

# **OFFICIAL RECORD OF PROCEEDINGS**

**Thursday, 10 October 2002**

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

## **MEMBERS PRESENT:**

THE PRESIDENT

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

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

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

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

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

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

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

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

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

THE HONOURABLE NG LEUNG-SING, J.P.

THE HONOURABLE MARGARET NG

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

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE BERNARD CHAN, J.P.

THE HONOURABLE CHAN KAM-LAM, J.P.

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

THE HONOURABLE 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.

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

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

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

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

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

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

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

THE HONOURABLE LI FUNG-YING, J.P.

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

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

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

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

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

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

THE HONOURABLE MA FUNG-KWOK, J.P.

**MEMBERS ABSENT:**

THE HONOURABLE LEUNG YIU-CHUNG

DR THE HONOURABLE YEUNG SUM

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

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

**PUBLIC OFFICERS ATTENDING:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CLERK IN ATTENDANCE:**

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

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

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

**PRESIDENT** (in Cantonese): The Chief Executive will first address the Council.

**CHIEF EXECUTIVE** (in Cantonese): Madam President, Honourable Members, I am very pleased to come here to talk to Members and exchange views with them on various problems facing Hong Kong. But first of all, let me start by saying a few words on the economy. As I have repeatedly said before, the biggest challenge facing the second term of the Government of the Hong Kong Special Administrative Region (SAR) is to lead Hong Kong out of the economic downturn and to restore the confidence of the people in our future.

The challenges facing Hong Kong at the moment include globalization of the world economy, full liberation and rapid expansion of the mainland economy, as well as the challenges and negative impacts brought about by the bursting of the bubble economy which surfaced before the reunification. The difficulties facing us include persistent deflation, flagging economic growth, and high unemployment. Economic restructuring is the only way to thoroughly resolve these problems.

The position of Hong Kong is crystal clear. With the Mainland as our hinterland and in the face of the world's cosmopolitans, our goal is to, through adopting vigorous measures, consolidate and strengthen Hong Kong's strength as being an international financial, logistics, commercial, and tourism hub. Furthermore, we must strengthen co-operation with the Pearl River Delta, promote innovative and technological industries, apply new knowledge and skills, and move in the direction of high value-addedness. The new official line-up will, on the basis of the work carried out by the previous government, continue to give full impetus to economic transformation, drive the economy out of its predicament, enhance the strengths of Hong Kong, as well as further consolidating and promoting these strengths. After working hard for the past years as well as recently, we can now take a look at the situation of our strengths in their course of development.

Although Hong Kong as a financial centre is faced with challenges posed by the Asian financial turmoil and cyclical adjustments, as well as subject to

strong external influence, it is still able to maintain its status as an international financial hub. Of the 10 biggest listed companies on the Mainland, nine were listed in Hong Kong. This year, 60 out of the 100 listed companies in Hong Kong are associated with the Mainland. We can therefore see that Hong Kong is, and will continue to be, a key international financial hub, not only for our nation, but also for Asia. The Mainland now ranks second in terms of annual foreign investments. 55% or so of the investment, or approximately US\$25 billion to US\$30 billion, comes from or via Hong Kong. The status of being a financial hub is very important. A total of 436 000 job opportunities have thus been created. We are very pleased to see that Hong Kong continues to consolidate and strengthen this status.

What is the present situation of Hong Kong as a commercial hub? Actually, the number of foreign companies assembled in Hong Kong is growing annually. There were 2 500 companies in 1998. The number has risen to 3 200 at the moment. Insofar as other aspects are concerned, we can see that the staging of various convention and exhibition activities has become an important business for Hong Kong. Hong Kong has always been known as a city for exhibitions. Last year, 49 international exhibitions and over 900 global and corporate conventions were held in Hong Kong. Attracting a 430 000-odd attendance, these activities have greatly benefitted Hong Kong economically. We have been working very hard to maintain this edge over other Asian countries. In this connection, the Government and the Airport Authority are planning to build a new exhibition centre at Chek Lap Kok. As Members should be aware, this exhibition centre is scheduled for completion in 2005. Furthermore, in the light of the projected demand, the Trade Development Council is actively examining the feasibility of carrying out a phase three expansion project for the Hong Kong Convention and Exhibition Centre in Wan Chai. The Government's attitude towards these proposals is positive and supportive. It is hoped that decisions can be made and the relevant plans implemented expeditiously.

Insofar as the current economic developments on the Mainland are concerned, we can actually see that China has become the world's largest production base and is among the highest-potential spending markets. Hong Kong's history and status have made it very suitable for the territory to strive to be a trade centre, both for the Mainland and the world. We have come up with some initial ideas, which will be further studied and developed. I hope I can share with Members what we have in mind. I also hope Members can put

forward more suggestions. Having said that, however, we have been faring with flying colours in maintaining our status as a commercial centre. In the years to come, we must further consolidate this status in the light of the economic transformation.

Ladies and Gentlemen, Hong Kong's status as a logistics hub has indeed experienced dramatic changes over the past few years. Perhaps let us put aside logistics for the time being and turn to air transport first. 25 additional aircrafts are to be provided by two local carriers, namely Cathay Pacific and Dragonair, in three years (between 2000 and 2002). By the end of 2002, a total of 100 aircrafts will be owned by the two carriers. In the coming three years, Dragonair will have six more aircrafts, and seven more for Cathay Pacific. Earlier this year, Cathay Pacific announced that an additional 1 300 staff would be recruited. As for Dragonair, 250 staff will be recruited in 2003. As regards the freight industry, perhaps Members will have noted that Cathay Pacific will work in partnership with DHL to make use of the Hong Kong international airport to expand its freight services. Moreover, it is planned that eight cargo aircrafts will be procured for Air Hong Kong by 2010. This venture is encouraging. DHL will invest a total of US\$500 million in Hong Kong and use it as its Asian operational centre. This is not only very meaningful, but also a breakthrough to Hong Kong. When it comes to sea transport, we can see that Hong Kong continues to be the world's number one container port. With the scheduled completion of the Container Terminal No. 9 in 2005, we will see our capacity expanding further. Costing a total of \$10 billion, the terminal is expected to create 1 400 job opportunities upon its completion in 2005. To promote logistics development in Hong Kong, we have planned to build a just-in-time logistics park in north Lantau. Active work is now being undertaken to promote this project. In order to maintain our edge in this aspect, active measures will be taken to lower operating costs, particularly at Lo Wu and Lok Ma Chau. We will continue with our efforts to facilitate the flow of cargo and passengers. Broadly speaking, the logistics industry has a sizable workforce. The number of people working in the transport and warehouse storage areas reached 100 000. In the wake of rapid economic expansion in South China, we will be able to further consolidate Hong Kong's status as a logistics hub.

