punishments fairly. In a democratic society, the Government and officials have to be accountable to the public and incompetent leaders should take the blame and resign. Yet, many people can still stay clear of all accusations after the series of short pile scandals, and they can still be promoted, make more money and climb up the bureaucracy ladder. It inevitably makes people think that the Government harbours and condones subordinates who have made mistakes. How can the Government account to the public? How can it educate the younger generation? Therefore, I hope that the Government will stop before it is too late, resolutely impose suitable punishment on the officials concerned and do justice to the public. It should also clear the name of the democratic society and refrain from being a government which is not accountable.

Lastly, I wish to cite an example to sum up my speech. ZHUGE Liang, a famous official in ancient China, remonstrated with King LIU Chan in the article "Memorial to the Throne about the Dispatch of an Army (出師表)" that the King had to "listen to other opinions", "respect people of virtue and listen to remonstrations", "be impartial and be unbiased" and "give rewards and punishments fairly". It was a pity that good advice jarred on the ears and LIU Chan did not listen to the remonstrations of his loyal official, and consequently, the country was gloomily subjugated. I hope that the Government of the Hong Kong Special Administrative Region (SAR) will take warning from this example and avoid following the footsteps of LIU Chan to destroy overnight the foundation of Hong Kong laid over a century. To become an accountable government that gives rewards and punishments fairly, it should boldly and promptly impose suitable punishment on the officials concerned who have

neglected their duties in the short pile incidents so as to ensure a correct understanding of the facts and that people will no longer be disappointed.

Madam President, lastly, I think that the sprouting, deterioration and exposure of the whole problem was caused by the administrative structure, management culture, professionalism, accountability system and even criminal acts. I hope the SAR Government will take warning from these incidents. I also wish to pay my respects to Ms Miriam LAU, Chairman of the Select Committee, and the Legislative Council Secretariat for their hard work. Thank you, Madam President.

MR CHAN KAM-LAM (in Cantonese): Madam President, the short pile problems of public housing units are very complicated and there are immediate and remote causes. The former government began to implement a high land price policy since the '80s and its policy was intensified in the '90s to make property development a pillar of our economy. On the one hand, it vigorously pushed up land and property prices, and on the other, it kept building public housing units to meet the huge housing demand because the grassroots could not afford high property prices and rents. Hong Kong used to be one of the cities in the world with the highest land prices and rents and the Government had flaunted on this basis that the level of our economic development had made us one of the front runners in the international arena. However, this phenomenon of false prosperity lasted only a short while and failed to pass the test of time after all. Even if there were no financial turmoil in 1997, the property market would also have been subject to cyclical adjustments. Was it a healthy phenomenon if the general public had to spend more than half of their income on mortgage repayments? How long could that last? Actually, everybody was trusting to luck and they not only thought that flats could hedge against inflation but also that they could profit from the considerable price differences when they sold the flats. Indeed, the property prices rose by 20% to 25% annually within seven years before the reunification. Even people who did not intend to buy flats would queue up to do so because they could get generous incomes from selling the chips. The public basically did not want to see such a phenomenon and there were many criticisms of the high-price policies of the Government. The financial turmoil in 1997 that broke out of a sudden only expedited up the adjustments of the property market and the people stopped trusting to luck and no longer thought that they could get rich through home purchase.

Meanwhile, the living environment of low-income families was worsening and the demand for housing gradually increased. Before the reunification in 1997, the number of households on the Waiting List exceeded 156 000 on average. The number of waiting households in the year 1992-93 reached the historical peak of 176 000. Under the pressure of such a high demand, public housing production took on a rising trend. During the seven years before the reunification in 1997, the number of public housing units completed annually was 37 000 on average. As a result of the 1995-96 planning, 89 000 public housing units had to be completed in 2000-01, which also broke the record. We could imagine that the production had to be increased by several times within a short period. Under such heavy pressure, the assurance of quality and quantity is questionable. Although the four public housing scandals created a furore, I believe it was only the tip of an iceberg.

The Select Committee on Building Problems of Public Housing Units, after two years of industry and pragmatic work, has uncovered the truth of several public housing short pile scandals in recent years. It has also made recommendations on improvement to the loopholes in supervision of construction projects. But it seems that bad elements are found everywhere in the industry for despite somebody was sentenced after the short pile scandals, deterrent effects have not been achieved. Recently, an incident of suspected tampering with the report on the piles of the Nam Cheong Station of the West Rail has aroused a public outcry once again. I hope that the Report of the Select Committee can give the industry a clear message that they have to spare no effort to uphold the inherent good reputation of our construction industry and we need a thorough reform of the construction industry.

Although the duty of the Select Committee is to find out the truth, the Democratic Alliance for Betterment of Hong Kong (DAB) thinks that it is more important to look forward.

After the series of short pile incidents, the HA officially introduced 50 quality home measures in April 2000 and the Report of the Construction Industry Review Committee later set out 109 measures in the hope of achieving the target through a reform. At present, more than 90% of the measures under the HA's quality home scheme have been completed but the 50 reform measures were targeted at the problems found at that time. We cannot refer to Confucian classics under every circumstance and I think that, at this stage, in addition to

sparing no effort in achieving the target, we should review the existing measures from time to time to see whether there is still room for improvement in order to suit the measure to the times.

In my opinion, several recommendations made in the Report of the Construction Industry Review Committee merit extensive application. For instance, reducing the levels of subcontracting for effective monitoring of the quality and progress of works.

I think the requirement for construction workers to pass a licensing test and for contractors to employ a certain proportion of licensed workers is obviously helpful to assuring and upgrading the quality of housing production.

Madam President, the construction industry is now at a low tide and it is the best time for reform. Since most workers have learnt their skills from their masters, the skills they have grasped may not necessarily be comprehensive. I agree that every employee should have the concept of continuing education, and an employee in the construction industry is no exception. Encouraging a skilled worker to pursue continuing education can further improve his personal skills. Construction techniques and the application of technologies are changing with each passing day, so I believe quality can be effectively assured if regular studies are promoted in the industry for the employees to have a grasp of technical management and the latest technological application in the industry.

As stated in the Report of the Select Committee, the outbreak of the short pile incidents was related to the setting of an unrealistic production target. The enormous workload and manpower shortage resulted in rough and slipshod production, shoddy work and the use of inferior materials. The Government and the industry should earnestly learn a lesson from the construction industry scandals in recent years and drastically change the unhealthy culture and bad practices in the construction industry so as to restore people's confidence in the construction industry.

The findings of the inquiry also indicated that some members of the Civil Service have failed to faithfully perform their duties and muddled along in their service to the public. I think the Civil Service Bureau should work out a strict mechanism to review cases of poor or unsatisfactory performance and suitably handle them.

Civil servants used to enjoy ironclad job security and those who performed unsatisfactorily could still hold their posts with perfect composure. Under the existing mechanism, only those civil servants who have obviously been excessively sloppy and performed unsatisfactorily can be ordered to retire under the Public Service (Administration) Order, but it is not easy to prove their incompetence. Moreover, it often takes years to activate this mechanism of forced retirement and only 11 civil servants were successfully ordered to retire over the past two years. The fact that it took more than a year to handle some of these cases shows that the existing mechanism is unsatisfactory.

There was speculation in the community earlier on that it was not easy indeed to transfer a civil servant with a bad appraisal report to another department because the head of the relevant department would not accept him. This thus creates an irony in that the supervisors of floppy and lazy staff with poor performance could only be given postings to other departments if they put down fairly good comments in their appraisal reports.

We think that the existing appraisal system is not strict and it fails to give rewards and punishments fairly, and it has distorted the promotion and rating system of civil servants. It is also extremely unfair to civil servants who have good performance if those who have good performance have to stay while those who have poor performance will be promoted. It will only increase the workload of the colleagues of those mediocre officers who are not eager to make progress, and will undoubtedly waste taxpayers' money. In my opinion, we should be hard-hearted towards these officers, and after adequate channels for appeal have been established, we can remove such extravasated blood in the shortest time and in the simplest manner. The DAB thinks that the Government should be determined to deal with these black sheep in the Civil Service, and it will have the support of the public and also the Civil Service.

In fact, the problems in the construction industry are not only found in public housing, and they may also be found in private buildings and all public works projects. One of the factors in the four incidents involved the staff of the contractors who made reckless moves and committed serious offences for personal gains, taking advantage of the intricate process and management loopholes of construction projects. Their acts should be strongly condemned and punished, and we should absolutely not condone them.

Madam President, the DAB objects to Mr Frederick FUNG's amendment. The amendment is actually unnecessary for the establishment of the Select Committee was endorsed by the whole Council and its conclusion was drawn after an in-depth investigation fully compatible with the terms of reference conferred by this Council, which should no doubt be supported by Legislative Council Members. Nevertheless, Mr FUNG's amendment has pointed the spearhead at Mr Dominic WONG, the former Secretary for Housing, and Mr John MILLER, the former Director of Housing, which has obviously run counter to the conclusion of the Select Committee.

With these remarks, I support the motion.

MR IP KWOK-HIM (in Cantonese): Madam President, in the first meeting held in February by this Council two years ago, a motion was passed by this Council to set up the Select Committee on Building Problems of Public Housing Units in the hope of conducting overhaul of the overall policies and system of public housing to upgrade the quality of public housing. We see that the Government was not oblivious of this over the past two years. Even before the publication of the Report, 50 recommendations were made by the HA to upgrade the quality of housing production. Last year, the "Report on the Review of the Institutional Framework for Public Housing" was published. Members of the public may find the topic under discussion today obsolete, probably because it has taken two years to draw the conclusion. In my opinion, it remains our key areas of work to continue launching and implementing the reform and to ensure the quality of production, even though the construction industry is still in the doldrums. Moreover, I hope a Construction Industry Council can be set up expeditiously to lead the industry. The lessons we have learned must not be forgotten.

The emergence of the four incidents was closely associated with the housing production target. Between 1994 and 1999, the HA's annual housing production was 30 000 units on average. In 2000-01, however, the production jumped three-fold, with the annual production reaching 90 000 units. Let me make a comparison. Even a full-time primary student will complain to his teacher that he is unable to cope if the number of assignments he has to do every evening rises from three to nine. However, could officials responsible for housing policies say no at that time? I believe the following figures may help Honourable Members recall what actually happened at that time. Into the first

day of the '90s, more than 150 000 households were on the Waiting List. Seven years later, 150 000 households were still waiting in line. However, the waiting period was shortened from nine years to six.

With so many people waiting to be rehoused and such a long waiting period, the first and foremost task of the incumbent decision-maker of housing policies was to get rid of the queue and shorten the waiting time. May I ask Honourable colleagues who are seated here this question: Imagine you were the decision-maker of housing policies, would you let slip the golden opportunity given to you by the top government hierarchy to make your own decision on building a large number of units to shorten the waiting period? Would you say that you were incapable of building so many buildings? I believe the HD knew it very well at that time that its manpower was unable to cope and it had therefore decided to outsource some of its work, and this eventually went into problems. Analysing the issue in an objective manner today, we can see that the problems really stemmed from the unrealistic production target set at that time.

Apart from massive production, some unscrupulous members of the industry even committed crimes at the expense of human lives and this has a direct bearing on the occurrence of the incidents. The unfortunate fact that two blocks were eventually demolished became an insult to the construction history of the territory, and we are reminded all the time that we must not allow the recurrence of such despicable acts. The surfacing of scandals one after another has prompted the HA to launch 50 reform initiatives in the hope to put things right. However, we cannot rely on "empty talk" to maintain the quality of the construction industry. It is most important for the industry to spontaneously foster a concept of quality culture. Today, operators of the retail industry always remind themselves that "we must improve our attitude in providing service". I think this is equally applicable to the construction industry. As a motto for employees of the construction industry, let me rephrase it to "we must improve the quality in housing construction".

With over one third of the population living in public housing, the HA has been a major developer in Hong Kong. In the past, the HA was able to motivate the construction industry to carry out reforms. In the long run, however, the HA may not be the perfect candidate. The thorough implementation of the reform is crucial to its success. There are two areas we must deal with in order to enhance monitoring, to really send in the policemen to

catch the thieves, rather than taking remedial actions after the thieves have escaped.

First, we must deal with the role of the Government in the real estate market. As one of the biggest employers in the industry in the past, the Government was able to directly motivate the entire industry to reform in accordance with the concept of the HA by way of its tendering procedures and the contents of contracts. However, in a statement issued by the Government on 13 November 2002, it was made clear that the Government's role in the real estate market would fade out and the production of HOS flats for sale would cease. This implies that the Government's influence will drop sharply and the conceived Construction Industry Council might instead be given the responsibility of spearheading the reform. The Construction Industry Council was first mooted two years ago in the Construction Industry Board Report published in January 2001. As the construction industry is not required to rush production at present, I very much hope the Government can take this opportunity to play an active role in giving impetus to the birth of a statutory organ to promote the reform and thereby inject a new culture into the industry.

The second area is related to the handling of the entire issue of reforming the HA. According to the "Report on the Review of the Institutional Framework for Public Housing" published in June 2002, the Government intends to turn the HA from an organ with solid powers in deciding housing policies into an advisory organ. It is believed the role of the Building Committee of the HA will also change drastically.

The Building Committee of the HA was criticized for its failure to do its job competently when the quality of public housing was found to be problematic. I can hardly share this view. In talking about this issue, I must declare an interest. I am a member of the Building Committee of the HA. I was also a member of the Building Committee when the incidents occurred. Therefore, I must declare my interest here.

The Building Committee has always comprised professionals from different sectors, with nearly 70% of its members being directly related to the construction industry in terms of their profession. Insofar as its functions are concerned, the Building Committee is responsible for vetting development plans, budget and award of contracts for various projects. In my opinion, it functions like a non-salaried non-executive director, who is responsible for monitoring the

operation of the company, safeguarding the interests of small shareholders, that is to say, safeguarding the interests of the general public. In examining and vetting documents, members of the Building Committee will also apply their expertise to monitor the operation of the HA and the HD, and make decisions in public interest.

The occurrence of the four incidents has made the Building Committee one of the targets of flak. However, we can try to analyse this series of living drama in a rational manner and we will find the crux of the problems: These non-salaried professionals were suddenly criticized by outsiders that they had failed to "physically" participate in the corporate operation, as if they had refused to alert the forces on seeing the enemies approaching. However, such criticism appears to be illogical. Unless members of the community have reached a consensus to change the rules of the game governing public office at the moment so that all members of the Building Committee will be salaried in future, it will be impossible for public officers to answer the aspirations of certain people for them.

In my opinion, the time is right to give different advisory committees a clear positioning to prevent some designated persons from having ill feelings or worry about taking on public offices.

The series of incidents have made the public lose their confidence in public housing and brought members of the construction industry into disrepute. The Report of the Select Committee has actually summarized the days when housing production went out of control. In future, policy-makers should not only refer to it, but also draw lessons from it to avoid the recurrence of the mistakes. This is indeed the first and foremost task that lies before us.

Madam President, I so submit.

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

(No Member responded)

PRESIDENT (in Cantonese): Ms Miriam LAU, you may now speak on the two amendments.

MS MIRIAM LAU (in Cantonese): Madam President, the amendment moved by Mr Frederick FUNG to the original motion has served to make this debate, which might otherwise be plain, more interesting. Yet I am very sorry that I cannot support his amendment. As Chairman of the Select Committee on Building Problems of Public Housing Units (the Select Committee), I am obliged to uphold the integrity of the Select Committee's report.