I think it is not necessary for me to elaborate further when it comes to tourism. We can actually see that the number of tourists coming to Hong Kong this year will experience a double-digit growth, and rise beyond 15 million. In

the next three years, with the completion of the Disney Park — in addition, the Hong Kong Wetland Park is progressing very well — the commencement of the cable car project in Tung Chung, and the prospective grant of the Marine Police Headquarters, a considerable number of new scenic spots will be added to the existing ones. We will spare no effort to ensure the continued growth of the number of overseas visitors in the next five to 10 years. By 2005, 20 new hotels will be completed, and 8 000 job opportunities will thus be created. We will certainly try our best to develop our logistics industry and tourism in the light of our strengths.

Now I would like to say a few words on hi-tech development. What role is the Government trying to play in the hi-tech area? The answer is to provide co-ordination and guidance. Promoting innovative technology does not mean we are going to seize the opportunity to produce a certain chip in order to compete with Shanghai or Shenzhen. This is because we do not have an edge in this area. Neither does it mean we are to compete with Dongguan in terms of computer manufacturing, for we do not have an edge in this area too. Through promoting new technology, we can apply the technology to enhance our efficiency to help us move in the high value-added direction, and spur sustainable economic development. In 1998, the household penetration rate of personal computer in Hong Kong was 35%. Now it has risen to 61%. When it comes to the Internet, the penetration rate was 12% in 1998, but has risen to 50% at the moment. We can thus see that IT has been developing rapidly in the territory in the past several years. The number of employees in the industry has now risen to 70 000. We can see that the efficiency of the entire territory has been enhanced in the light of software development.

The Government is also working hard in the design field. To add value, we must create our own brand-names. To achieve this, we must have our own designs. In this aspect, we will try our best to help the profession, and in particular the academic sector, to examine what can be done to enable design courses to keep pace with the times in order to meet the needs of the profession. The Government is also playing a role to give assistance and guidance in integrated circuit (IC) design. It has been pointed out by the industry that IC design in Hong Kong is having very high potentials. The Science Park and the Applied Science and Technology Research Institute are now concentrating their efforts on research of IC design. It is confident that a major breakthrough can be achieved in a couple of years. Perhaps I should take this opportunity to say a

few words on the photo mask project promulgated yesterday. Up to \$80 million is going to be invested in this project. Investment in photo mask and IC design are actually complementary to one another. It has also been shown that we are going in the right direction. In the field of innovative technology, we have just taken the first step. We are still far from the road to innovative technology. Yet I believe we are having a good start. At this point, I would like to turn to co-operation with the Pearl River Delta. Under the complementary partnership, the better the two sides co-operate, the greater the benefits the two sides will enjoy. We can see that a number of companies from Taiwan, Japan, as well as medium, and even large enterprises have invested in Hong Kong and the Pearl River Delta by combining the edge of our service industry and the edge of the Pearl River Delta in terms of production and market. Such a complementary partnership has brought new momentum to our industrial and commercial sectors as well as the economy. To ensure smooth cross-boundary access, what should we do? The answer is to link up Hong Kong with the east and west banks of the Pearl River Delta with the best possible connection. What else should we do? We should strive to make Hong Kong the most powerful driving force behind the Pearl River Delta, a new economic territory. We will continue to work hard in this area. I know Members are also working hard in this direction. Our prospects are very promising.

Efforts are still being made in various spheres to ensure successful development. In the area of manpower, an overall review of our population policy is being carried out by the Chief Secretary for Administration. Continued efforts will be made in investing in education and striving for better results through reforming the existing training and retraining programmes. We must address and promote the policy of "biliterate and trilingual" to ensure our long-term strengths in this area. We are committed to improving the living environment to convince all Hong Kong people and every one of those who come to Hong Kong for investment, sightseeing, and employment that Hong Kong, a city we should be proud of, is able to provide a decent living environment. Further steps will be taken to ensure an environment conducive to business, which is an environment genuinely tailor-made for the people.

Insofar as structural problems are concerned, we can see that we are still facing persistent unemployment problems. Active measures will be taken to assist traditional industries and to encourage the reflux of industries. Though I am greatly disappointed that concrete recommendations are still not in sight, we will surely consider such recommendations seriously in future.

Much has been done to pave the way for economic restructuring over the past several years. We have been able to see some initial results. I understand that everything remains uncertain for the jobless people. I also understand that, confronted with economic restructuring, people who are facing the prospect of losing their jobs would find their prospect pretty gloomy. For instance, I learned from today's newspapers that a boy was knocked down and injured by a taxi driven by a 72-year-old elderly driver. I trust it must be very hard for the driver. I also understand this incident reflects the numerous difficulties confronting the people at the moment. Yet it might not be possible for the measures I mentioned earlier to provide an immediate solution to problems like this. Although a good safety net is in place in Hong Kong, it is still necessary for us to work hard in the abovementioned area. This is because we must accept the fact that the global economy is undergoing enormous changes. Our country's economy is undergoing dramatic changes too. Therefore, every Hong Kong people, every enterprise and the community as a whole must not stand still. We have to face these challenges and fight for survival and a new foothold in the light of the changes in the general environment. A new position and direction are essential to creating new prosperity.