Mr FUNG has proposed to add ", and condemns Mr Dominic WONG Shing-wah and Mr John Anthony MILLER who respectively held the posts of Secretary for Housing and Director of Housing at the time of the three incidents relating to the public housing projects in Shatin Area 14B Phase 2, Tung Chung Area 30 Phase 3 and Shek Yam Estate Phase 2," after "That this Council endorses the First Report of the Select Committee on Building Problems of Public Housing Units" in the original motion. Mr FUNG's emphasis that the officials must be held accountable is exactly the conclusion drawn by the Select Committee, only that our conclusion insists the relevant officials be held accountable in a substantive rather than political manner. This conclusion is very important. Members must not forget that at the time when the incidents happened, all officials spoke along the same line that the front-line staff, rather than officials and the Government, should be held accountable. I believe members of the Select Committee will still remember that during the initial period of the hearings, it was repeatedly stressed by the relevant officials that there was nothing wrong with government officials and the institutions, and that the incidents were caused by the criminal acts of a handful of people. Obviously, the officials were reluctant to assume responsibility at that time.

After a number of hearings, the Select Committee finally drew a clear conclusion that the officials should be held accountable in a substantive manner. In paragraph 9.9 of the Report, it was pointed out that the Secretary for Housing had to be held accountable for his failure to ensure that the production target of the Government was realistic, that the Chairman of the HA be held accountable for her failure to give adequate regard to the capability and resources of its executive arm, and that the Director of Housing be held accountable for his failure to sufficiently deal with the increased risks brought by the bunching of production. Apart from paragraph 9.9, it was also pointed out in paragraph 9.12 that the Select Committee took the view that the Chairman of the HA and the Director of Housing had not done their utmost to fulfil their duties with their failure to ensure that the projects scrutinized by the Building Committee was effectively implemented. In paragraph 9.14, the Director of Housing was

criticized for his failure to put in place effective systems to ensure the quality of the construction works. He had to be held accountable simply because he could hardly be absolved of his responsibility. In paragraph 9.15, the Select Committee expressed regret at the Government's failure to make an early review of the necessity for bringing the HA units under the purview of the Buildings Ordinance. In paragraph 9.18, it was pointed out that the management of the HD, including the Director of Housing, should be held responsible for the ineffective staff management and poor deployment of human resources. In paragraph 9.19, we criticized that professional staff of the HD at both the senior and front-line levels could not be absolved of their responsibility because of their failure to identify effective methods for project management. We have identified and clearly set out the responsibility held by the HD and government officials and the reasons for their blunders. However, Mr Frederick FUNG considered this to be inadequate and proposed to condemn Mr Dominic WONG, former Secretary for Housing and Mr John Anthony MILLER, former Director of Housing. This proposal is obviously beyond the conclusions drawn by the Select Committee.

The Select Committee will raise no objection to any forms of punishment imposed by the Government, including condemnation, if it accepts our conclusions. I must, however, point out that our conclusions seek to identify clearly who should be held accountable, where the responsibility lies and what the blunders are. Should Mr Frederick FUNG care to read the Report carefully, he will find that separate criticisms or conclusions have been made with respect to other officials and relevant parties. Should he go through the Report, he will see that the Select Committee has expressed regret at the failure of professionals to effectively fulfil their duties, dereliction of duty on the part of certain contract managers and irresponsible behaviour of certain firms, and some subcontractors were condemned as well. We have indeed adopted different approaches to reflect the fact that the Select Committee has made its judgement and appropriate criticisms after digging out the truth.

I do respect Mr Frederick FUNG's right to express his personal opinion. However, I would like to point out that the decision by the Select Committee was not made in a hasty manner. The Select Committee has, in the light of a great deal of objective information and repeated studies, made criticisms of varying degrees or drawn different conclusions with respect to different officials and people. We have collected evidence in a very serious and meticulous manner. Throughout the inquiry, attention was paid to every minor detail, however trivial

it was. Pursuing our case with vigour, we would definitely not take any points lightly. We would not give up and move on to another point unless there was no more additional evidence. Let me cite the two government officials named by Mr Frederick FUNG as an example. Mr Dominic WONG and Mr John Anthony MILLER were invited to the hearings of the Select Committee twice and four times respectively. Moreover, we had spent a total of six hours and 12 hours collecting evidence from Mr WONG and Mr MILLER respectively. The role played by the Housing Bureau in setting production targets and supplying land and the responsibility it should hold with respect to the incidents were discussed in no less than 10 internal meetings held by the Select Committee. At the same time, the role played by the Director of Housing in formulating and producing public housing and the responsibility he should hold were discussed in no less than 15 internal meetings held by the Select Committee. It was unanimously agreed by all the 15 members of the Select Committee that the final conclusions and criticisms made by the Select Committee were appropriate.

Furthermore, I consider it inaccurate for Mr Frederick FUNG to criticize the Report for "being accommodating" and failing to name the officials for criticism. Anyone who has read the Report carefully will find that the Select Committee's criticisms are undoubtedly targeted at Dr Rosanna WONG, Mr John Anthony MILLER and Mr Dominic WONG. In paragraph 9.9, the Select Committee concludes: "the incumbents of the three posts during the relevant period should be held accountable." The entire Report is presented in such a way that all chapters, be they related to the organizational structure or the three incidents, are treated in the same manner and that is the persons involved, including their names, post titles and tenure, will first be introduced and then reference will be made to their post titles only when they are mentioned again.

In going through the report, Members may note that it is clearly pointed out in paragraph 2.10 that Dr Rosanna WONG was Chairman of the HA between July 1993 and September 2000. It was mentioned in paragraph 2.28 that Mr John Anthony MILLER was Director of Housing from July 1996 to June 2000, and in paragraph 2.36 that Mr Dominic WONG was Secretary for Housing between December 1994 and April 2002. We can also see from Chapters V, VI and VII that the Yuen Chau Kok Incident took place in 1998, whereas both the Shek Yam incident and the Tung Chung incident took place between 1998 and 1999. Since all these three incidents occurred when the three officials were holding office, it is perfectly clear and beyond any doubt that the ones being criticized are Mr John Anthony MILLER, Dr Rosanna WONG and Mr Dominic WONG.

Mr Frederick FUNG was undoubtedly being unfair to the Select Committee for hinting that the Select Committee was trying to "shield blunders". Throughout the entire process, there is no question of the Select Committee giving consideration to the need to "shield blunders" or "sing praises". The Select Committee has merely made its criticisms or drawn its conclusions on basis of the facts. If the evidence collected shows that we have to hold certain people accountable, or condemn or express regret at certain people, we will definitely act accordingly. With a pragmatic and fair attitude, the Select Committee will not politicize the issues or act emotionally. This is precisely where the credibility of the Select Committee lies.

On the question of punishment, as I pointed out in my main speech, the Select Committee was not authorized to advise on the imposition of punishment under the terms of reference of the resolution. By virtue of my past experience, I am convinced that follow-up actions will be taken by the Government or other organs with reference to the Select Committee's report. The report compiled by the select committee appointed to inquire into the new airport incident, for instance, contains comments on the responsibilities of the individual officials involved in the incident and the Airport Authority (AA). It is understood that the AA has, with reference to the report compiled by the select committee and in accordance with the advice of legal experts, imposed punishment on individual officials. The Government has given this Council an account of the incident too.

Therefore, I believe the issue will, as usual, not come to an end with the completion of the Report by the Select Committee or we will be deeply disappointed. I hope the Government can, after carefully studying the Report, take appropriate actions, including imposing appropriate punishment on officials who should be held accountable, and give this Council a full report. It is also for these reasons that Mr Albert HO has moved an amendment to Mr Frederick FUNG's amendment, with a view to appealing to the Government to impose appropriate punishment on those officials who should be held accountable for the incidents. This happens to be the implicit request hidden behind the entire Report and what we trust will happen. However, I disagree with Mr NG Leung-sing that it makes no difference whether or not the amendment is made for we all know it very well that there is such an implicit request. Ms Emily LAU urged me to respond to the criticisms made by Mr NG Leung-sing in relation to

whether Mr Albert HO's amendment will affect the credibility of the Select Committee. Being the Deputy Chairman of the Select Committee, Mr HO is merely trying to put in words an aspiration hidden behind the Report or what we all believe is going to happen. Thus there is no reason for me to object to it. I hope Members will give their support to this, something we all expect to happen very soon. Mr Albert HO's amendment has precisely answered the aspiration of the Select Committee. I also believe it is able to answer the aspirations of every Member, including Mr Frederick FUNG, and members of the community. I sincerely hope that Members can support Mr HO's amendment and vote against the amendment moved by Mr FUNG.

Madam President, I so submit.

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, a total of 21 Members have spoken on the Report of the Select Committee and tendered their views. I have listened carefully to all their views. And, before I give my reply, I would like to thank the 15 members of the Select Committee, in particular its Chairman, the Honourable Miriam LAU, for devoting valuable time and effort over the past two years to conduct hearings and investigations into the building problems uncovered in four public housing projects. The Select Committee's thorough and comprehensive observations, conclusions and recommendations will certainly benefit the Government, the Housing Authority (HA) as well as the whole construction industry.

The building quality problems uncovered in four public housing projects in 1999 compromised public confidence in public housing. We find this distressing and regrettable. Criminality in pursuit of personal gains at the expense of public safety lied at the heart of these incidents. Nonetheless, these incidents also reflected problems in the process of public housing production. These problems included lack of well co-ordinated construction planning, heavy workload of the HA's Building Committee, over-emphasis on tender prices, inadequate project supervision and deficiencies in manpower deployment. Coupled with a lack of independent audit, prevailing subcontracting practices and a lack of quality culture in the construction industry, these shortcomings in project management provided opportunities for foul play. The Select Committee pointed out these problems in the Report and made a number of concrete recommendations for improvement.

As a responsible government, we have taken remedial actions immediately after the incidents. In the light of these incidents, we implemented a number of long-term reform measures covering public housing, public works and even the whole construction industry so as to uplift built quality and prevent recurrence of such incidents. After the incidents, the Housing Department (HD) promptly conducted inspections on the foundations of all public housing projects under construction at the time in order to ensure their structural integrity. Regarding the sites at Tin Chung Court and Yuen Chau Kok, the HA demolished the two blocks on short piles at Yuen Chau Kok. Foundation strengthening works for the two blocks at Tin Chung Court will be completed in April as scheduled. The use of non-compliant materials discovered at Tung Chung and Shek Yam Estate was fully rectified prior to project completion. All the other public housing projects comply with stipulated standards and specifications.

As for long-term reforms, in the past three years we have implemented a series of measures in different areas with a view to enhancing the built quality of public housing comprehensively and effectively. These measures are generally in line with the recommendations made by the Select Committee. I would like to take today's opportunity to explain these measures in greater details and respond to the key issues raised in the Select Committee's Report and by Members.

First of all, I would like to respond to the issue of housing production target mentioned in the Select Committee's Report. Against the backdrop of soaring property prices in the '90s, coupled with a large number of applicants queuing for public housing at 160 000 and long waiting time of eight to nine years, the Government, in response to the expectations of the public and legislators, embarked on a programme to build more public housing to meet the then pressing needs of the community. Despite that the Government and the HA had taken steps to cope with the huge production anticipated for the late '90s, including outsourcing of work, streamlining of procedures and increasing manpower, the production peak had put immense pressure on the HD and even the whole construction industry. This had increased project risks and created opportunities for unscrupulous persons to take advantage of the situation. With the benefit of hindsight, there was room for improvement in these measures.

In fact, as I said in my statement in November last year, in future the housing policy will be based on the following three major principles:

First, the thrust of the Government's subsidized housing policy should be to assist low-income families which cannot afford private-sector accommodation.

Second, the production of private housing should be determined by market demand. The Government should minimize its intervention in the private property market.

Third, the Government should ensure adequate supply of land and provide supporting infrastructure so as to maintain a fair and stable operating environment for the healthy development of the private property market.

Based on these principles, we will closely monitor and regularly assess the demand for public rental housing in order to maintain the average waiting time at three years. Besides, the HD will formulate a year-on-year rolling public housing production programme having regard to changes in demand. As for private housing, we will ensure adequate land supply to meet anticipated demand. We will also assess regularly the overall long-term housing demand for better land supply planning and provision of supporting infrastructure. Moreover, we will seek to improve the monitoring mechanism and alert system for private housing production, and from time to time review and adjust land supply.

Let me now turn to institutional framework.

The Select Committee also pointed out that at the time of the incidents the organizational structure and delineation of responsibilities were unclear among different institutions responsible for the delivery of public housing programme. The Committee on Review of the Institutional Framework for Public Housing chaired by the Chief Secretary for Administration has come up with 20 recommendations to improve the institutional framework for public housing. Based on these recommendations, we have streamlined the institutional framework for public housing, with clear delineation of work and responsibilities to enhance accountability. The former Housing Bureau and the HD have been reorganized into a new HD tasked with integrated policy formulation and implementation functions.

I fully share Members' observations that it was unfair to expect non-official members of the HA and its Building Committee, who served on a part-time and voluntary basis, to carry out executive functions such as detailed tender

assessment, project design and financial budget. We are reviewing the roles and structure of the HA and its committees, and will consider the merit of transferring executive functions to the HD so as to enable the HA and its committees to focus on strategic issues and enhance the effectiveness in delivering the public housing programme. In driving our change programme, we will carefully plan the pace of reform and strengthen our communication with staff so as to make the reform a success. In this connection, I thank the Select Committee for its invaluable advice. We will pay attention to communication with the staff side, so as to make sure that the reform can be completed smoothly.

Regarding project supervision, I agree with the Select Committee and other Members that there was room for improvement in the supervision of the HA projects at the time of the incidents. Since 2000, we have strengthened site supervisory resources for all projects in terms of both staff number and expertise and have deployed resident engineers to all piling sites. We have also clarified the duties of all site staff to avoid excessive delegation of power and responsibilities. Besides, we have streamlined the inspection system and allowed more flexibility for project teams in their documentation work. We have reinforced the risk awareness among staff through training and strengthened monitoring to enable earlier identification of potential problems that may arise on site. We have also intensified the induction and refresher training for site staff and enhanced their professional skills to ensure that they possess adequate skills and experience to effectively monitor the work of contractors.

As regards public works, the Government has implemented various initiatives in the past two years to reinforce site supervision and the monitoring of contractors and consultants. These include new requirements in respect of integrity, the shortening of time for disciplinary action against non-performers, and the revision of eligibility criteria for retention on the approved lists. Through these regulatory measures, the construction industry will gradually develop a quality culture.

I well understand Members' concerns that strengthening the HD's project supervision alone may not be sufficient and third-party control should be introduced to ensure quality of public housing. To address this concern, in November 2000, we set up an Independent Checking Unit reporting directly to the Director of Housing to audit the design, safety and built quality of the HA

projects to parallel the Buildings Department's regulatory practices on private buildings. All projects audited by the Independent Checking Unit meet the technical standards and safety requirements of the Buildings Ordinance. As regards introduction of legislative amendments to bring the HA projects into the purview of the Buildings Ordinance, the proposal carries legal, administrative, staffing and resource implications, which require detailed examination by the parties concerned. A steering committee was set up in September 2002 to follow up the matter.

As regards procurement of construction contracts, the Select Committee and other Members consider that the practice of awarding contracts to the lowest bidders may not be the best procurement arrangement as there is no guarantee on quality. I fully agree with Members. The HA launched in April 2000 the "Quality Housing Reform" and one of the key reforms is the formulation of quality focused procurement strategy. The HA has been improving the contract procurement system. In selection of consultants, primary consideration is given to technical aspect under the enhanced two-envelop system. Only contractors with a good track record will be invited to tender. Since September 1999, a Preferential Tender Award System has been adopted for tender assessment to examine tenderers' performance and capability in a more systematic manner, together with the exclusion of exceptionally low bids. These initiatives have been well-received and supported by the industry since implementation. Since April 2000, six out of 35 building contracts awarded by the HA have not been awarded to the lowest bidders. The HA will continue to improve, with a view to striking a balance between optimizing the use of public funds and assuring quality. It is also in line with the recommendations of the Select Committee.