Ladies and Gentlemen, I remarked when running for the election of the Chief Executive in 1996 that behind all the prosperity, I can see many hidden worries. They include, among other things, the possible bursting of the bubble economy, weakening competitive edge, and the failure of the education system to keep pace with the times. I have also frequently said: "We must prepare for foul in fair weather". It is now October, 2002. We are faced with numerous challenges. At this point in time, it is most important that we demonstrate our faith. Our faith is not blind for it rests on a base. We do have an edge — we have our country to back us up. We can also see that the line we have adopted in the past several years has started to produce initial results and a clear direction is taking shape. At the same time, we have taken the first step to enable the economy to transform successfully, and laid the foundation for future development. I understand that the road leading to successful economic transformation is a long one. External economic development has also behaved in a relatively negative manner, and this will make it harder for us to continue with our work. Yet I am convinced that, as long as we continue to work hard, we will definitely succeed in the end. This is going to be the paramount task for the second term of the SAR Government, my colleagues and me. Thank you, ladies and gentlemen.

**PRESIDENT** (in Cantonese): The Chief Executive will now answer questions raised by Members. A total of 27 Members are now waiting to raise their questions. A Member whose question has been asked and answered may, for the purpose of elucidation only, ask the Chief Executive a short follow-up question.

**MR JAMES TO** (in Cantonese): *Madam President, the Chief Executive used to deliver his policy address in October in the past several years. In spite of the fact that the public are very much concerned about the economic and unemployment problems, the Chief Executive has decided to postpone the publication of the detailed policy proposals until next year. On the contrary, the Chief Executive proposes to legislate on Article 23 of the Basic Law, a law that is controversial and bound to dissimulate society, at this moment when the public are most worried about their freedoms being restricted and curtailed. May I ask this question: From a holistic point of view, is it a positive or negative move for the Government to introduce the law at this moment, bearing in mind the external economic factors influencing Hong Kong and the problems facing us at the moment? As the Chief Executive has spent the past five years giving careful consideration, collecting views and waiting, is it really imperative for the law to be enacted at this stage? The Chief Executive has, on past occasions, indicated that the relevant freedoms will not be undermined under the legislative proposal. However, if we refer back to the consultation paper, we will find a series of new criminal provisions, greatly expanded police powers, and the introduction of certain concepts adopted by the Mainland for restricting freedoms and activities to Hong Kong's legal system. Why is it necessary to enact a new law if there is no need to restrict freedoms, or if freedoms are not in the least to be curtailed?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, I will try to give a brief reply to this question. A lot of work has been done on the economic front. We will continue with our efforts. I remember I once said economic issues were on my mind day and night, and I was thinking about problems pertaining to the economy, economic recovery and employment every minute. The purpose of legislating on Article 23 of the Basic Law is for the sake of upholding national security. Why is it necessary to do so? Under Article 23, we are supposed to enact laws on our own to safeguard national security. Therefore, we are obliged to legislate. Actually, to legislate to uphold national security is a joint

responsibility for you, me and everyone. I would also like to stress that compliance with the responsibility of upholding national security is a cornerstone of the successful implementation of the concepts of "one country, two systems" and "Hong Kong people ruling Hong Kong".

So why is it necessary to legislate at this stage? I have not proposed to legislate in the past five years because I believed the general public should be given an opportunity to gain more confidence in the implementation of the "one country, two systems" policy. Now that five years have lapsed. I believe all of us should have gained much confidence in the successful implementation of the policy. The legislative proposal is completely based on the common law system and the existing legal foundation. It is in full compliance with the Basic Law, the Hong Kong Bill of Rights Ordinance, and the two human rights conventions applicable to Hong Kong. I understand that some members of the public are worried that the line defining the "one country, two systems" concept will become less distinct as a result of the enactment of law on Article 23. I appreciate their worries. From another angle, however, I hope people will not just listen to what others have said. What matters most is to look at the facts. We should ask ourselves whether we have got less rights and freedoms in the past five years? The answer is no. We are having more rights and freedoms. Our rights and freedoms have never been curtailed. I believe the enactment of legislation on Article 23 of the Basic Law is for the sake of upholding national security, for the sake of enabling every Chinese to comply with their responsibilities. Now that five years has passed. Now is the right time to enact the law. This is my viewpoint.

Furthermore, there is much to be done by the second Special Administrative Region Government. We will certainly allow Honourable Members to give careful consideration to this legislative proposal. We hope the proposal can be implemented expeditiously. A lot of work is still pending. On the economic front, I would like to tell Honourable Members that we will continue to work hard.

**MR JAMES TO** (in Cantonese): *Madam President, whenever we met with the Chief Executive in the past two years, I have kept on lobbying the Chief Executive over the timetable in relation to legislating on Article 23 of the Basic Law. Now that the 16th National People's Congress is going to be convened, it is possible for the emergence of a new leadership line-up and new mode of thinking. At the same time, China has signed the International Covenant on Human Rights, and*

*joined the global trade regime. Given that we have already waited five years, should we reconsider whether it is really necessary to legislate in such a haste? Insofar as major developments are concerned, if we are to enact such a stringent law today, we might on the contrary end up being ridiculed by the Chinese leadership or by the major situation in future. Will it be more appropriate if we legislate at a later date after we have gained a clear idea of the entire development trend of China as well as its attitude towards freedoms and other concepts?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, judging from the wordings I have seen and the relevant concepts I have heard, this piece of law should not be considered too stringent. After comparing with other countries such as the United States, the United Kingdom, Japan, and so on, we can see that this piece of law is relatively liberal.

Secondly, we are duty-bound to uphold national security, whatever nationality we hold. The Central People's Government has placed great trust in us. Legislative matters involving national security are usually dealt with by the Central Government. Its decision to allow a local government to legislate on its own actually represents a high degree of trust. We are therefore more obliged to legislate expeditiously. Every country in the world has enacted a law similar to this. We must, therefore, complete our task.

**MR BERNARD CHAN** (in Cantonese): *Madam President, the American Congress is now debating whether military action should be used against Iraq. Meanwhile, when the Chief Executive attended a global chief executive conference held by Forbes recently, he was asked the same question. The reply given by the Chief Executive at that time was that the impact on Hong Kong would depend on how long the war would last. The Chief Executive has spoken on numerous plans to improve Hong Kong economy earlier. I would like to ask him this question: Has the internal government of Hong Kong or the Chief Executive assessed the impact on the Government's plans or Hong Kong itself should the war break out? Has the Government come up with any short, medium or long-term contingency measures?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, actually my colleagues and I have all along been evaluating the environment of our

neighbours. For instance, Japan's newly appointed financial chief, Mr TAKENAKA, promulgated a series of measures on financial reforms a few days ago. Should these measures be implemented, a profound impact may possibly be exerted on Japan's financial system and the operation of large corporations in the short run. Evaluation has also been made on the consequences, such as the changes to be experienced by the Japanese yen, the blow on Hong Kong, and such on.

Second, the prices of American shares have dropped substantially recently. Actually, the prices of stocks worldwide are declining. What is the impact of the declines in share prices on the global banking system? Now that banks are affected by the bankruptcies of many telecommunications companies, what profound impact will such bankruptcies have on Hong Kong? All these are being evaluated as well.

Third, the numerous incidents that occurred in the United States in connection with corporate governance have badly shaken public confidence in investment in the relevant area. In this context, we are trying to grasp the impact of the future response of the equity and bond markets on the territory. As for issues concerning Iraq, evaluation has also been made. This is because Hong Kong is an external-oriented economy. Everything would cast an influence on Hong Kong. Insofar as the Iraq incident is concerned, it is better to have the war averted. Should the war really break out, it is better to have the war ended early than late. The longer the war lasts, the worse the situation will become.

In a nutshell, as the leader of the Hong Kong Special Administrative Region, we will get hold of and assess all incidents happening in the world. We will also evaluate the impact of the relevant incidents on Hong Kong.

**MR BERNARD CHAN** (in Cantonese): *Madam President, the Chief Executive has mentioned many other factors, not just the Iraq incident, earlier. Insofar as the plans to improve the economy are concerned, will they be affected significantly in terms of timing?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, Mr CHAN has raised a very good question. In the course of undergoing economic transformation, the process will be speeded up if the external economy performs well. If the

external economy fares badly, it will have a negative impact on the speed of the economic transformation. It is unfortunate that recent developments are more negative than positive. Although we are extremely concerned about the relevant situation, we hope some of the problems are not as bad as we have imagined.

**MR ANDREW CHENG** (in Cantonese): *Today, Madam President, I would like to discuss the problem concerning transportation expenses with Mr TUNG. It is known to everyone that transportation fares are exorbitant in Hong Kong. As Mr TUNG should be aware, Kowloon Tong serves as an interchange for the two railways. We have calculated the railway fares and found that it costs approximately 70 cents to travel a kilometre. Owing to the exorbitant transportation fares in Hong Kong, many people have to spend \$1,000 or so, or 10% or even 20% of their income, on transport. Under the current adverse economic situation, the people have to tighten their belts in order to meet such exorbitant transportation expenses. On the other hand, more than \$6 billion has been reaped by the two railways in the past year.*

*May I ask Mr TUNG if he thinks this is fair? The newly appointed Secretary, Dr LIAO, has demonstrated an upbeat performance by urging a number of transport operators to reduce fares. What she obtained in return, however, is just some trivial benefits. Given the fact that the Kowloon-Canton Railway Corporation (KCRC) is wholly owned by the Government, which is at the same time a key shareholder of the Mass Transit Railway Corporation (MTRC), can the Government make an urgent demand for the two railways to reduce their fares and effect a standardization on the fares? This is because a standardized fare might possibly keep the fare to 50 cents for one kilometre. This can reduce the transportation burden on the people who are now living in great adversity.*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, I deeply understand that, at the time of economic depression, high unemployment and reduced income, transportation expenses pose an enormous burden on many people. I am aware that the Secretary, Dr LIAO, is now conducting an overall assessment on transportation fares. It is hoped that appropriate transportation fare levels can be determined to, on the one hand, make transportation fares affordable to the people and, on the other, maintain cost-effectiveness and render a good standard of service. We should be able to provide a more comprehensive reply

to Members and the wider community very soon. I hope Mr CHENG can have faith in our accountability system. Many matters are now being actively processed and monitored.

**MR ANDREW CHENG** (in Cantonese): *Madam President, faith is based on concrete response. It is evident to me that the Secretary has made a lot of efforts. However, it has been rumoured that the government internally might have different views on whether the Secretary's comment is affecting the operation of certain commercial undertakings. I am therefore very worried. The Chief Executive has always said that we have failed to come up with concrete recommendations. This is why I tried to give him a concrete piece of advice just now. It is said that Mr Michael TIEN, Chairman of the KCRC, considered the standardization of fares feasible. After its listing, however, the MTRC appeared to be quite reluctant to discuss this issue. This is why I raised this proposal earlier in the hope that the Chief Executive can "give endorsement" to this matter, or "sense the urgency of the people and think in the way they think". What the people want at the moment is to have the transportation fares reduced. I hope the Chief Executive can give me a concrete reply without delay.*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, internally, the government is bound to have diverse views on every issue. This is also a healthy phenomenon. We may all take part in debates. Nevertheless, we can usually reach a consistent direction when making the final decision. I have mentioned earlier that the Secretary, Dr LIAO, is studying this matter. We are also extremely anxious, and hopefully a conclusion can be reached at an early date.