Apart from the HA projects, the Government has reformed the procurement and tendering systems of other public works. As in the case of the HA projects, the tendering system for public works aims to achieve cost-effectiveness and maintaining open and fair competition instead of simply accepting the lowest bids. In order to further increase the weighting of quality and past performance of contractors in assessing tenders for public works, a scoring system has been adopted across the board since last November. For the management of public works consultants, we have also introduced a number of initiatives, including the incorporation of past performance in the selection criteria and the enhancement on performance assessment with a more objective assessment report. With a view to enhancing transparency of assessment and

fostering a culture of continuous improvement in the construction industry, the Government has also implemented new procedures for providing a complete set of performance assessment report to consultants and contractors of public works, as well as explaining to unsuccessful tenderers why they are not selected.

Besides the above problems, prevailing malpractices of the construction industry also contributed to the substandard construction in public and private housing in recent years. Fostering a quality culture in the construction industry is thus the focus of our reform. The Construction Industry Review Committee chaired by Mr Henry TANG has made 109 recommendations in order to eradicate malpractices of the industry, to enhance the sense of belonging among construction workers and to promote a quality culture. The reform is now in progress with concerted efforts of the Government and the industry. In September 2001, the Provisional Construction Industry Co-ordination Board was set up with members from major stakeholders of the industry. Before the establishment of a statutory industry co-ordinating body, the Board will play a pioneering role in the implementation of the reform programmes championed by the Construction Industry Review Committee. With close co-operation between the Government and the Board, notable progress has been achieved on some 80 reform initiatives, covering major areas such as quality culture, contract procurement, manpower development, efficiency and productivity, site safety and environmental protection. The Government will continue its concerted efforts with the Board in promoting continuous improvement in the industry so as to uplift local built quality to achieve the highest international standards.

As I have said earlier on, these reform measures are in line with the recommendations of the Select Committee. We will consider the Select Committee's recommendations in detail for possible enhancements of our ongoing reform measures. We will also carefully consider how to follow up the other recommendations and views put forward by the Select Committee and other Members who have spoken so as to refine the system for the planning and production of public housing.

Madam President, I would like to respond to the issue of civil servants' responsibilities in the incidents. Similar to the public, the Government attaches much importance to civil service discipline and has high expectations towards the performance of civil servants. We will not tolerate negligence or malpractices

of civil servants when they discharge their duties. On the other hand, we must handle each disciplinary case in a fair and impartial manner. Immediately after the incidents, we appointed an independent panel led by Mr Stephen SELBY to look into the responsibilities of individual civil servants comprehensively and objectively. Having considered relevant evidence, we have initiated disciplinary actions against the civil servants who had been negligent in carrying out their duties in accordance with the established civil service disciplinary mechanism. We are liaising closely with the Civil Service Bureau to ensure prompt completion of all outstanding cases.

The Select Committee's report under discussion today pointed out that the causes of the public housing quality incidents are complex and accepted that criminality did play a significant part. In fact, staff members of contractors or consultants who committed fraudulent acts have been prosecuted. Up to now seven of them had been convicted, with punishment up to 12 years of imprisonment. We have also taken list disciplinary actions against contractors and consultants who had failed to discharge their contractual responsibilities. Punitive measures include warning, suspension from tendering for the HA projects and delisting.

The Select Committee has arrived at conclusions on the responsibilities of individual civil servants. The amendment proposed by the Honourable Frederick FUNG seeking to condemn and discipline individual civil servants is inconsistent with the Select Committees' conclusions and recommendations. I would like to emphasize that civil service disciplinary proceedings must follow established principles and be carried out in a fair and impartial manner. The rights of the individuals must also be protected. Public debate on whether an individual officer should be subject to civil service disciplinary action is contrary to the principles of natural justice and equity. I therefore earnestly urge Members to reject the amendment of Mr Frederick FUNG.

As regards the amendment put forward by the Honourable Albert HO, I agree that disciplinary actions should be taken against staff members who were negligent in their duties. I assure Members that the Government will carefully examine all the information and evidence provided in the Select Committee's Report, and consider all the cases in a fair manner in accordance with established civil service disciplinary arrangements.

Madam President, since the occurrence of building problems in the four public housing projects more than three years ago, the Government has conducted a thorough review in accordance with the findings and recommendations of various independent investigations. In the light of experience and lessons from these incidents, we have implemented a series of reform measures to prevent their recurrence. In fact, notwithstanding these unfortunate incidents, the Government's efforts in the provision of public housing in the past years has improved the living environment of many needy families. We have substantially reduced the waiting time for public rental housing from nine years in the early '90s to less than three years at present. The number of applicants on the Waiting List has also reduced significantly, and the average living space of public housing tenants has also increased. We will build on these achievements, and will work in close partnership with the construction industry to strive for continuous improvements to ensure quality housing for the Hong Kong populace.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the amendment, moved by Mr Albert HO to Mr Frederick FUNG's amendment, 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)

Ms Emily LAU rose to claim a division.

PRESIDENT (in Cantonese): Ms Emily LAU has claimed a division. The division bell will ring for three minutes.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr Kenneth TING, Dr Raymond HO, Mr Eric LI, Miss Margaret NG, Mrs Selina CHOW, Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mr Bernard CHAN, Mrs Sophie LEUNG, Mr SIN Chung-kai, Dr Philip WONG, Mr WONG Yung-kan, Mr Howard YOUNG, Ms Miriam LAU, Mr Timothy FOK, Dr LAW Chi-kwong, Mr Abraham SHEK, Ms LI Fung-ying, Mr Henry WU, Mr Tommy CHEUNG, Mr Michael MAK, Dr LO Wing-lok, Mr IP Kwok-him and Mr LAU Ping-cheung voted for the amendment.

Geographical Constituencies and Election Committee:

Ms Cyd HO, Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr Andrew WONG, Mr Jasper TSANG, Mr LAU Kong-wah, Miss CHOY So-yuk, Mr Andrew CHENG, Mr SZETO Wah and Ms Audrey EU voted for the amendment.

Ms Emily LAU, Mr Frederick FUNG, Dr David CHU, Mr NG Leung-sing and Mr Ambrose LAU voted against the amendment.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 24 were present and 24 were in favour of the amendment; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 20 were present, 14 were in favour of the amendment and five against it. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was carried.

PRESIDENT (in Cantonese): I now put the question to you and that is: That Mr Frederick FUNG's amendment, as amended by Mr Albert HO, to Ms Miriam LAU's motion, 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)

Mr Frederick FUNG rose to claim a division.

PRESIDENT (in Cantonese): Mr Frederick FUNG has claimed a division. The division bell will ring for three minutes.

DR LO WING-LOK (in Cantonese): Madam President, some colleagues are still discussing on what question we are supposed to vote now. Will the President please tell us on which question we are required to vote now?

PRESIDENT (in Cantonese): Dr LO, the question now put is: That Mr Frederick FUNG's amendment, as amended by Mr Albert HO, to Ms Miriam LAU's motion, be passed. It is the amendment, but as amended, which is put to vote.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr Kenneth TING, Dr Raymond HO, Mr Eric LI, Miss Margaret NG, Mrs Selina CHOW, Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mr Bernard CHAN, Mrs Sophie LEUNG, Mr SIN Chung-kai, Dr Philip WONG, Mr WONG Yung-kan, Mr Howard YOUNG, Ms Miriam LAU, Mr Timothy FOK, Dr LAW Chi-kwong, Mr Abraham SHEK, Ms LI Fung-ying, Mr Henry WU, Mr Tommy CHEUNG, Mr Michael MAK, Dr LO Wing-lok, Mr IP Kwok-him and Mr LAU Ping-cheung voted for the amendment as amended.

Geographical Constituencies and Election Committee:

Ms Cyd HO, Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr Andrew WONG, Mr Jasper TSANG, Dr YEUNG Sum, Ms Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr SZETO Wah, Mr Frederick FUNG, Ms Audrey EU, Dr David CHU and Mr Ambrose LAU voted for the amendment as amended.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 24 were present and 24 were in favour of the amendment as amended; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 19 were present and 18 were in favour of the amendment as amended. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment as amended was carried.

PRESIDENT (in Cantonese): I now call upon Ms Miriam LAU to give her reply.

MS MIRIAM LAU (in Cantonese): Madam President, some colleagues have urged me to hurry up and I also understand that this debate has lasted five hours. Therefore, my final conclusion will be very brief.

First of all, I would like to express my gratitude to the 20 Members who have spoken on the motion, today. I note that most colleagues support the contents and conclusions of the Report. Here I would like to thank them once again. I would also like to read out the terms of reference of the Select Committee once again: A resolution passed by this Council to conduct an inquiry into the four incidents with respect to the building problems of public housing units and to actively identify recommendations to radically reform the overall policies and system of public housing. I am aware that we are required to make an inquiry into four incidents, though only three of them are mentioned in the Report. Insofar as these three incidents are concerned, the Select Committee trusts that it has done its utmost to achieve the best result. I hope we have not disappointed this Council. Nevertheless, one incident related to Tin Chung Court is still pending because it has encountered two problems. First, collection of new evidence is required because of the emergence of new evidence late last year. Second, the incident has encountered a relatively complicated problem because some people involved in the incident are also involved in a criminal case pending trial in the middle of this year, and the trial will probably end some time later. As a result, a report can be compiled only after the trial is completed.

I note that both Ms Emily LAU and Mr IP Kwok-him, though support our Report, have criticized that the Report has probably become obsolete because of its late publication and the enormous time spent. Concerning the criticisms from these two colleagues, I am prepared to take the sole responsibility. However, I would also like to take this opportunity to explain why it has taken the Select Committee so long to accomplish its task.

First, I would like to point out that, as stated in the resolution referred to by me a moment ago, we are required to investigate four incidents. I remember it has taken the select committee headed by Mrs Selina CHOW to investigate the new airport incident seven months to investigate this single incident. Not only were we required to investigate four incidents, we were also required to actively identify recommendations to radically reform the overall policies and system of public housing. It is evident that the workload is extremely heavy. I believe the number of documents and witnesses involved in the hearings of the Select Committee is unprecedented. Moreover, the Select Committee is required to be much more cautious than any other select committees. Faced with a demand of such a high standard, we had to spend more time.

Actually, I once considered and discussed with my colleagues the possibility of holding one more meeting on top of the two half-day meetings held each week, that is, holding three meetings weekly. In the course of exploring this matter, my suggestion of holding one more meeting was rejected by colleagues. More importantly, the Secretariat would probably find it hard to bear such an enormous work pressure. It is because verbatim transcripts were required for all hearings. In each hearing, we had to refer back to other hearings and the evidence provided by other witnesses. In the course of examining the same incident, if we were to determine the credibility of the evidence provided by a certain witness, we might have to refer to the evidence given by other witnesses as well. Therefore, it was essential for us to have the verbatim transcripts at hand. As each hearing lasted four hours, we could not possibly expect the Secretariat to be able to provide us with a complete verbatim transcript in two days. This was the difficulty encountered by us in actual operation.

Throughout the hearings, we had to maintain the transparency of the Select Committee to keep the public informed of the proceeding of meetings which were open to the public. More importantly, we had to ensure that the hearings could proceed in parallel with the ongoing civil and criminal proceedings at the same time. We have indeed walked for miles to ensure that our hearings would not in any way prejudice any civil or criminal proceedings being conducted. The Select Committee was thus faced with greater difficulties as a result of this. In the face of such hardship and pressure from various sources, we have unavoidably disappointed Members for having failed to finish this Report sooner. Of course, we are still unable to hand in all our assignments today. The fact that a report on Tin Chung Court is still pending (as mentioned by me earlier) might disappoint colleagues even more since the report can only be submitted to this Council by the end of this year at the earliest. I hope Honourable colleagues can appreciate the position because of the existence of various difficulties mentioned earlier.

The Select Committee's report has pointed out the problems with the Government and the HA in terms of public housing, organizational structure and system. A wide range of problems was also identified in tendering, work culture and procedures. I am very glad to see that the response given by the Secretary earlier is quite positive. He has indicated in his speech that he finds many of our conclusions acceptable. Moreover, he will actively examine what

methods can be adopted and follow up tasks pending completion. This is indeed inspiring and encouraging.

I would like to point out that the Select Committee has made a total of 13 recommendations. Perhaps some people will say that these recommendations have been raised before. Upon close observation, Members will find that several recommendations have never been mentioned in previous reports. One of such recommendations is to bring the construction of public housing by the HA under the purview of the Buildings Ordinance. Apart from criticizing the Government, we also find it regrettable that the Government has failed to review this issue expeditiously. It is now hoped that the Government can expeditiously and seriously examine the need to bring public housing under the purview of the Buildings Ordinance. In criticizing the system for the assessment of tenders, we also hope that improvements can be made as soon as possible. Furthermore, we hope the Government can expeditiously improve the organizational structure of the HD and review the need to notify the relevant professional institutions of cases of professional negligence of civil servants. I note that Mr Ambrose LAU has some reservations about this. I hope the Government can look into it or discuss the feasibility of this recommendation with the relevant staff.

All these new recommendations are made by the Select Committee after detailed consideration. I very much hope the Government can take these suggestions very seriously. To ensure that our precious efforts will not be wasted, we urge the Government to, after giving detailed consideration to the Report, take follow-up actions expeditiously and report to this Council the progress of the improvement measures taken, as well as reporting to us whether appropriate punishment has been imposed on the officials held to be responsible.

I would also like to sincerely thank the 14 members of the Select Committee. Over the past two years, members of the Select Committee have indeed spent a lot of time and energy, and labour and toil with their minds and bodies in pursuit of a common goal with a pragmatic attitude and, at the same time, without distinguishing themselves with the parties or factions to which they belong or involving themselves into political disputes, for the sole purpose of achieving our common goal of accomplishing our task, digging out the truth and making practicable recommendations to the Government. I have been deeply touched by this working attitude which is indeed very hard to come by. With respect to three of the four incidents, I also believe that, after what we have done

over the past two years or so, we have been able to fully accomplish the task assigned by this Council to us in the Select Committee.

Lastly, on behalf of the Select Committee, let me once again thank the witnesses who have assisted us in the hearings and everyone else, including the government departments and organs which have provided us with the information. I would also like to thank the Legislative Council Secretariat for providing us with enormous assistance to facilitate the smooth conduct of our work.

I hope Members can support the motion, as amended by Mr Albert HO, moved by me today. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Ms Miriam LAU, as amended by Mr Frederick FUNG and Mr Albert HO, be passed.

Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

MS MIRIAM LAU (in Cantonese): Madam President, I wish to seek elucidation. Is the motion being put to vote the one moved by me, as amended by Mr Frederick FUNG and then by Mr Albert HO?

PRESIDENT (in Cantonese): Yes, Ms LAU.

MS MIRIAM LAU (in Cantonese): Madam President, I am afraid I have omitted the part concerning Mr Albert HO's amendment.

PRESIDENT (in Cantonese): Ms LAU, neither you have left out anything nor I have done anything wrong. (*Laughter*)

Mr Albert HO has proposed an amendment to Mr Frederick FUNG's amendment. Although we have not put Mr Frederick FUNG's amendment to vote, the fact that his amendment is amended by Mr Albert HO means that your motion has been amended by two Members.

As the question is agreed by a majority respectively of each of the two groups of Members present, I declare the motion as amended passed.

PRESIDENT (in Cantonese): Second motion: policy on heritage preservation.

The mover of the motion will have up to 15 minutes for his speech including his reply. Other Members will each have up to seven minutes for their speeches. I now call upon Mr LAU Ping-cheung to move his motion.

POLICY ON HERITAGE PRESERVATION

MR LAU PING-CHEUNG (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed.

Madam President, although the property market has remained sluggish in recent years, some private development projects have still aroused some degree of attention in the community, for example, the Kom Tong Hall in the Mid-Levels, Central, the Nga Tsin Wai Village in Kowloon City and the Hoh Fuk Tong in Tuen Mun. Even government projects are no exception. For example, it is reported that the works conducted by the Water Supplies Department may have damaged the site of a World War II fort on Wong Nai Chung Gap Road. While we make efforts to develop tourism, we find that Hong Kong lacks

characteristics and scenic spots that can attract tourists. We also lack a sound policy on heritage preservation for the retention of cultural heritage of historical and conservation value to enable our posterity to know what Hong Kong people have experienced and their identity. It can also become a tourist asset.

Antiquities and monuments are currently protected by the Antiquities and Monuments Ordinance (Cap. 53 of the Laws of Hong Kong). Since the Ordinance came into effect in 1976, a total of 75 monuments and sites have been granted the status of monuments. From the figures alone, we can see that the coverage of the Ordinance is not enough for conserving buildings of historical value.

The reason is related to the definitions in the Ordinance. Under the Ordinance, the year 1800 is taken as the demarcation line for the definition of antiquities and monuments, so antiquities that appeared before then can be given the status of monuments and various government departments will co-operate in conserving them. However, antiquities that appeared after the year 1800 will not automatically be given the status of monuments.

The narrow definitions of antiquities and monuments in the Ordinance explain why only 75 monuments and sites have been given status of monuments since the Ordinance came into effect in 1976. In simpler terms, historical heritage related to the 1911 Revolution appeared around 1911 and all of them will not automatically be given the status of monuments.

Although the Secretary for Home Affairs is the authority for the preservation of monuments, he has limited power in this respect, in particular, he must seek the consent of the Chief Executive in Council when he proposes specifying a heritage as a monument. He then has to give the owner reasonable compensation, and this may come under the terms of reference of the Secretary for Financial Services and the Treasury or the Secretary for Housing, Planning and Lands. If the Secretary for Home Affairs does not have a policy of cultural heritage as backup, he can only file an application with the Executive Council on each occasion and negotiate each case with other Bureau Directors and Heads of Departments. Let us imagine this. He has to preserve the Kom Tong Hall in the Mid-Levels, Central today, retain the Hoh Fuk Tong in Tuen Mun tomorrow and stop the demolition of mansions such as the mansion of the Ho Tung Family on the Peak the day after tomorrow, and there are bound to be omissions.

Let us look at the neighbouring regions. Why can Macao do so? It is because Macao has designation of a conservation zones at the stage of town planning. In Hong Kong, residential areas, industrial areas and comprehensive development areas but not monument conservation areas have been designated. There is a monument conservation zone in Macao in which all redevelopment projects must be assessed by the Macao Antiquities Superintendent. Hong Kong today is not like Singapore or Macao because we have reached an advanced stage in urban development before them. It is really very difficult for Hong Kong to preserve monuments under the existing system of planning and land policy.

Madam President, the Ordinance evidently has inadequate coverage for all valuable historical buildings, which should not be demarcated purely on the basis of a certain year. As a statutory advisory body, the Antiquities Advisory Board conducted a territory-wide survey on buildings from 1995 to 1996 and it found that there were approximately 10 000 pre-war buildings in Hong Kong. The Board conducted a comprehensive assessment of these buildings according to five factors: first, the history since completion; second, whether historical figures had lived there; third, the relations between historical events and the buildings; fourth, the architectural features and fifth, the group value. The buildings were then classified into four grades: 117 buildings were grade one buildings of important value that should be preserved as far as possible; 190 buildings were grade two buildings of special value; 195 buildings were grade three buildings of certain value and the last grade did not require special preservation. In other words, there are at least 500-odd buildings of historical value in Hong Kong and not just 70-odd buildings that have been declared monuments. Some experts think that there are 500 to 1 000 additional buildings that merit preservation apart from the three grades of buildings mentioned above.

Since the grading of these buildings of historical value has comprehensively taken academic factors into account, including history, the arts and architecture, they have not been made public to avoid misunderstanding. The grading and assessment of buildings is a very sensitive matter and the situation is similar to that of slopes. For example, if a person or a family owns a building of historical value, once the Government declares it as a grade one building for preservation, the building cannot be redeveloped or developed, and a specified qualified contractor has to be appointed to carry out repairs works. If the Government does not make reasonable compensation, it will certainly affect the economic value of the building and even the repairs and maintenance of

the building to be carried out by the owner. Therefore, a comprehensive policy on heritage preservation to be made by the Government must include two factors, namely, grading and compensation.

The compensation mechanism is related to the scope of land economy. The compensation mechanism under the Antiquities and Monuments Ordinance is not as explicit as that under the Urban Renewal Authority Ordinance, which divides buildings into residential and commercial units according to usage, with respective compensation standards. On each occasion when the Government wishes to declare a building a monument, it has to publish a notice in the Gazette as required by the Ordinance. If the owners raise objection, the declaration may be delayed for months and even years. Finally, if the Chief Executive in Council decides to specify the relevant building as a monument, the owner can only petition the Court for compensation. Since there is no precedent, there can be no prediction how the Court will weigh the losses of the owner of the monument and determine the amount of compensation.

In fact, compensation made to the owners of monuments may not necessarily be pecuniary compensation, especially when the Government is financially tight now. Another alternative is to exchange land for land or transfer the plot ratio. Exchanging land for land is simple and easy to understand and the exchange can be completed so long as another piece of land of similar area is identified in the district. We can imagine that it is relatively easy to find a piece of land in the New Territories and there are more choices, but it is very difficult to find a suitable piece of land in the densely populated urban area. Thus, another alternative is the transfer of plot ratio, that is, the owner gives up ownership of the monument and transfer the floor area that can be developed to an in-situ site. The Jewish Synagogue in the Mid-Levels and the Tiger Balm Garden in Tai Hang are very good examples. Nevertheless, this alternative is subject to limitations for there must be a site for development of sufficient area near the monument before the transfer of plot ratio can be made. If the Government is willing to further relax the transfer of plot ratio and allow cross-site transfer of plot ratio between different places, I believe the owners of monuments will be more willing to give up the plans for redevelopment of monuments and the monuments will then be preserved.

Take the example of the Nga Tsin Wai Village being discussed as an example, as far as I understand it, the village already existed between the 12th

and 13th centuries, but we cannot say that all the things in the village are monuments or antiquities. For example, the entrance is an ancient building indeed but the Tin Hau Temple is a new building completed in the '70s. The Antiquity Advisory Board and the Antiquities and Monuments Office contacted the village in the early '90s, but the owners were not keen on preserving the village, conversely, they chose to sell the village to the developers. Some buildings are in a bad state of repairs with the passage of time and the Buildings Department has issued demolition orders. So, the village looks entirely different today and the Government has also publicly indicated that the preservation value of the village is not high. Even so, the parts that are true monuments still merit repairs and preservation and the Hong Kong Institute of Architects has written to the Secretary for Home Affairs a couple of days ago, suggesting that the Government should take positive measures to preserve the only building complex of a traditional village in the urban area. In my opinion, if the transfer of plot ratio can be properly used, we can reach a proposal under which a win-win situation can be attained for four parties. If only Government can allow the collective transfer of the plot ratio of the monument lots to be preserved and such common areas as passages to the developer of an in-situ site next to the village, and let the developer bear responsibilities for making new plans for development, compensation and rehousing of villagers and the restoration of monuments by means of surrender and regrant, the monuments can then be retained and a section of the history of Hong Kong preserved. While the villagers can get compensation and rehousing, the Government can generate revenues from the regrant premium, and the urban environment and appearance can also be improved and beautified. If some structures cannot be retained because they are dilapidated or because of other technical difficulties, there are sufficient incentives for the developer to rebuild some monuments to extend the connotation and history of the village.

Madam President, led by a land economy, if the Government of Hong Kong does not establish an open, transparent and reasonable compensation mechanism, I believe very few owners of monuments will be willing to give up their interests in the redevelopment of monuments and they will even be unwilling to carry out repairs to the monuments.

Each monument carries different value. Perhaps some famous historical figures used to live there or there are colourful paintings or carvings on the walls of the building or even a legend. It is quite expensive to carry out suitable

repairs to the monuments and a set of satisfactory guidelines for the restoration of the monuments have to be issued. Hong Kong lacks guidelines and standards for the restoration of monuments. For example, when the Government invited tenders for the former Marine Police Headquarters, it could only require the operators to respect the principles of the Venice Charter of Italy and the Burra Charter of Australia. Actually, the Mainland has the China Principle on Conservation for the preservation of heritage and monuments, but we have to work out a set of Guidelines of Good Practice to ensure that all restorations are up to standard. These guidelines can even further cover the future uses of the monuments after restoration.

The restored monuments should be reused to revive the original characteristics of the buildings. Compared to the neighbouring Macao or the Pearl River Delta (PRD), the ancestral halls in the New Territories are monuments and heritage that have been preserved in a better state. The comparison is drawn not only on the basis of the scale of the ancestral halls but also the boards and ancestral tablets in the ancestral halls and even the worships made by indigenous inhabitants according to traditional ceremonies. The scale of some ancestral halls in Macao or the PRD may be bigger than those in the walled villages in the New Territories, but the families represented by the ancestral halls are already scattered and the original ancestral tablets can no longer be found. Thus, insofar as heritage conservation is concerned, we are not merely referring to the hardware but also the traditional connotations and the value and beliefs that they represent. The restoration of the original appearance of antiquities and monuments and their reuse can highlight their value and make them attractive to foreign tourists.

Furthermore, we do not have policies or administrative guidelines to regulate the reuse of antiquities and monuments after restoration. As I have just said, it is relatively expensive to repair antiquities and monuments. If the Government grants leases only on the basis of the general commercial criterion that the operator has to bear sole responsibilities for profits and losses, the uses of these antiquities and monuments may be restricted to general commercial uses for high returns such as catering businesses or shopping malls. There will not be much problem if the antiquities and monuments are originally markets and shopping malls such as the Western Market but, in the case of the old Marine Police Headquarters, there are such original buildings as retaining walls, a stable and a time tower, and we will undermine the flavour and appeal of the antiquities

and monuments if we yield to commercial purposes. Madam President, I wish to say that the buildings are civil engineering structures that have to "breathe" and too much air-conditioning, humidity and light control is conversely not beneficial to the buildings.

Hence, the reuse of antiquities and monuments after restoration is an important topic. On the one hand, their purposes should be compatible with their former functions, and on the other, they should attract an adequate patronage to their operation viable. The administrative departments should choose suitable operators wisely. For instance, the Government has specified in the tenders for the old Marine Police Headquarters that a bidder would not get the franchise if it failed to score a good pass in experience in heritage preservation. The Government has also specified the term of operation at 50 years so that the operator can make investment and carry out restoration at ease. It has struck a balance between heritage conservation and commercial operation. The community can hold discussions and seek a consensus about the point of balance. In the process, the people can acquire a fuller understanding of the history of Hong Kong and cultivate a sense of belonging, as part of civic education.

Madam President, a comprehensive policy on heritage conservation involves the terms of reference of several Policy Bureaux. Besides the Home Affairs Bureau, there are the Housing, Planning and Lands Bureau, the Environment, Transport and Works Bureau, the Economic Development and Labour Bureau, the Education and Manpower Bureau and many other government departments. However, I think that it is valuable to increase tourist spots, develop the tourist features, generate direct economic benefits, promote local history and heritage, intensify people's understanding of the history of Hong Kong and cultivate civic awareness and a sense of belonging. Lastly, I wish to take this opportunity to thank some members of the Hong Kong Institute of Architects and the Antiquities and Monuments Board and several friends from the sector for presenting valuable views on this motion in their personal capacity. With these remarks, I beg to move.

Mr LAU Ping-cheung moved the following motion: (Translation)

"That this Council urges the Government to expeditiously formulate a comprehensive policy on heritage preservation so that heritage of historical value can be duly preserved; the policy should include:

- (a) protecting buildings of conservation value by bringing them into the ambit of the mechanism for declaration of monuments;
- (b) providing incentives or setting up a reasonable compensation mechanism to encourage owners of cultural heritage to carry out the necessary maintenance and repairs to the heritage; and
- (c) devising a comprehensive mechanism for promoting the preservation of monuments so that historical buildings can be reused upon restoration for purposes compatible with their former functions, so as to revive the original characteristics of the buildings."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr LAU Ping-cheung's motion be passed.

MISS CHOY SO-YUK (in Cantonese): Madam President, the Chateau de Versailles in Paris, the London Tower in Britain, the Acropolis in Athens in Greece and the Aya Sofya in Istanbul in Turkey have been assessed as world heritage by the United Nations because of their historical value and unique architecture, and they have also become hot tourist spots worldwide, generating enormous tourism and related proceeds every year for their countries, plus an intangible reputation. Besides having a long history, a common point of these famous buildings that cannot be neglected is their central position in the capitals or commercial hearts of the countries. Evidently, urban development is not in conflict with heritage preservation and they may even complement each other.

Let us take a look at Macao which is very near and just a stretch of water away from Hong Kong. Apart from the gambling industry, Macao has been keen on developing cultural activities in recent years with a view to promoting itself as a leisure and tourism centre in the region. One of its areas of effort is to actively preserve local heritage. The Macao Government also started reporting a few places with historical and cultural hues to the United Nations for specification as world cultural heritage, including the A-Ma Temple, the Municipal Council of Macao, the Ruins of St. Paul's Church and the Monte Fort, sites with which Hong Kong people are very familiar.

It is strange that Hong Kong has similarly indicated its emphasis on the tourism industry and it was specified in the Budget last year that tourism should be one of the high value-added economic activities for particular promotion. However, its attitude towards monuments and heritage differs from that of other places. With a lack of government promotion, our heritage has never been given due attention. The historical scenic spots and humanities scenery buried in the city bustles are just inessential fittings that may serve as a backdrop for the mainstream culture of entertainment and spending.

In this rapidly changing city where the Government strongly promotes urban renewal, people often weigh the merits and demerits of something on the basis of the extent to which it keeps abreast of the times. Therefore, buildings that are over 20 years of age are called "old buildings" and pre-war buildings are synonyms of buildings destined for demolition. Given the logic of the profound truth of development, no wonder buildings that have local architectural features and witnessed the changes of time such as the Repulse Bay Hotel, the old Hong Kong and Shanghai Banking Corporation Building, the Yau Ma Tei Cinema, the old Lee Theatre, the old General Post Office Building and the old Hong Kong Club have failed to escape the fate of demolition. Visitors to Hong Kong will look at towers of beautifully designed brand new buildings that lack historical connotations. I believe they can only visit the Museum of History if they wish to catch glimpses of the tracks of the development of Hong Kong and savour our past.

The Nga Tsin Wai Village in Kowloon City has recently been threatened by development. Despite the fact that various sectors have spared no effort in fighting, the Government still acted wilfully and indicated that it would give up the retention of the village. Thus, this only walled village in the urban area that has experienced four dynasties, that is quite complete and carries the characteristics of walled villages in China is on the verge of destruction. I absolutely cannot support such acts that brazenly do harm to the local history and I strongly demand the Government to preserve every artifact in the Nga Tsin Wai Village by all means, otherwise, we will do a disservice to our posterity.

Madam President, the Chief Executive stated as early as in his policy address 1999 the enhanced preservation of monuments and antiquities. On the surface, we do have the Antiquities and Monuments Ordinance to guard the pass

and co-ordinated efforts are made in different areas of preservation under the Environmental Impact Assessment Ordinance and the Urban Renewal Authority Ordinance. Yet, the Government still lacks an explicit policy to strike a reasonable balance between the interests of owners and the goal of heritage preservation to resolve the conflicts arising from the threats of development faced by historical heritage.