**DR DAVID LI** (in Cantonese): *Madam President, may I ask the Chief Executive what special wish he has had for his five-year tenure?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, I would like to tell Dr LI that there is just too much that I would like to do. The challenges facing Hong Kong are also numerous. In any case, priority will be given to key tasks. The so-called key tasks refer to reviving the economy and restoring the people's confidence, as I said earlier. As for what are my wishes? I hope Hong Kong economy can be transformed successfully and that the economy would enjoy a prosper growth in five years.

**MR ALBERT CHAN** (in Cantonese): *Mr Chief Executive, I have raised a question to you two years ago in the light of the Wah Kai incident. You asked me if my question was real. That real question has existed for two years and is still not yet solved.*

*I would like to raise another real question to you, that is a question about confidence crisis. I hope you will not again ask me if this question is real. Article 23 of the Basic Law has brought about a new political confidence crisis to a certain extent. The people, be they ordinary citizens, taxi drivers or waiters of the McDonalds Restaurants, would have some opinions of their own. They think that the enactment of law in relation to Article 23 of the Basic Law would have certain impact on their personal freedom and human rights, and that such freedom and rights will also be undermined as a result. Of course, you have stressed again and again that such a situation would never happen. You reiterated that the freedom Hong Kong now enjoys is greater than the past. However, not too many people would believe in such words. Although the actual negative impact is still not considered too great, the confidence crisis does exist.*

*Presently, the financial crisis is not yet solved and the unemployment crisis still exists. When so many crises are still in existence — they come over us one after the other like waves, so overwhelming, or heavy as mountains — the whole community of Hong Kong will be beset with many problems. And now, you have created another new political crisis. How can you ensure that, after accomplishing this political mission of enacting law in relation to Article 23 of the Basic Law, you can avoid or minimize the occurrences of political and confidence crises?*

**CHIEF EXECUTIVE** (in Cantonese): Mr CHAN, it is the common responsibility of you and me as Chinese citizens to implement Article 23 of the Basic Law. Five years have passed, and it is the right time to enact the law. There are some worrying voices in the community, but there are also positive and supportive voices in the community as well. I personally think that, on this issue, all that the Government should do is to keep on explaining, to the best of its abilities, to people with doubts like you why this is necessary, in the hope that we can convince those who have doubts on their minds.

On the other hand, I do think this is the right moment to enact the law. I do not feel that there is any political crisis. Everyone is doing it for the benefit

of the country and for the benefit of Hong Kong. It is fitting and proper that we should enact the law.

**MR ALBERT CHAN** (in Cantonese): *I remember when I talked about the financial crisis of Hong Kong about five years ago, a lot of people scolded me. The Chief Executive also blamed us for badmouthing Hong Kong. However, that worries I had five years ago have really happened. Of course, the occurrence of the financial crisis is not my responsibility. Now I tell the Chief Executive that there is a political crisis. But he tells me that it will not happen; it might be people like us who had caused all these panic and that we had the responsibility to explain to the people. However, the enactment of the law has actually created a lot of factors and many provisions have been drafted to restrict various political rights, human rights and freedom. How can the Chief Executive ensure that, while he fulfils or implements his political mission, the worries on the mind of everyone, as well as the deprivation and exploitation of human rights and dignity of the people can be minimized?*

*I just wish to ask the Chief Executive, in what ways can he ensure that the consequences can be minimized?*

**CHIEF EXECUTIVE** (in Cantonese): In fact it is not a question of minimizing the consequences. Actually, there will not be any consequences. I have explained to Mr CHAN for many times already. *(Laughter)*

**MR LAU KONG-WAH** (in Cantonese): *Madam President, Mr TUNG attaches great significance to the economic co-operation and the logistics between Guangdong and Hong Kong. I would like to ask some thing about the bridge under discussion which links up Hong Kong, Macao and Guangdong which is also very important, particularly when the Guangdong Province is putting its focus on the development of its western part.*

*I wish to ask, has Mr TUNG adopted any formal stance on the timetable in building this bridge, and whether the Government would directly liaise with the Guangdong Province, so as to promote the early construction of this bridge?*

**CHIEF EXECUTIVE** (in Cantonese): Mr LAU, I will support any infrastructure projects that would strengthen the link between Hong Kong and the east and west coasts of the Pearl River Delta Region. The SAR Government will also support such projects. The development of the western part of the Pearl River Delta is closely related to the future development of Hong Kong. Therefore, the existence of a better passage would be very important to us. In fact, as I have just said, this is also important to the west coast of the Pearl River. This is the first point.

The second point is, we must understand that, no matter in what form the passage under discussion is built, be it a bridge, or be it partly a road and partly a tunnel, over 90% of it would be within the geographical sphere of the Guangdong Province. Therefore, all sorts of issues such as the ecological problems, the environmental protection issues or the impact on the navigational channels, will hinge upon the decisions of the Guangdong Province which shall be decisive. On this aspect, I am glad to inform you that the SAR Government has already, in conjunction with relevant bodies of the Central Government, started to conduct some research work to see if the project is feasible and how it should be proceeded with. Therefore, I can tell you that we are adopting a positive attitude.

**MR LAU KONG-WAH** (in Cantonese): *Madam President, apart from the need for building it and the support he has for the project, Mr TUNG said that the timing is also very important. In the past, the Government's stance is: the need for building it would not arise until 2016. But in my opinion, we already have the need for building it now. Therefore, does the Chief Executive think that it is necessary for him to amend the timetable of not building it until 2016 when the need arises?*

**CHIEF EXECUTIVE** (in Cantonese): Mr LAU, in fact, some consortia have said that they would be able to raise capital for the project by way of financing. Therefore, if they can do it, they will proceed with the construction as soon as possible. As these are development projects of private enterprises, the Government will not and cannot provide assistance. Furthermore, there are enterprises really interested in operating it.

On this, I would like to stress once again that we hope the project could be proceeded with as soon as possible. But it really takes time to do it because it does not only involve Hong Kong, but also a lot of other national units such as the Guangdong Province. For this reason, it does take some time to proceed, and we hope that everyone could his best to work on it as soon as possible.

**MR LAU CHIN-SHEK** (in Cantonese): *Madam President, the Chief Executive just pointed out that Article 23 of the Basic Law is in fact consolidating the foundation stone of "one country, two systems". And he also points out that he appreciates the worries of the people. I believe that the worries of the people are a reality. The Secretary for Justice Ms Elsie LEUNG pointed out yesterday in a reply to the Hong Kong Bar Association and the Law Society of Hong Kong that, if no consensus is reached on the proposals contained in the Consultation Document, the Government will have to reassess the situation. I would like to ask the Chief Executive how he interprets "consensus reached"? If no consensus is reached within the consultation period, will the Government insists on tabling the proposals for enacting the law? What are the implications of "reassessing the situation"? What are the criteria? What will the Government do?*

**CHIEF EXECUTIVE** (in Cantonese): *Madam President, Mr LAU, since the consultation period has just started, I do not want to come to any conclusion here. I hope that everyone would provide more comments, and would understand the content and the spirit of the document. I believe most of the people in Hong Kong would support and accept it. As citizens of a country, we should take up the responsibility of safeguarding the security of our country.*

**MR LAU CHIN-SHEK** (in Cantonese): *Madam President, I hope the Chief Executive could explain what a "consensus" is. Is the support from the majority of the people a consensus? How can we know that the majority of the people supports it?*

**CHIEF EXECUTIVE** (in Cantonese): *Madam President, as the consultation period has just begun, I think everyone should listen to what other people have to*

say. In fact, regarding public opinion polls, I have also read newspaper reports on some public opinion polls. Therefore, many channels are actually available. I also believe that Hong Kong people are in support of this legislative proposal.

**MR HOWARD YOUNG** (in Cantonese): *Madam President, both the Chief Executive and the Financial Secretary have mentioned the importance of stabilizing the property market, and they also pointed out the relationship between a plummeting property market and deflation. And there were even people saying that the Government will jack up the property market. People in the community have the feeling that the Government may introduce a basket of policies or measures. But so far no action has been taken by the Government. I would like to ask, what major considerations the Government actually has in this regard?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, first, we cannot stabilize the property market by simply saying that the Government is going to "jack up" the market. Many economists have spoken to me and my colleagues that during the past four and a half years, the deflation rate is 13%, of which about 57% is attributable to the drastic drop in property prices. And we also know that deflation has already caused serious damage to Hong Kong. Secondly, we can see that if property prices keep on falling like this, it will deal a further blow to people who own negative assets properties, undermining their consumer sentiments and affecting the overall economy of Hong Kong. Thirdly, although our banking system is sound and healthy with no problem at all, even a further slight drop of property prices will not affect the system, we have to watch closely what kind of impact it will bring if property prices keep on plummeting.

Basing on so many reasons, and as we also know that property prices is still a major pillar of our economy, so on the issue of stabilizing property prices, we hope that such prices would go up a bit after being stabilized. This is actually what we would like to see. It should be good for Hong Kong and good for everyone. During the past two to three years, we had adopted a series of measures. We saw them being effective for a while. But due to the influence of some other external factors, the measures failed later on. They worked for a while, but later the oversupply situation defeated these measures. They worked for a while, but then the confidence problem defeated these measures again.

However, irrespective of what had happened, we really must do something about it. Secretary Michael SUEN is working earnestly on the issue in the hope of introducing some policies or measures in the near future. I would like to stress that even when we introduce the measures, the effect may not be felt promptly within a day or two, or a month or two, because the Government cannot manipulate the market. However, in the long term, as the Government is after all the largest landowner, we can exert some influence on the long-term demand and supply of housing flats. The Government might have intervened too much in the market in the past on several issues, and we should minimize our intervention. Therefore, we shall study the issue in detail and then report back to you in due course. I know everyone is very keen and wish to have a quick reply, but it is better for us to conduct our study in greater detail and in a more thorough manner before releasing the outcome.

**MR HOWARD YOUNG** (in Cantonese): *Madam President, the Government always says that it is conducting some studies without disclosing anything. Is it because the Government worried that once it releases any report, it will be accused of prejudicing in favour of property developers? Does the Government realize that the number of vacant flats held by the developers is only about 70 000, whereas there are more than 1.4 million people who own private properties? They are actually the people who want to see the stabilization of the property market, not the developers.*

**CHIEF EXECUTIVE** (in Cantonese): *Madam President, whatever we do is for the general public. Our consideration is not for the property developers.*

**MR HUI CHEUNG-CHING** (in Cantonese): *Madam President, the deficits of the first five months of this fiscal year amount to \$56 billion. Yesterday, Financial Secretary Mr Antony LEUNG told us in this Council that he would introduce a series of measures to reduce the deficits, including levying higher tax rates, cutting down Comprehensive Social Security Assistance, reducing the number of civil servants, and so on. However, according to our experience in the five years after the reunification, whenever the Government introduces such measures, it would meet with a lot of resistance. Will the Chief Executive tell us in what ways can the Government implement these measures successfully?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, yesterday "Chung", that is, Antony had discussed with you people until 10.30 pm. You still do not find that enough? (*Laughter*) In fact, the deficits we are facing have now really shown some discrepancies in two ways from what we originally estimated. First, we did not sell the shares of the MTR Corporation Limited as planned because we are considering the launch of a merger of the two railway companies. However, this does not mean that any assets are missing. These assets are still with us. We just have to wait until next year or the year after the next before we sell them. Secondly, there may be some impact from the sale of land, especially when we have sold less land. However, selling less land does not mean that we are losing any assets. The pieces of land are still with us. We just sell them at later dates. In fact, it is most important for us to see our economy go up. When we come to next year or the year after the next, if the economy is really going up, and if deflation is slowing down, then the situation will become better. Therefore I really feel that we need to do our best to make our economy transform successfully. This is the ultimate solution. Of course, the Financial Secretary had put forward a lot of very good proposals. But at the moment, we need to consider the circumstances and to discuss the issues with you.