Given the lack of a policy complemented by financial incentives, whenever private monuments and heritage are threatened, the community almost repeats the same process of rescue that tires the people and drains the coffers. First of all, the Government and the owners must spend a lot of time and painstaking efforts on negotiations; at the same time, when the public learns about the incidents through public forums, they will inevitably launch a series of activities to fight for the preservation of heritage, giving rise to conflicts and antagonism. Luckily, the heritage can be preserved after wrestling, but it is a pity that historical heritages will more often than not disappear completely for they cannot stand the pressure of development. Nevertheless, the exhaustion and frittering away in the course of events are irretrievable.

Madam President, from a wider policy perspective, the above problems are not unique to the preservation of historical heritage. In the past, I proposed two motions in this Council respectively on conserving valuable and old trees and a conservation policy. In fact, the problems encountered are exactly the same and the relevant preservation work has become very difficult because the Government has taken so far failed to come up with a clear and effective set of policies, including making reasonable compensation to private land owners. As a result of this, lots that carry valuable and old trees and ecological conservation value are fast disappearing. Given a lack of criteria for weighing right and wrong, there have also been endless conflicts and disputes between the Government and the people.

To avoid turning Hong Kong into an international metropolis that merely looks prosperous but lacks environmental and historical substance, the Government of the Hong Kong Special Administrative Region must expeditiously give full answers to the above questions. I also hope that the relevant Secretary who has an eye for cultural heritage and culture can expeditiously formulate a package of policies so that we will not do a disservice to the younger generation.

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

MR MA FUNG-KWOK (in Cantonese): Madam President, in the past, the property market was prosperous, there was little land but a large population and land resources were very precious. However, due emphasis was not put on the preservation of heritage and monuments, so many cultural heritages had been neglected, substantially destroyed or demolished. Some privately owned old buildings that have luckily survived are in bad repairs over time and the situation is really worrying.

Since 1972, the United Nations Educational, Scientific and Cultural Organization (UNESCO) has promoted the Convention concerning the Protection of the World Cultural and Natural Heritage and a worldwide movement to protect natural and cultural heritage. Following its promotion, Hong Kong promulgated the Antiquities and Monuments Ordinance in 1976, but unfortunately it has not been quite effective because the whole framework for the protection of antiquities and monuments suffers from inherent deficiencies.

The second Consultation Paper published by the Culture and Heritage Commission has also pointed out that there are a lot of problems with the conservation of heritage and monuments. First of all, there are inadequate resources for promotion of the relevant work and the relevant government budget including the above-the-line expenditure of the Antiquities and Monuments Office and the capital fund for archaeological excavation and the repairs of historical buildings amounts to an annual total provision of around \$40 million only. So it is no doubt utterly inadequate relative to the challenges faced and seriously insufficient for the promotion of comprehensive and effective heritage conservation.

Restricted by its functions, the Antiquities and Monuments Office encounters a lot of difficulties in implementing the preservation and repairs of historical buildings and some of the rare historical buildings are not being protected. Since the responsible authority has limited powers, the Government can only lobby through the executive departments and encourage the owners of the relevant buildings to protect their buildings. The actual effects are very much restricted and we do not have a mechanism for compensation and replacement compensation, which has made even a single step in the protection of monuments very difficult.

To protect cultural heritage, sound laws and regulations must be complemented by other means of rewards and incentives such as the transfer of the rights to development, tax concessions, and so on. The Government really

needs to establish a standing mechanism for compensation so that the owners and enforcement departments can have some laws and regulations to abide by.

In terms of administrative arrangements, heritage conservation often involves considerations of land use and planning, and it is more desirable for the Housing, Planning and Lands Bureau to take charge of planning and land use matters while the Antiquities and Monuments Office focuses on the research, study, authentication and education work in respect of archaeological sites and historical buildings so as to enhance the efficiency of heritage conservation.

The Culture and Heritage Commission has also emphasized in the Consultation Paper that a stronger tie should be established between heritage conservation and town planning. The planning departments of the Government and the Urban Renewal Authority should give due consideration to cultural landscape in both the planning of new towns and the redevelopment of old areas. It is also stated in the Paper that the Government must formulate a policy to accord cultural purpose the highest priority in the use of historical buildings and I strongly agree with and support this point.

The promotion of heritage conservation is not only the duty of the Government and public participation is also necessary. The Government should also enhance public education on the promotion of heritage conservation to enable precious cultural heritage to enrich the cultural life in Hong Kong.

We are facing tight public finances but heritage conservation requires considerable resources and long-term commitment. Therefore, the Government must first formulate a policy for the rescue of old buildings expeditiously. For example, when land interests are involved, the Government should allow the transfer of plot ratio or the exchange of land. It can also consider formulating an incentive policy to enhance awareness of keeping heritage in good care. Moreover, it should consider mobilizing social resources for participation in the protection of antiquities and monuments and promoting the relevant education work.

Madam President, promoting heritage conservation can certainly increase tourist spots and will obviously be effective in the development of tourism. However, in protecting historical heritage, we cannot focus only on narrow economic gains because a good policy for heritage conservation will help residents understand the local history, be clear about their identity, promote social cohesion and boost the self-confidence of everybody. Thus, the

Government should confirm and recognize the long-term benefits of cultural heritage to Hong Kong society and spare no effort in exploring how heritage conservation can be integrated into the ecological environment, social development and policy for economic development and how best to promote their co-ordination and interaction. Moreover, corresponding legislation on heritage conservation should be made to give full play to the economic, social and cultural benefits of cultural heritage.

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

MR ANDREW CHENG (in Cantonese): Madam President, currently work in heritage preservation is undertaken by the Antiquities and Monuments Office which is very small in scale and enforced by the Antiquities and Monuments Ordinance enacted almost 30 years ago. With the passage of time, we find that our monuments are fast disappearing in the course of urban development. As we look up the information, we find that many buildings which should be preserved have vanished. For example, to make way for the Cyberport development, a machine gun battery of the three pre-war military relics built in the 1930s at the village in Telegraph Bay was demolished and the other two are also threatened by demolition and an uncertain fate. Or, for example the Lee Theatre which was the cradle for countless artistes and movie stars was pulled down in the 1980s. Recently, the well-known historical building Kom Tong Hall in the Mid-levels, and the Ho Fuk Tong in Tuen Mun are also placed in a very precarious situation. Even the Red Mansion, a declared monument, has not been restored and this base of the revolutionary activities of Dr SUN Yat-sen in Hong Kong is fast becoming a derelict.

The Antiquities and Monuments Office has undertaken a survey and discovered that there are 9 000 to 10 000 pre-war buildings in Hong Kong, of which 200 to 300 are privately owned buildings of historical value that merit preservation. All these buildings should be salvaged with government efforts. For reasons of limited powers and resources, the Antiquities and Monuments Office has little that it can do. Dr Patrick HO, Secretary for Home Affairs, proposed an idea of setting up a mechanism of advance report so that the Government and the public will know early any news concerning the demolition of private buildings of historical value. However, this mechanism is of little use to salvaging buildings of historical value, for in our opinion, it is just a matter of time that they will be demolished. If the existing legislation is not

amended, at the end of the day we shall see buildings after buildings fall into rubbles.

Madam President, our neighbour Macao has in place much better legislation on the preservation of monuments and historical buildings. Once a building is declared a monument, even though it may be situated in a private property, the owner is prohibited from pulling down the building for development. The owner may discuss with the Government on matters of land exchange as compensation. Owners who demolish the buildings of their own accord will not be permitted to commence with the redevelopment project. That is why when we go to Macao for a visit, we can still feel a touch of Portugal there.

The efforts we make in preserving the monuments will not only show our respect for culture and history, for well-preserved monuments can become important tourist attractions and bring some economic benefits. So the Democratic Party hopes that the Government will put more efforts into heritage preservation. Apart from lending our support to the original motion, we also hope that the Government can at least do the following two things. First, it should conduct a comprehensive review of the Antiquities and Monuments Ordinance, with a view to amending the Ordinance, so that the Government can be vested with more powers in heritage preservation and minimize the chances of private owners demolishing buildings of historical value for no justifiable grounds. Second, it should undertake a review of the functions of the Antiquities and Monuments Office because its powers and resources are too limited. Very often the Office is powerless in heritage preservation even though it may want to do so. We are concerned that, given heritage preservation often involves many government departments and when departments order this and that and cause delays, the monument in question may not exist any more. Moreover, the preservation and restoration of monuments are a professional discipline, so given the small scale of the Office, the effects that it can possibly achieve are very limited. We hope that when a review of the functions of the Office is made, the possibility of upgrading the Office should also be examined so that it can be vested with sufficient powers in tackling matters of heritage preservation.

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

MR CHAN KWOK-KEUNG (in Cantonese): Madam President, have we ever taken pleasure in holding a piece of family treasure in our hands and savour in

the fond memories associated with it? The family treasure which we have may in fact be some items left by our grandparents. They may be very common things, like a watch, a vase, a music box or some cups and plates. They do not worth a good deal of money, but they have great commemorative value, for they carry our memories of people who have passed away.

We have many monuments of sentimental and nostalgic value in Hong Kong. They are not just buildings, they are symbols of a bygone era. They should never be pulled down but preserved as they are eyewitnesses to the development of Hong Kong. Like the fond memories we have for our grandparents, they should be regarded as valuable treasures of our culture.

On the eve of the Chinese New Year this year, the television showed a family of three generations sitting at a table in Nga Tsin Wai Village for dinner. Such warm and touching scenes may never happen again, for this walled village in Kowloon City, the only one in the midst of our city, is threatened with demolition. Mr Michael SUEN, Secretary for Housing, Planning and Lands, made it clear that the village would not be declared a monument. With the absence of a heritage preservation policy on the part of the Government, the wrecker's hammer is making its way freely on the land.

Nga Tsin Wai Village has a history of 600 years which dates back to the South Sung Dynasty. It was first built by a Fujian native by the surname of NG. Then walls were erected around the village to fend off pirates and the village has managed to survive the Japanese occupation and the British colonial times. It is most unfortunate the SAR Government is doing nothing to save this century-old village, and it is left to demise and dereliction. Old memories just fade, like tea stains washed away from a purple sand teapot. What stupidity is it all!

It is heartbreaking to see a piece of our heritage thus handed to the developers on a plate. Residents of the village fight for the survival of the village as the Government refuses to preserve it. Signature campaigns are initiated as people want to bring the community round to a realization that our heritage is dying.

A lecturer from the Social Science Division at The City University of Hong Kong wrote an article in the newspaper on heritage preservation in Hong

Kong and there was a remark in the article to the effect that any heritage preservation policy should never be founded on economic development alone. That is an incisive analysis of the problem before us. Seventy percent of the title to ownership in Nga Tsin Wai Village has been acquired by the developers and houses are pulled down one after another. The village is a shambles and most of the houses are deserted. But the developers are doing everything they can to make other residents submit such as by demolishing the support frame of the village walls. This is meant to force the Government to demolish the walled village for good. So the developers' intention is obvious to all.

The Government cannot just sit back and do nothing and let the developers destroy the cultural relics. It should take the lead to restore the walled village and carry out restoration. But Secretary Michael SUEN has said that the walled village has been torn virtually apart and there is no need to preserve it. Such a remark is utterly illogical, for doctors will treat even dying patients. Even if relics are being demolished one after another, the Government should come to their rescue. It is nonsense to talk about having no value for preservation for this will only give developers an excuse. Both Miss CHAN Yuen-han and I fail to see any sense in it.

The incident mentioned above shows that there should be a comprehensive policy on heritage preservation. Though we have the Antiquities and Monuments Ordinance, but what the Antiquities and Monuments Office does in enforcing the legislation is only making an administrative decision. Often this does not reflect the wishes of archaeologists, the public and owners of the historical sites. The case of Nga Tsin Wai village is a good example. At first, scholars from the University of Hong Kong and The Chinese University of Hong Kong were amazed when they saw the village. They thought it was an important heritage site. But it is beyond our wildest imagination that this walled village in our city would disappear into obscurity this way.

If in future we do not put a policy of heritage preservation into practice, we may lose historic relics of nostalgic value. As any society will have some kind of collective memory of its own, these historic relics will play an important part in fostering such a collective memory.

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

MR ABRAHAM SHEK: Madam President, societies do not only preserve their historic relics and landmarks for nostalgic value. They do so as a way to continue appreciating and respecting the past. It is part and parcel of a city's collective memory and the strengthening process of its residents' sense of place, history and civic pride. Often, these vintage structures give a place its distinctive appearance and unique style, making it stand out from the ordinary.

Great cities around the world have always preserved and renovated their cultural treasures in innovative ways. They realize that heritage sites serve as landmarks for both locals and tourists. They become icons and attractions bringing economic and cultural benefits to the local community. The appeal of cities like New York, London, Beijing, Shanghai and Paris rests with their rich heritage as much as their modern landscape and skyscrapers.

What does this awareness of the importance of heritage conservation tell us? Two things, I believe. First, if we aspire to become, in the Chief Executive's words, "Asia's world city", we need to think long and hard before relinquishing and demolishing our precious heritage assets. There are many specific issues related to conservation that we need to deal with. But first and foremost, Hong Kong is in critical need of a comprehensive policy on conservation and preservation. This multi-faceted task needs to be guided by a long-term vision with clearly defined goals.

Furthermore, we need to refine our definition of what constitutes heritage assets and objects, in addition to formulating a comprehensive policy. "Heritage conservation" is often narrowly understood as the preservation of monuments and antiquities only. The fact is that heritage assets can be either tangible or intangible. Today's motion focuses exclusively on built, physical monuments, but I would point out that intangible cultural heritage forms such as traditional customs, beliefs, rituals, crafts, music, and so on, also need to be nurtured and preserved. Otherwise, they would soon only exist in our parents' and grandparents' memories.

In Hong Kong, the biggest challenge to heritage preservation is a shortage of land and a growing population. The current land policy and piecemeal administrative and legal framework also increase the difficulty of this task. There are many sides to this problem and they are interwoven with each other, but they share a central dilemma, that is, how to balance economic imperatives with conservation — preserving heritage resources with development demands.

In other words, how do we keep our past and, at the same time, push forward into the future?

Hong Kong is a city driven by economics. Private landowners all want to maximize investment returns. Given that many potential heritage sites are privately owned, developing a fair and reasonable compensation mechanism is necessary. These may include instituting a set of planning and financial incentive schemes, such as a favourable transfer of plot ratio, relaxation of control on the usage of heritage buildings, tax rebate, land rates reduction, and other means to encourage landowners to agree to conservation.

The private sector itself has long called for the setting up of a land swap mechanism. Only recently has the Government begun to explore the possibility of transferring of land development rights as a way of using market resources to pay for the preservation of heritage assets. If we had done this before, we would have seen many of our buildings being preserved. Since heritage preservation is by no means an inexpensive exercise, sharing the cost with the private sector would relieve the burden on a deficit-plagued government. As more and more people have become conscious of the significance of heritage preservation and its maintenance cost in recent years, there is a generally favourable environment for the introduction of plot ratio transfer mechanisms and other incentive initiatives.

In regard to these heritage buildings, once they become public assets again, we need to employ them in flexible and sustainable ways. The old buildings may have lost their initial functions and purposes, but we can give them new life after careful restoration and adaptation. Trying to simply restore the buildings to their original functions would be impractical, if not impossible. I think that it is also important to avoid creating inaccessible museum-type venues that are not in line with the original utilitarian character of the buildings or the general atmosphere of their present surroundings. Classic buildings and architecture are rich assets that can be used to develop cultural heritage tourism, while smart management and profitable use of the buildings, such as for entertainment and art activities, will generate income for the preservation works.

Madam President, the Government's heritage conservation efforts are often criticized as piecemeal. Indeed, a large number of potential heritage buildings and most cultural heritage assets do not fall within the confines of the current legal framework. Only a few monuments, either because they are

government-owned or included in urban renewal or infrastructure projects, are lucky enough to receive proper preservation attention. Clearly, we need a better system to identify and regularly review our potential heritage assets.

The unsatisfying situation only points to one logical conclusion. We need to develop a new conservation policy — fast! I repeat: Time is of the essence. I remember the day when I was made a member of the Antiquities Advisory Board (AAB), I was given to understand that the conservation policy was in the making. After serving three terms, or six years, I am no longer a member of AAB now, but such a policy is still in the air. This signifies that the Government only pays lip service to conservation and heritage preservation. I hope that under the leadership of the new Secretary, he could do something to preserve Hong Kong's heritage buildings and assets. With these words, I support the motion.

MR IP KWOK-HIM (in Cantonese): Madam President, insofar as the preservation of heritage and monuments is concerned, Hong Kong has all along lacked three things: money, co-ordination and policy. On the issue of resources, that is, on the absence of funds, the Antiquities and Monuments Office has an annual provision of only \$40 million for archaeological excavations and the maintenance and repairs of historical buildings. We have about 1 000 historical buildings in Hong Kong and although they do not have to be maintained and repaired every year, \$40 million a year is indeed a miserable provision. Moreover, the money will not be used for maintaining and repairing historical buildings alone, for part of it is also used on archaeological excavations. The budget this year for restoration of historical sites is only \$2 million. So, in terms of resources, the SAR Government does not attach any importance to heritage preservation.

In fact, there is no comprehensive and systematic policy on the preservation of historical buildings on the part of the authorities. At present, we have 77 statutory monuments, but there are no guidelines and policies as to their use. Even if the monuments are government property or situated on government land, they will meet different fates as they are managed by different government departments. For example, the WONG mansion at Yuen Chau Kok, Sha Tin, has a history of more than two centuries. It is a building with two storeys and there are many murals and traditional decorations in it. Although it has been declared a monument for more than a decade, the building has not been given good protection and put to use. It is just put aside and closed

to the public. The Lands Department which is charged with managing the WONG mansion says that it is only responsible for its keeping, not turning it into a museum or a performance venue. But whenever any art group wishes to hire the WONG mansion for performance, the site will be handed over temporarily to the Leisure and Cultural Services Department for management. Another case is the Old Stanley Police Station which has a history of 140 years. Recently, it has been leased by the Government Property Agency to become the first supermarket in the territory on a historical site. I am not sure if the Secretary is aware of these two cases or not. They show that as we do not have any concrete policy on heritage sites, then these sites can only be managed by different government departments within their purviews.

The kind of protection given to statutory monuments is therefore far from adequate, and the case is even worse with historical buildings not protected by law. The Bethanie, an old monastery which is listed as a grade two historical building has been unoccupied for six whole years before a decision was made recently to use it as a second campus of the Academy for Performing Arts. The Public Works Subcommittee of this Council has recently discussed and approved of the funding application related to the Bethanie. All the buildings which I have mentioned above are government properties, but it has never occurred to the Government how they should be preserved and put to good use.

The most tragic cases are those historical buildings in private ownership. On the one hand, the experts from the Government think that these private buildings are of historical value, but on the other, the Government is powerless in protecting these buildings. If the owners want to pull down the buildings for redevelopment, there is nothing we can do about it. Kom Tong Hall is one such example. We learned about it only when the owners had erected boards around the building for imminent demolition, and so we could only beg the owners not to do so. It is also reported that another historical building, which is owned by the NGAN family of the China Motor Bus Company, is possibly becoming another Kom Tong Hall.

The paper submitted by the Government to the Home Affairs Panel points out that the official position with respect to the protection of historical buildings is that they should be preserved as far as possible in order that our future generations will have a chance to know the historical development of Hong Kong and that a sense of belonging and identity can be fostered in the public. But these examples show that the so-called position and policy are totally powerless.

There is no co-ordination among departments or related organizations on the disposal of monuments and historical buildings. They just work in their own way. Therefore, the DAB very much supports the motion moved by Mr LAU Ping-cheung, for we also agree with protecting historical buildings of conservation value by bringing them into the ambit of the mechanism for declaration of monuments.

In order that owners of historical buildings can be encouraged to have their buildings declared as monuments or carry out the necessary maintenance and repairs, the Government must set up a reasonable compensation mechanism, otherwise, the preservation of monuments is nothing other than empty talk. When owners want to demolish a historical building, they will set their eyes only on the financial benefits and rarely will they consider the issue of protecting the building in question. Therefore, if the Government can put in place a reasonable compensation mechanism, the owners will consider the compensation package offered when they wish to redevelop their sites. In this way, monuments and heritage can be effectively preserved.

The DAB is glad to note that the Chief Executive has undertaken in his policy address this year to formulate a comprehensive policy on heritage preservation. We very much hope that the brand new policy will not only mean more funding, but also an improvement to the problem of improper use of historical buildings as a result of scattered management. If this problem is not addressed, I am afraid in future there will not just be a supermarket in a historical site, but also bowling alleys, amusement centres, and so on. In preserving historical buildings and monuments, consideration must be given to their long-term use. Any development plans in relation to any monuments or heritage must be compatible with their former functions. Only in this way can the original characteristics of the buildings be preserved and a sense of belonging to Hong Kong be enhanced among our future generations.

I so submit.

DR RAYMOND HO (in Cantonese): Madam President, Hong Kong is an advanced cosmopolitan city and its name is synonymous with modernity. If people from other countries are asked about their impression of Hong Kong, they will certainly say that they will think of business, infrastructure, technology, high-rise buildings and bustling streets. However, behind this facade of

modernity, there is also an old side to Hong Kong, only that it is often forgotten. In my opinion, besides continuing to develop Hong Kong into a world-class city, we have to preserve its cultural heritage and monuments. This will enable our future generations and people from overseas to know Hong Kong better.

At present, we do not have a sound system for preservation of monuments. If this situation is allowed to continue, it will not be possible to preserve our heritage and monuments properly. A good example of this is Lo Wai in Sha Lo Tung, Tai Po. Lo Wai is a village in Sha Lo Tung and it has a long history. Although it is classified as a grade two historical building, due to a lack of repairs over the years plus the ravishes of the pest plant *Mikania micrantha*, it may even crumble and collapse in the near future.

In my opinion, to preserve heritage and monuments, the Government should declare buildings of conservation value as statutory monuments and carry out regular maintenance and repairs to them. Take the example of Lo Wai, although it is classified as a grade two historical building, why does the Government not eliminate the pest of *Mikania micrantha* there? Apart from being a plant killer, *Mikania micrantha* can also damage the building structure and cause it to collapse. As for privately owned buildings of historical value, the Government should encourage owners to undertake maintenance and repairs and give them assistance and advice.

Many years ago many people hoped that buildings of great historical value like the Hong Kong Club and the General Post Office Building in Central could be preserved like the Legislative Council Building, but they did not succeed due to an inadequate awareness of heritage preservation then. There was also a lack of appropriate policies or legislation to protect such valuable heritage which was an asset of Hong Kong.

In the meetings of the Public Works Subcommittee chaired by me, we often hear Members strongly urge that it be clearly set out in works contracts that when excavations are made in the sites, the contractors should take care not to damage relics buried underground.

The economy of Hong Kong has been in the downturns in recent years. In order to improve the economy, the Government has been making great efforts

to promote tourism. I think that the preservation of heritage and monuments in Hong Kong would be conducive to promoting the development of tourism and improving the economy. The tourist industry is a "smokeless industry" which countries in Southeast Asia have been promoting in recent years for it can bring substantial revenue to these countries.

Despite our being a commercial society, the many heritage and monuments have witnessed our growth, so they have great conservation value. In addition, they can help promote the development of the tourist industry and are effective in improving the economy. All in all, the Government should do more in preserving our heritage and monuments.

Madam President, I so submit. Thank you.

DR TANG SIU-TONG (in Cantonese): Madam President, as a member of the Antiquities Advisory Board (AAB), I have some profound observations about the lack of a comprehensive policy and institutional framework on heritage preservation.

First, the Board is a statutory body. Although I am a layman, the Board has members who are experts in archaeology and history. The terms of reference of the Board are only advising on whether a building should be declared as a monument or a proposed monument under the Antiquities and Monuments Ordinance and to advise "from time to time" on "measures to promote the restoration and conservation of historical buildings and structures", on "measures to promote the conservation, and where necessary, the investigation of archaeological sites" and on "measures to promote the awareness of, and concern for the conservation of Hong Kong's heritage". The Board can really be said to be just a forum where experts make comments that are not binding on the Government which is a layman.

Second, the Board makes suggestions to the Antiquities Authority, and who holds this office? It is the Secretary for Home Affairs, the person who takes charges of matters like soccer betting, the dual representation system for election of village representations and drawing lots in a temple during the Chinese New Year. So in the eyes of the Government, the preservation of our heritage is merely one of the part-time jobs of the Secretary for Home Affairs.

Third, the Antiquities and Monuments Office is an office under the Leisure and Cultural Services Department responsible for such technical work as investigation, verification and recording of heritage. It is entirely devoid of powers to bargain with owners of historical sites in respect of land grant or modification of land use. Such powers rest in the hands of the Lands Department and the Planning Department which do not have the responsibility of heritage preservation. From this it can be seen that although the Office is tasked with the responsibility of heritage preservation, it does not have the powers to do so.

Although the Antiquities and Monuments Ordinance was promulgated in 1976, one can have some idea of the kind of importance which the Government attaches to heritage preservation just by browsing the homepage of the Antiquities and Monuments Office, which is far from adequate. I am not saying that the Office should squander great sums of money on spicing up this homepage. I am saying that the poor contents of the homepage are a reflection of the inadequate and ineffective work done by the Government in this respect.

First, despite the claim made by the Office that there are many relics of human activities spanning 6 000 years in places all over Hong Kong, Kowloon and the New Territories, there are only 77 declared monuments. The public is simply unaware of other relics which may be classified as monuments. So how can work in heritage preservation begin?

Second, the Office only says that if members of the public wish to provide information on heritage items or donate them, they can contact the Office. Such kind of arrangement is very passive as it lacks any initiative or incentive to encourage owners to donate or preserve heritage items. All the Office is doing is to wait for generous donations by enthusiasts.

Third, many development projects will undertake a so-called environmental impact assessment, including a preliminary investigation in historical sites. But no one will care about or compile the results of such investigations. I raised this issue during the last meeting of the AAB in the hope that the Government could follow this matter up.

Our neighbour Macao used to be a colony like Hong Kong, but obviously it attaches a greater degree of importance to heritage preservation. Our Basic Law does not have specific provisions for heritage preservation. However,

Article 125 of the Macao Basic Law provides that "The Government of the Macao Special Administrative Region shall protect by law scenic spots, historical sites and other historical relics as well as the lawful rights and interests of the owners of antiques." Unlike the part-time nature of our Home Affairs Bureau, Macao has a Cultural Institute and it regards antiques and monuments as a cultural legacy. In this year's policy address of the Chief Executive of the Macao SAR, emphasis was laid on forging a closer tie between culture and tourism.

In my opinion, the Hong Kong Government should learn from Macao and endeavour to preserve our heritage and enhance our historical appeal. Various Policy Bureaux must rectify their problems of excessive constraints and lack of co-ordination. Even if a bureau on cultural affairs cannot be set up due to limited resources in the Government, the Home Affairs Bureau should continue to be tasked with the responsibility of the conservation, monitoring and education efforts relating to our heritage. The Housing Bureau which is in charge of land matters and the Environment, Transport and Works Bureau which oversees environmental protection matters, and so on, should also be given the responsibility of co-ordinating efforts in heritage preservation. In addition, consideration can be given to expanding the powers of the AAB and the Antiquities and Monuments Office so that the Secretary for Home Affairs can be supervised to implement the recommendations on heritage preservation made by the two bodies. Since the Urban Renewal Authority has in place a compensation system for affected residents of buildings resumed for redevelopment, there should also be reasonable compensation for those persons affected by government decision to declare a building as a monument. For example, the Government may offer a sum of money comparable to the value of the property or land concerned as compensation, or offer some preferential treatment to the owners in the development of their property. All these measures will serve to encourage owners to hand over their antiques or buildings to the Government. The Government can also provide incentives such as tax concessions to encourage owners to donate their antiques to government or university museums for public exhibition or education purposes. It remains, of course, that the Government should not use economic benefits as a yardstick to measure the importance of heritage preservation. For heritage carries irreplaceable items signifying the culture of a place and once lost, it can never be reproduced. A respect for heritage is a respect for our own history.

Madam President, I so submit.

MR HOWARD YOUNG (in Cantonese): Madam President, Hong Kong was a British colony for 150 years and given the mix of East and West, many buildings with a traditional Chinese flavour such as ancestral halls, temples, walled villages and gardens have been built, and there are also grand mansions and gardens set in Western style. These relics are a reflection of our unique historical background and they should be cherished and protected.

In recent years, our tourist industry has seen remarkable growth, with visitors from the Mainland and overseas growing and bringing with them substantial proceeds in foreign exchange to Hong Kong. To stay competitive, however, it is indeed imperative to explore some new tourist attractions. The Liberal Party therefore suggests the promotion of cultural tours and this is closely related to the motion topic today.

As a matter of fact, there is a close link between heritage preservation and the development of the tourist industry. For often times when we travel abroad, we shall be interested to learn about the land and its people. Ancient architectures with a long history and elegant style often become the landmarks for tourist activities. I believe Members must have been deeply impressed by such, examples being the Forbidden City of China and the Cathedrals in Europe.

For this reason, countries all over the world attach great importance to heritage preservation. For example, Venice has laws prohibiting changes to the outlook of houses in order that this city built on water can retain its original colours. China has also made great efforts in promoting cultural tourism. Apart from purchasing the title of historical sites with great tourist value, it has also done a lot to restore the original landscape of these historical sites. Our neighbour Macao has also done a good job in this respect. It endeavours to promote the tourist industry by preserving monuments with colonial style buildings. Some of these buildings are converted into hotels and this has won the acclaim of tourists and the industry. The examples mentioned above share one point in common and that is, the income from tourist activities will be used on the promotion of heritage preservation and maintenance and repairs. This is really killing two birds with one stone.

The root of the problem in Hong Kong lies in our lack of an effective and sound policy on heritage preservation. Despite the existence of laws like the Antiquities and Monuments Ordinance, they serve a function of not more than window-dressing. Under the existing grading system for historical buildings, the classification of buildings as monuments does not mean that they are duly

protected. So we have grade two historical buildings like the Tiger Balm Gardens and the Kom Tong Hall being threatened by demolition at one time or the other. If this situation is not improved, I am afraid similar events are bound to happen.

There is also a lack of co-ordination among various government departments and they just mind their own business. In the Kom Tong Hall incident, for example, it is due to the absence of a reporting system between the Buildings Department and the Antiquities and Monuments Office that it was only when the former had issued a demolition permit that the latter began its lobbying. Thus, it is in a very passive situation. Another problem is that the existing 9 000-odd pre-war buildings are still pending assessment under the grading system for historical buildings. In the absence of a list of monuments for preservation, it is very difficult to know how the monuments in Hong Kong should be protected. Owing to limitations in its terms of reference and manpower, it is difficult for the Antiquities and Monuments Office to bring its role as a protector of cultural relics into play. It cannot even play the role of a "toothless tiger". The result is that monuments are disappearing one after another.

Madam President, the Liberal Party agrees with the provision in the Basic Law that the SAR Government has the obligation to protect private property, but that does not mean that a balance cannot be struck between the need to preserve monuments and the respect for private ownership. The Liberal Party hopes that all related government departments will adopt all kinds of practicable incentives to encourage owners to relinquish their title or to take up a certain degree of responsibility in maintenance and repairs, such as by introducing some kind of commercial incentives, so that the monuments in question can be preserved.

We also hope that the novel idea of cultural tourism can be promoted so that our image as Asia's world city can be enhanced.

With these remarks, I support the motion.