**MR HUI CHEUNG-CHING** (in Cantonese): *Madam President, I have a very simple follow-up question. I would like to ask the Chief Executive, when you introduce any measures, be they aim at reducing expenditures, or exploring new ways of generating revenues or downsizing the organizations, can the Government promise that, before the measures are duly discussed and agreed on, they would not be introduced to "target at" the people or the business community?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, we must have the determination to solve the problem of deficits. Regarding the ways of solving the problem, I have just said that it is most important for us to see the revival of our economy. Apart from this, Antony has put forward many different proposals, so that we can have the chance to communicate with you. We are doing some preparation work internally to facilitate our communication with you. We hope that we can come up with some comprehensive proposals which can reduce the deficits on the one hand, and make you satisfied on the other.

**MR JASPER TSANG** (in Cantonese): *Madam President, the Chief Executive said earlier that he would stabilize the property market and it is not surprising to find different opinions on this in the community. However, I note in particular that some people say that the message sent by the Government on this is at times contradictory and confusing and there is a lacking in the sense of direction. For example, on one hand, the Government says that costs have to be lowered to make Hong Kong more competitive, but if moves are made to prop up the property market, how then can costs be lowered? In addition, even as the Government says that the property market should be stabilized, people will say that the Cyberport and the Science Park and so on are launching some cheap office premises to suppress the property market. All these make people think that whenever the Chief Executive talks about the property market, he would say that he wishes to see that it is stable and property prices will go up slowly. However, what he does may be contradictory to what is done in reality. So, would the Chief Executive agree that with respect to this issue the Government does not have a clear sense of direction or that the message it sends is not too consistent?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, one has to look at two aspects when talking about competition, and commercial properties are one of them. Since 1997 the prices of commercial buildings have fallen by about 65% and it is quite a big drop. So when compared with the past, the current prices of commercial properties will serve to make us more competitive. The first reason why we launch the Cyberport and Science Park is to attract more professions from abroad to come here to set up their offices. The second reason is that even for local companies, they have to place an emphasis on research and development (R&D) and they should increase their R&D efforts after they have moved into the Cyberport and the Science Park. Third, we will set up information technology and other technology platforms in both the Cyberport and the Science Park. For example, we are studying into the setting up of an integrated circuit design platform in order to offer direct assistance to tenants who have moved in.

As to the question of whether the message we send is confusing, I would not agree to that. In 1997, the business environment was badly hit because prices of commercial and residential properties were too expensive. However, in 2002 this is no longer the most important factor. The most important task we have now is the stability of the financial system as a whole and how to cope with the problem of deflation.

**MR JASPER TSANG** (in Cantonese): *Would it be true to say that reducing business costs is no longer an important issue that we have to cope with?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, we still need to cope with the issue of reducing business costs. For example, the time taken for custom clearance at Lo Wu and Lok Ma Chau is too long and that pushes up our business costs. That is a problem we still need to cope with. Or for example despite the improvements made in our approval procedures, there is still room for improvement in other areas. Once the process is expedited, then more business costs could be reduced. So there are many things which we will keep on doing, and those which involve business costs are not just confined to the real estate sector.

**MRS SELINA CHOW** (in Cantonese): *Madam President, originally I would like to ask the Chief Executive to undertake that a sales tax would not be introduced, but he said that every time when he came to this Council, I would ask him this question. So today I will not raise this question again. Having said that, I am convinced that the introduction of a sales tax is something which goes against economic recovery.*

*The Chief Executive mentioned earlier about tourism. I know that he and the Government are both very concerned about and supportive of the tourist industry. The most important role of the Government lies in the construction and promotion of "hardware", however, but unfortunately, very often, a project may take many years from the decision to build up to its completion. As Hong Kong faces very fierce competitions and time is often very short, may I ask the Chief Executive whether he has any good ideas on shortening the lengthy process in planning, land, administration and so on? As a matter of fact, we all know that generally speaking, it would take a very long time to build an ocean liner terminal or a golf club due to the process which I have mentioned. May I ask whether there is any thorough solution to this situation?*

**CHIEF EXECUTIVE** (in Cantonese): Mrs Selina CHOW, both my colleagues sitting on my right hand side and I myself feel that we can make things faster and we will work hard in this direction. But to be fair, during this couple of years, quite a lot of things have improved. The process of giving approvals is faster

than before, for example, with respect to the giving of approvals to food establishments to operate and so on. However, there are still areas that need to be improved on. We will certainly try to do better. However, we will not be able to take such proactive steps in shortening the application process as the authorities in the Pearl River Delta region are doing. It is because it would not be possible for us to do so when taking into account the conditions that we have. But we hope that we will not fall into the same plight as some Western countries where the approval for some applications is not granted after 10 to 20 years due to various considerations. We will try our best to do better.

**MRS SELINA CHOW** (in Cantonese): *Madam President, Mr Chief Executive, with respect to shortening the processing time, it is important that things should speed up within the Government and I am aware that the Government has made many efforts in co-ordination in many areas, the Financial Secretary, for example, has worked hard on this issue. But of equal importance is that there should be more efforts made from all quarters, including this Council and the private sector developers. The entire community should get involved in this. Besides, with respect to procedures, could studies be made to procedures which caused delays? I am not saying that anyone is causing delays on purpose, but I am thinking that the existing framework could be improved. I believe a lot of time can be saved if we are able to obtain an understanding from this Council and co-operation from the outside.*

**CHIEF EXECUTIVE** (in Cantonese): I do not know if Mrs Selina CHOW has noticed that with regard to the building of highways, the time taken has shortened by more than two years. As regards other areas, I am grateful for the suggestion made by Mrs CHOW. We can explore this with the Legislative Council to see how the time taken in certain procedures can be shortened. We will work hard on this. I hope that in the next few months after we have taken some active steps on this then we will get in touch with you again.