MRS SELINA CHOW (in Cantonese): Madam President, I certainly very much agree with the views expressed by Mr Howard YOUNG on cultural tourism, and in fact the Tourism Board has also made cultural tours one of the key promotion items. In Hong Kong, for example, we are already an advanced city and we

want to preserve our heritage is not only for the promotion of the tourist business but also to make the people of Hong Kong take pride in their history. From these heritage items and historical buildings, we can remind ourselves of our past achievements and the old stories we should all remember well.

Honourable colleagues have spoken quite a lot on this and pointed out that the Government has not taken the initiative or has been proactive about it. Thus it can be seen that not much has been done on the part of the Government. Of course, we hope that the Secretary, Dr Patrick HO, can make positive efforts to change this state of affairs and really answer the people's aspirations. Members must have seen the strong social reaction in the Kom Tong Hall incident. The Government should be more sensitive to public demands and it should do more in this respect.

Members have also said that apart from a passive mentality on this, the Government has done little in introducing relevant legislation and policies. I believe Members will agree that irrespective of the course of action, the most important thing is not to demolish buildings of historical value recklessly. For once they are pulled down, nothing can be done about it. I think many people may be sorry now for some of these buildings have been demolished and they are there no more. Such buildings include the Hong Kong Club and others which were torn down to make way for the development of Hong Kong into an international metropolis. To prevent the demolition of buildings of historical value, we may do something about the Buildings Ordinance, for apart from declared monuments, no other buildings can be spared demolition on grounds of their historical value. I think this is something to which we can give serious thoughts, especially those buildings classified as grade one historical buildings. Grade one buildings in fact carry important historical value and should be preserved as much as practicable. Now more than 100 buildings in Hong Kong are classified as grade one historical buildings. About 9 000 other buildings are presently being assessed and the number of grade one historical buildings may increase. Even if these buildings are not classified as grade three buildings, they ought to be protected. Indeed, even grade one buildings should also be protected.

On strength of powers vested by the Land Resumption Ordinance, the Government may take public interest more into consideration, such as considering the resumption of private buildings classified as grade one historical buildings. That certainly does not mean that the Government can resume any building whenever it feels like it, but adequate compensation must be offered.

Once a private building is classified as grade one, efforts must be made at once to determine if it can be declared a statutory monument. For once declared a statutory monument, the building cannot be demolished. And since the building cannot be demolished, it would then have limited value for redevelopment or its redevelopment value would be lost. Then would the Government have to pay a heavy price on resuming these buildings? Not necessarily, as this can be seen in the funds set aside by many cities for this purpose.

As to the question of transfer of plot ratio, there are successful examples on this and they can be applied. Irrespective of what the measures may be, the aim is to conserve monuments and not to demolish them. Yet, another question remains: What has become of the monuments which are under protection? Insofar as the 77 declared monuments are concerned, more than 40 of them are not easily accessible. Those that are readily accessible account for a minority only. Have we made good use of these statutory monuments, in particular those owned by the Government? It may be a different matter if these monuments are privately owned. Some of these monuments, even if they are in good repairs, are not easily accessible. These include the Hung Shing Temple on Kau Sai Chau which has been awarded an Outstanding Project Award in the UNESCO Asia Pacific 2000 Awards for Culture Heritage Conservation. If we want to visit this temple, we need to spend a lot of money to find a boat and go there and the return trip is another problem. If the transport problem is so serious, then we may as well not promote it. The Tourism Board has been criticized for promoting this monument, for the place is inaccessible and the return trip arrangement is also a problem. Monuments like these are not very useful to promoting tourism at all.

On the other hand, there are some buildings which obviously have historical value, such as the Old Stanley Police Station, and it is now turned into a supermarket. This is an insult to our heritage, and it is a most unfortunate case. I very much hope that the Secretary can formulate a policy as soon as possible and launch extensive consultations. There will be a sequel to this topic as I believe it will be brought up again some time in future. Thank you, Madam President.

MR FRED LI (in Cantonese): Madam President, I would like to talk about the issue of heritage preservation from the angle of urban renewal. It is because the

Urban Renewal Authority (URA) is responsible not only for demolition but also the maintenance and repairs of buildings with memorable value.

Heritage of historical value, especially those buildings with a historical touch, are the roots of society and so it is only natural that a comprehensive policy should be formulated to enhance conservation. However, this problem cannot be solved simply by good intentions and empty talk.

A realistic question before us is that the protection and conservation of a building of historical value requires a lot of resources and a practicable and sustainable method of operation.

Take the Western Market on Hong Kong Island as an example. It was first preserved and fully restored in 1991 by the Land Development Corporation, the predecessor of the URA. A sum of \$55 million was spent at that time. Over the 11 years since, a total of more than \$20 million was spent on routine and regular maintenance. On top of that, an annual expenditure of \$2.4 million was spent on management, utilities and government rent. From this, it can be seen that it is a very heavy drain on resources. The Government should adopt some new thinking on this and it cannot depend excessively on its own efforts and that of a few public organizations. Private sector participation must be introduced into these matters.

Private sector participation can be enhanced in the following three ways:

First, efforts should first be made in the transfer of the right of land development, that is, transfer of plot ratio. The Government should look into the right to develop the land on which the historical building is situated. This right should be transferred to nearby sites through some statutory channels. This is the least that can be done to treat the landowners fairly. It is also the fundamental condition to enlist private sector participation in heritage preservation.

We realize that the transfer of plot ratio is a very complicated issue in legislation and administrative regulations. It also involves substantial changes in other related areas. But this is the first step we must take, for such a step has already been taken by other cities committed to heritage preservation.

We understand that once the transfer of plot ratio is put into practice, there may be impact on the planning and administration of land. However, if the transfer of plot ratio is made stringent policy-wise — here I would like to make a special emphasis on the word "stringent" — that is, the policy should be confined to the preservation of historical buildings, then I believe the impact would not be so great.

The second thing is to examine how best the restrictions on the management and use of these buildings can be relaxed and more attractive operation conditions provided without violating the principle of conserving historical buildings. These restrictions and conditions include, for example, the lease of land and buildings to private organizations for management and related issues like the term of the lease, the flexibility or otherwise in the scope of business permitted, whether or not the restrictions on changes to the interior of the building are too harsh, and whether or not the land rent can be waived, and so on. It is only when all these are taken into consideration that the vitality of historical buildings would be restored and sustained.

(THE PRESIDENT'S DEPUTY, MRS SELINA CHOW, took the Chair)

We have to realize that unless these conditions are favourable to the operators so that they can stay in business, otherwise, any preserved historical building would in the end become a heavy burden for the Government. Then the Government, the public and our historical and cultural legacy will suffer losses.

Third, we should also consider matching facilities in the neighbourhood. Where circumstances permit, historical buildings should never exist alone but they should be integrated with the neighbourhood. For example, consideration should be made to improving the neighbourhood of the historical building concerned. Other things which should merit consideration include improvement works and arrangements in roads, vehicle parking and pedestrian zones, as well as links with other tourist spots, and so on.

I wish to stress again that the conservation of historical buildings and cultural relics should be undertaken with new thinking, so that the Government, the owners of buildings and the public will achieve an "all-win" situation. I so submit.

MR TIMOTHY FOK (in Cantonese): Madam Deputy, Hong Kong has developed from a small fishing village into a highly developed international metropolis today, but it has to pay the price of harm done to our heritage for it. Landmark buildings with historical and cultural significance have been pulled down one after another and they have become memories in the minds of people.

Buildings let people live in peace and contentment and provide them with shelter, and they are also the embodiment of our race and culture. Merely taking a look at the medieval buildings in Europe and the mansions of primitive simplicity in China, we will immediately be affected by their unique cultural flavour. They are precious cultural heritages that have witnessed history. It is a pity that in such a modernized city as Hong Kong, the cultural characteristics of buildings have long been drowned by high land prices and helplessly traded in the market as commodities. So, our heritage and monuments have gradually disappeared into obscurity in this busy city. Therefore, we must make efforts to protect and restore a small number of rare buildings with historical significance. We are duty-bound to do so and it is our responsibility for history and society.

Of course, the purpose of the preservation of history and culture and the protection of heritage is after all to upgrade our quality of life and further the overall interests of the community. The owners of cultural relics and monuments cannot lose the right to develop their properties for no reason and their rights to use their properties should not be exploited and restricted as a result. If we are forced to impose restrictions, we must give corresponding government compensation, otherwise, we will violate the principle of fairness and we can hardly encourage the public to consciously protect culture and develop their creativity.

With these remarks, I support the motion.

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

(No Member responded)

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam Deputy, I would like to express my gratitude to Mr LAU Ping-cheung for moving the motion which facilitates our discussion on the policy on heritage preservation. I believe Honourable Members and the Government share the same objective, that is, to preserve the historical buildings of Hong Kong. In the course of preserving such buildings, we must strike a proper balance between the overall interests of society and those of property owners, provide suitable incentives or compensation, and while proposing innovative uses of the buildings, preserve their original styles. In this way, the preserved buildings will display a new face that will incorporate the lived heritage into modern life and become living heritage.

In response to the policy address of the Chief Executive, the Home Affairs Bureau mentions in its policy agenda, "(the Administration) will adopt a holistic approach in assessing the historical value and cultural background of the architecture in our strategy for heritage preservation." Apart from the protection of the natural environment, the protection of the cultural environment is equally important. We must protect endangered species, and our city needs to have country parks and urban green zones. For the same reasons, we must protect certain valuable historical buildings and cultural tradition, and our city needs to have pluralistic, low-density visual and recreational space, so that our living environment can become rich in depth and essence, thereby making Hong Kong a place with greater cultural vigour and a better place to live. With social participation, care and commitment, we hope our new heritage preservation policy will help to build up bit by bit the cultural identification and sense of cultural honour among the people of Hong Kong, and such a policy can work in concert with such other spheres as town planning and cultural travels, thereby bringing about new development opportunities and economic benefits. In this way, we can make contribution to the sustainable development of Hong Kong from a cultural perspective. We hope that the new policy on heritage preservation, which has incorporated opinions collected from different sectors of society, can blend well with two main objectives, namely, enlightening people with a rich culture as well as promoting an environmentally responsible

development. And these two objectives are also two items under the five guiding principles of the policy agenda of the Chief Executive.

In order to consider in a comprehensive manner the motion moved by Mr LAU Ping-cheung, the Home Affairs Bureau has conducted in-depth studies and invited scholars, experts and members of the public (including senior members of the Antiquities Advisory Board) to participate in a seminar in order to collect views from different sectors, including their opinions on our past experience and the lessons learned. Capitalizing on the enormous public concern aroused by the motion moved by Mr LAU, I hope to use some time in the Council to try briefly making a basic analysis of the issue of preserving our cultural assets. I hope this will arouse the concern and discussion of Honourable Members. Although heritage preservation involves a lot of professional judgement, social participation and support are even more important. We will definitely treasure Members' opinions, and will surely consider them very carefully.

As a matter of fact, the work of heritage preservation has been unsatisfactory in Hong Kong. Mr MA Fung-kwok, Miss CHOY So-yuk, Mr Andrew CHENG, Dr TANG Siu-tong and Mr Howard YOUNG have also pointed out this fact. The public does not have sufficient understanding and support for heritage preservation, so it is difficult to ask them to shoulder part of the resources and responsibility. And the Government would not lightly exercise all the authority vested in it by the Antiquities and Monuments Ordinance (Cap. 53) to preserve local historical buildings. Usually, it would launch efforts to save historical buildings only when they face the prospects of demolition. It would then involve the complicated issues of compensation for the titles of ownership, zoning and community controversies. After the Government has successfully preserved a historical building by redeeming it with public funds or public resources (such as land exchange arrangements) and paying the costs on behalf of all the people, then it has to ask certain organizations to take over and make use of the building. However, the organizations usually do not have a very strong intention of taking it over and make use of it. As there is a lack of social consensus and support, and the people do not take the relics as a kind of valuable social assets, a kind of common cultural wealth that would generate a sense of honour among the people, the work of preserving buildings originally vested with common interests and cultural meaning has degraded into a tedious and snobbish economic transaction. The win-win situation between society and property owners could thus not be achieved.

In the face of such problems and puzzles, we must think about this: Why should we take so much trouble to preserve the cultural relics? What are the justifications for the Government to enact legislation to protect cultural heritage? Why did no governments, be they in China or other countries, have any heritage preservation policies before the industrial revolution and the modernization? The cultural traditions treasured by past emperors in China were talents, renowned families, classics and rituals, whereas less emphasis was placed on buildings. Instead, they would demolish old palaces of past dynasties and build new ones. The ancient cities now left in Xian, Kaifeng, Nanjing and Hangzhou were only accidentally preserved after the relocation of the capitals at various times. In overseas countries, after demolishing old buildings extensively and building up modern cities, why did the subsequent governments start to attach great importance to the work of preserving cultural relics, and cherish the surviving old historical buildings so much? Old cultural buildings such as palaces, churches and cenotaphs are understandably worthy targets of preservation, but why have overseas countries started to think about preserving even old factories, old warehouses and old residences of the ordinary people in recent years? The ancient palaces in Beijing and the Great Wall are understandably the main tourist attractions as they are beautiful and magnificent, but why have Zhouzhuang, the ancient town of Lijiang and even Shikumen, all were just homes of the ordinary people, also become popular sightseeing spots now? What are the reasons?

May I ask Members a hypothetical question. After the demolition of the Kowloon Walled City, an elegant Jiangnan garden was built within the confines of a restored ancient city wall. In comparison, which one would have better historical value: this preservation option or another option of preserving the pre-demolition buildings and community culture of the Kowloon Walled City? Which one would have a stronger appeal to the tourists? At that time, many residents in the walled city strongly disliked the living environment there, and hoped that they could be relocated to new districts with some compensation. Under such circumstances, how could the original community culture be maintained? If cultural tastes and social aspirations change with times, what kind of strategy should be adopted for heritage preservation? There are no standard answers for all these questions. But if the right questions have been asked, we may try to find the answers.

Mr Abraham SHEK has just asked why we should preserve the heritage. In short, we think that the heritage preservation policy is intended to turn

originally national or private historical buildings into common properties. Preserved buildings could be owned or managed by the Government, but they could also be owned and managed by individuals. The buildings could maintain their original functions (such as a temple could continue to serve as an assembly place for religious purposes), and they could be allowed a certain degree of adaptive re-use. However, the Government must stipulate by way of legal provisions that the original materials and architectural styles of the buildings must be preserved, and that they should allow a considerable degree of public access. In other words, originally national or private buildings have now become part of the public sphere, to which the people are entitled to access and use. Besides, such buildings would become icons of public culture, of which the people have a good knowledge and would feel like talking about them. For example, after an old church is graded as a declared monument, not only the followers of the religion would take pride in it, but also the people as a whole will share the pride as well, and see it as part of Hong Kong history and our common cultural memory.

(THE PRESIDENT resumed the Chair)

Heritage preservation is a phenomenon of modern society. In the ancient times when the emperors possessed the supreme power, they were the symbols of their respective nations, and the place where they lived were the national capitals and their religions were the national religions. So their peoples did not have to deliberately look for any symbols to stand for their national culture or something they could identify with the nation. With the inception of constitutional monarchy or republican system of government, as well as the emergence of civil society, the rulers are no longer the emperors. So it has become necessary to have some symbols for the identification of national culture to enhance cohesion. That explains why we have to preserve all kinds of historical buildings. National treasures once owned by the emperors are now displayed openly for public inspection; palaces and castles previously inhabited by the emperors are now maintained with funds allocated by the parliaments, and are open to the public as part of the public sphere. In other words, heritage preservation policy in recent years is in fact an authorization, by social consensus of the people, given to the government to make use of public funds and authority to build up the public sphere commonly owned by the people for nurturing a

cultural identification and a sense of cultural honour. This is the first tier of meaning of the heritage preservation policy, and this is where the core values lie.

With such core values, the reunification provided a favourable condition for the heritage preservation policy. After the return of sovereignty over Hong Kong to China, the people of Hong Kong began to discuss how to enhance the sense of common cultural identification, so as to build up our cultural public sphere. It has become natural for the people to start treasuring old things with nostalgia, and at the same time heightening their interest in preserving the heritage and engaging in open discussions. Precisely thanks to such valuable opportunities, we can conduct a comprehensive review of our heritage preservation policy.

In the past several decades, as our industries undergo restructuring and our society becomes increasingly affluent, large cities have become places for business transactions and sightseeing and consumption. So, with their unique architectural craftsmanship and historical values, old-style residential mansions or production facilities such as factory premises, warehouses, freight stations have now become new targets of heritage preservation, following the footsteps of magnificent buildings such as churches and temples. These buildings are converted into cultural and consumption venues such as arts museums, theme restaurants and hotels, thereby enhancing the historical depth and cultural grace of our city, strengthening its attractiveness and competitiveness as a cosmopolis. In a way, all this will help to promote cultural travels and bring economic benefits. Boosting the ancillary benefits of the relics is the second tier of meaning of heritage preservation, that is, promoting the sustainable development of the city culture. Miss CHOY So-yuk, Mr Andrew CHENG, Mr Howard YOUNG and Mrs Selina CHOW have contributed a lot of valuable opinions in this regard.

Now, the people of Hong Kong have regained a balance in their concepts of land and properties. Apart from treating properties as investment tools, they have placed a greater emphasis on the living environment. Both the people and the developers are more concerned about the cultural quality of the districts in which their properties are situated. This is the second favourable condition in our review of the heritage preservation policy. We must treasure it and do the work well.

As we look at the trends in the world, and learn the local lessons, we can come to the conclusion that there are two prerequisites for the successful implementation of heritage preservation: first, there must be a general agreement in society that historical relics are common cultural heritage, which should be preserved through the use of public and social resources, and that the property owners should also agree that their properties are of cultural value and are willing to co-operate with the Government by exchanging them on certain conditions; second, the preserved historical buildings must be integrated with the modern way of living, and they can give full play to their functions in society and to a certain extent bring financial benefits, so as to achieve sustainable development. If these two prerequisites do not exist, it would be very difficult for the Government to bear the full costs alone with public funds or resources, and the whole purpose of heritage preservation will be defeated.

On the three questions raised by Mr LAU Ping-cheung, I am glad to provide the following responses in accordance with the present circumstances.

Firstly, Mr LAU Ping-cheung proposes to protect buildings of conservation value by bringing them into the ambit of the mechanism for declaration of monuments. I fully agree to this point. In fact, this is also our policy objective. In order to achieve this objective, we must, as the first step, formulate a comprehensive strategy to select and determine which buildings are of conservation value and to be protected. The Antiquities and Monuments Ordinance is the existing legislation that is directly related to the preservation of local heritage. The motion moved by Mr LAU Ping-cheung is specifically concerned with the preservation of historical buildings, and in fact, all along the preservation of historical buildings has been the key heritage preservation effort of the Government.

However, as many historical buildings are private properties, their preservation will inevitably involve the splitting-up of ownership and compensation. If we make a decision of preserving a certain private historical building, society will have to pay a financial price for this decision. The price includes the amount of money to be paid by the Government as compensation out of the public purse or the opportunity cost in urban development as the chance for redevelopment has been given up. In fact, even if the property is owned by

the Government, instead of being privately-owned, the cost paid by society is the same, that is, the opportunity cost for the redevelopment of the property.

After paying the financial price, the recovery of social and economic benefits involved would depend on social support and the preservation strategy. Will the people agree to the cultural value of such buildings? Will the property owners or the contractors make innovative use of the buildings, thereby creating a strong and lasting cultural appeal, contributing to the promotion of cultural tourism? We shall explore the possibility of establishing a certain legal framework and administrative mechanism in our review of the heritage preservation policy as safeguards for this. So far, the Government has declared 77 statutory monuments protected by the Antiquities and Monuments Ordinance. Of them, 59, or most of them, are historical buildings.

The second point mentioned by Mr LAU Ping-cheung in the motion is to provide incentives or set up a reasonable compensation mechanism to encourage owners of cultural relics to carry out the necessary maintenance and repairs to the relics. I strongly applaud his suggestion. According to section 7 of the Antiquities and Monuments Ordinance, the Government may pay suitable amounts of money to persons who propose to implement works to repair, maintain and restore the monuments, so as to assist the persons to launch the projects. In fact, the Government all along has provided maintenance and repairs assistance to needy property owners of private monuments. In spite of this, I also agree to the suggestions made by Mr LAU Ping-cheung, Miss CHOY So-yuk, Mr MA Fung-kwok and Dr Raymond HO, as it is necessary to provide more incentives, such as technical support, financial support and relaxation of the requirements regarding the land and building uses to attract the owners to agree to declaring historical buildings with conservation value statutory monuments. We shall pay special attention to this point when we conduct the review on the heritage preservation policy.

Insofar as we understand it, the third point of Mr LAU's motion suggests that we should devise a comprehensive mechanism for promoting the preservation of monuments so that historical buildings can be reused upon restoration for purposes compatible with their former functions. In this aspect, it is exactly the new trend of heritage preservation mentioned by me earlier, that is, the contribution of historical buildings to town planning, leisure space, low-density human activity premises, which are helpful to creating quality living, as

well as bringing about certain economic benefits. Mr Fred LI has just raised many insightful suggestions, which we shall consider very carefully.

There are roughly three ways of preserving old buildings: restoration, preservation and protection. For certain historical buildings, such as old temples or ancestral halls, as their original functions still apply, it is a more appropriate approach to restore them, keep its original functions and install some suitable modern safety and electrical installations. However, under some special circumstances, preserving the historical buildings is a more suitable approach. For example, we may prefer to maintain the original state of conditions of some historical buildings or batteries which show how they were ruined by gunfire in war. As the city of Hong Kong has been developing very rapidly with its population moving around frequently, the original functions of many historical buildings no longer apply, such as the study halls, "yamens" (government offices) and some old police stations which do not serve the needs of modern time. For such historical buildings, the best possible approach is to conserve them. In the process of repairing and conserving them, efforts should be made to retain their architectural styles and cultural connotations in history, and preserve their function of recalling the collective memory of the people, and then apply them to adaptive re-use, thereby integrating them into our modern life, and even let it give full play to its role of revitalizing and updating the community.

Recently, the Government has adopted this approach in re-planning the use of the Former Marine Police Headquarters in Tsim Sha Tsui. In designing its new functions, attention has been given to protect its cultural characteristics, for example, the detention cells, timer ball, flagstaff and wartime tunnels, and so on. It is hoped that these characteristics can blend well with the surrounding environment. We shall pay special attention to the various suggestions made by Mr LAU Ping-cheung on the restoration technology.

Both Mrs Selina CHOW and Mr IP Kwok-him have strongly criticized the new use of the old Stanley Police Station. In fact, on the issue of leasing the old Stanley Police Station for use and operation as a supermarket, the Antiquities and Monuments Office provided a lot of valuable suggestions in the course of supervising the conversion and restoration works, and the tenant was very co-operative. Since its opening on 24 January, the supermarket has attracted extensive press coverage. The people indicated satisfaction as the restoration work has afforded the monument suitable protection. Besides, they are glad to see that the monument can be open to the public for free.

As Mr IP Kwok-him has said, Hong Kong has a huge population living in a very small area, and on the other hand, the city grows very quickly; therefore, it is very difficult to implement the work of heritage preservation. The dissatisfaction expressed by Dr TANG Siu-tong towards our heritage preservation efforts is closely related to our environment. Nevertheless, the Government has committed a lot of resources to preserving historical buildings. Sometimes we have to pay the high development cost in giving up the redevelopment over some premier sites, forgoing the redevelopment opportunity over our precious resources of land. For example, many government historical buildings are declared monuments situated at expensive prime sites in Central, such as the Legislative Council Building in which we are holding this meeting, the Former Government House, the Flagstaff House, the Court of Final Appeal, the Central Police Station, the Former Central Magistracy and the Victoria Prison. All of them have become the public sphere of the people of Hong Kong and are the eyewitnesses to the history of Hong Kong. They are our common cultural pride.

On the implementation of heritage preservation, the total expenditure of the Antiquities and Monuments Office during the past year amounted to \$50 million. Besides, other government departments have also incurred great expenditures on the maintenance of historical buildings. The Architectural Services Department alone spends over \$100 million annually on the maintenance of historical buildings. In addition, other organizations such as the Hospital Authority and the Lands Department have also incurred some expenditures on the maintenance of historical buildings.

We have made certain achievements in our level of techniques in repairing historical buildings. Apart from making the above-mentioned 59 historical buildings declared monuments, the achievement of Hong Kong in repairing monuments has also been recognized in the international community. For example, during the past three years, the repair works of the Jewish Synagogue in the Mid-Levels, Central, the Hung Sing Ancient Temple on Kau Sai Chau, and the Law Family Study Hall in Tai Po Tau have won the Relics and Monuments Protection Award in the Asia Pacific Region from the United Nations Educational, Scientific and Cultural Organization. In addition, we have developed many heritage trails, such as the Ping Shan Heritage Trail, the Lung Yeuk Tau Heritage Trail and the Central and Western Heritage Trail. Such heritage trails have linked together major historical buildings in the vicinity to facilitate visits by tourists. In recent years, we have felt some positive

responses from the community. The so-called "red-brick house", being the oldest pumping station/building still in existence, which has a history of over one hundred years and is situated in Shanghai Street, is successfully preserved with the co-operation of the developer. There is also an old building of historical value in Lai Chi Kok Road, Mong Kok. The family of the owner has taken the initiative to offer the building to the Government for preservation as a monument. All these happened after the reunification, and this showed that society needs a sense of historical and cultural identification, and the people have gradually accepted the concept of heritage preservation, thereby feeling a sense of honour in preserving the heritage. All the staff of the Home Affairs Bureau, together with enthusiasts devoted to heritage preservation, are very pleased and delighted at such achievements.

I can understand that, apart from preserving individual historical buildings, Honourable Members and the public also aspire for the preservation of some old districts such as Wan Chai and Yau Ma Tei, which have their historical uniqueness and cultural characteristics. As the Secretary for Home Affairs, the statutory authority that I have in preserving antiquities and monuments mainly comes from my capacity as the Authority under the Antiquities and Monuments Ordinance. In preserving old districts, I cannot declare the whole district as a monument for preservation under the Antiquities and Monuments Ordinance because, very often, new and old buildings are already mingling within such districts. In fact, as there are very strict legal provisions governing monuments, I believe this is not a very good way of reviving the old districts. In this aspect, it is very fortunate for us to have the Urban Renewal Authority (URA) in Hong Kong, as one of the main functions of the URA is preservation of antiquities and monuments in the process of urban renewal, which includes the preservation and restoration of premises, sites and buildings of historical, cultural and architectural values, and the conservation of the original local features of the relevant communities and the historical characteristics of the various districts. I believe the URA, and the Housing, Planning and Lands Bureau, which is responsible for policies on town planning and land development within the Government, will continue to strive to do the job better.

Yesterday, Honourable Members might have received the petition from the residents of the Nga Tsin Wai Village, requesting for the preservation of the Village, and several Members have spoken on this case in their speeches. In fact, Nga Tsin Wai Village is a good example to show that the assistance from

the URA is necessary. As pointed out by Mr LAU Ping-cheung, Nga Tsin Wai Village is the only existing walled village in the urban area. However, as most of the old buildings in the walled village have already been demolished or converted, the original architectural value has vanished. Therefore, the walled village should not be preserved according to the criteria of historical buildings. In fact, the preservation of the Nga Tsin Wai Village involves not only the conservation of the existing buildings, but also the restoration and reconstruction of demolished or converted buildings and walls, so as to revive the original outlook of the walled village. From the Housing, Planning and Lands Bureau, we learn that the URA has already categorized the Nga Tsin Wai Village site as a redevelopment project. Before deciding on the redevelopment strategy and the engineering solution of the Nga Tsin Wai Village site, the URA will consider various factors such as the opinions of the Antiquities Advisory Board, the Antiquities and Monuments Office, the communities and the relevant organizations, as well as the resource considerations. When the URA implements the redevelopment project, the Antiquities and Monuments Office will provide the necessary professional support. The opinions of Mr CHAN Kwok-keung and the "win-win proposal for the four parties" raised by Mr LAU ping-cheung will be forwarded to the Housing, Planning and Lands Bureau for careful consideration.

Madam President, in order to implement heritage preservation successfully and effectively, apart from keeping its policies and measures abreast of the times, the Government must also have the agreement and participation of the public, the understanding and support of the property owners, as well as sometimes the wisdom and efforts of the organizations which will take over the preserved buildings. In order to implement the work of preserving historical buildings more effectively, we are now conducting a comprehensive review of the policy on heritage preservation. The suggestions of Mr LAU Ping-cheung, together with the opinions expressed by other Members today, will be carefully considered in our future policy review. I also heard Members urge us to complete the review as soon as possible. I shall not proceed with the work on a part-time basis, as stated by Dr TANG Siu-tong. Instead, I shall attach significant attention to progress in this regard. I, together with my colleagues, shall honour our pledges listed in the policy agenda of the Home Affairs Bureau, and we shall expedite the completion of the comprehensive review within this Session and then conduct a public consultation.

Thank you, Madam President.

PRESIDENT (in Cantonese): Mr LAU Ping-cheung, you may now reply and you have up to three minutes three seconds.

MR LAU PING-CHEUNG (in Cantonese): Thank you, Madam President. I would also like to thank the 14 Honourable Members who have spoken in support of this motion. Most Honourable Members have pointed out that the present heritage policy is not comprehensive enough and there is a lack of a compensation mechanism or incentives to facilitate the preservation of cultural relics, especially those privately owned. If these relics are public properties, they would of course be preserved with public resources and they can be open for public use. That is only sensible. However, as to how private owners can keep their properties so that the identity, history and substance of Hong Kong can be preserved, I believe the Government must put in more efforts. Under the existing Antiquities and Monuments Ordinance, the role played by the Home Affairs Bureau is very passive. As many Honourable Members have mentioned, often it is only after things have happened, for example, when the owners of Kom Tong Hall have applied for the building's demolition, that it will suddenly dawn on the Government that there has not been enough co-ordination. Even as the three-level grading system for historical buildings is in place, it is still not entirely clear as to what kind of protection will be given to each respective grade of historical buildings.

What we see is that since the Antiquities and Monuments Ordinance came into force in 1976, it has been difficult to encourage owners to conserve the antiques and monuments in their possession on a voluntary basis. It is because various financial incentives will prompt owners to pull down these buildings or even sell them to developers for redevelopment. A good example of this is the Nga Tsin Wai Village. We can see that owners were not enthusiastic in preserving the village at the beginning of the 1990s. Even when the Antiquities and Monuments Office approached them later, they would rather sell their properties to developers. That is clearly due to the financial incentives involved.

Under the existing Buildings Ordinance, the Buildings Department cannot act on grounds of historical value and refuses to issue a permit to demolish a building which is not a statutory monument. Therefore, the parties concerned may apply for demolition of the building, as in the case of Kom Tong Hall. Likewise, under the existing Environmental Impact Assessment Ordinance, the

Government is not empowered to prohibit owners of antiquities and monuments to demolish the same in their possession. In such circumstances, we hope that the Home Affairs Bureau will issue a consultation paper within this year to consult the public on the policy to protect and conserve the cultural heritage of Hong Kong. We also hope that the Government will offer as many incentives as possible to induce owners to retain and conserve artifacts of history in the interest of Hong Kong.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Ping-cheung be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority of 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.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 19 February 2003.

Adjourned accordingly at twelve minutes to Eight o'clock.