**PRESIDENT** (in Cantonese): Mr Chief Executive, the time now is three minutes past four o'clock in the afternoon, but only 11 out of the 29 Honourable Members who are waiting for their turn to raise their questions have had the opportunity to do so. Of course, at the commencement of the meeting, the

Chief Executive has used some time to give us a detailed picture of the economic situation in Hong Kong, whereas for the Honourable Members, they have put their questions quite lengthily because there may be a lot of things they would like to air.

May I ask the Chief Executive if he would like to stay here a bit longer up till a quarter past four?

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

**PRESIDENT** (in Cantonese): Thank you, Mr Chief Executive. Dr LAW Chi-kwong.

**DR LAW CHI-KWONG** (in Cantonese): *Madam President, I would like to raise an old question to Mr TUNG. It is about the old people. The old people of Hong Kong have cherished a hope over the past few years that the Government would increase the Old Age Allowance, or the "fruit grant" as it is commonly called. Unfortunately, this hope is dashed as four years have passed. What remain are sheer worries. It is because many reports have pointed out that the Comprehensive Social Security Assistance (CSSA) payments will be reduced and since the amount of "fruit grant" is pegged to the CSSA payments, the old people are very worried because they think that the "fruit grant" will be reduced. I am sure Mr TUNG knows that many old people depend on the \$705 of "fruit grant" for a living. Would Mr TUNG at least give an assurance to the old people on this issue which has remained unsettled for four years that the "fruit grant" will not be reduced?*

**CHIEF EXECUTIVE** (in Cantonese): At about 7 am the day before yesterday when I was on my way to the office, a few elderly persons stopped me in front of my office and talked to me. They asked me if the "fruit grant" would be reduced. I asked them where did they get this idea that the "fruit grant" would be reduced. Their answer was that everybody was saying it. I told them not to trust those people. Trust me. Trust Dr YEOH. Do not trust these people. The "fruit grant" will not be reduced.

**DR LAW CHI-KWONG** (in Cantonese): *Madam President, I have nothing to follow up. Thank you, Mr TUNG. (Laughter)*

**MR LEUNG FU-WAH** (in Cantonese): *Madam President, with regards the reply given by Mr TUNG earlier on the questions raised by a number of Honourable colleagues on the issue of legislating to implement Article 23 of the Basic Law, personally I am very satisfied with it. As a Member of the Council representing the labour sector, I am concerned not only about the unity of my country and its security, but also about employment and other economic issues. I hope the Chief Executive would give me a satisfactory reply to the question I am about to raise. It is because as Members recall, the replies given by the Chief Executive during the last two Question and Answer Sessions were rather ambiguous.*

*Now there are more than 240 000 foreign domestic helpers who come here through lawful channels, but at the same time there are also many illegal workers who have also come here lawfully. Some workers told me that there were some holders of two-way permits working as domestic helpers secretly. Another example is that there is a recent incident of an illegal worker who fell to his death in an accident from a building in Kwun Tong. All these show that government efforts in combatting illegal workers have not been adequate. May I ask the Chief Executive why is it so difficult on the Government's part to undertake a review of this scheme of foreign domestic helpers which has already been put in place for 32 years? Why is the Government reluctant in making such a review? How is the Government going to make effective efforts to combat illegal workers?*

**CHIEF EXECUTIVE** (in Cantonese): Mr LEUNG, in fact, we all find it hard to accept the fact that our unemployment rate is as high as 7.5%. The ultimate solution for it lies in economic recovery. We are moving in the direction of an economic restructuring, the goal of which is to pave the way for economic recovery in the long run. With regard to the present problem of unemployment, we should really do something about it. On the issue of combatting illegal workers, I said before that we would not be lenient in tackling it. Over the past couple of months, the Labour Department, the Immigration Department and the police have carried out more than 1 300 joint operations and more than 2 000 persons were prosecuted. I can assure Mr LEUNG that we would step up efforts in this regard. Hong Kong is a society under the rule of law and we

would not tolerate such a state of affairs. I also notice some figures which indicate that the demand for local domestic helpers is growing very fast. So the local domestic helpers should be given an opportunity to work. I believe something can be done when the action to combat illegal workers is complete, such as creating job opportunities in the construction sites. If Honourable Members have any special information on this, we will be very willing to know about it. I hope we could further co-operate in this respect.

**MR LEUNG FU-WAH** (in Cantonese): *The reply which Mr TUNG gives does not mention anything about making a review of the policy on foreign domestic helpers. May I ask whether the Government would conduct a serious review of the policy?*

**CHIEF EXECUTIVE** (in Cantonese): We are now considering a population policy for Hong Kong and the Chief Secretary for Administration is also making a detailed review in this respect. It remains of course, that in the long run, we need to look into what kind of people, what kind of manpower and people with what kind of qualities would be needed for our future economic development. We also have to make many considerations in the short run and the policy on domestic helpers is one of them. If Mr LEUNG has any comments on that, he is welcomed to make his views known to the Chief Secretary for Administration directly.

**MR FREDERICK FUNG** (in Cantonese): *Madam President, two weeks ago, both Mr TUNG and the Financial Secretary said publicly that the Government would try to jack up the property market, in the hope that it could pick up slightly. Actually, I very much wish to know what exactly Mr TUNG has in mind. Is the Government going to jack up the property market at all costs, and on a continuous basis, until the property market itself picks up, just like what it did with the stock market a couple of years ago? The second possibility is that the Government may adopt an approach of alternating between jacking up and inertia, so that the property prices would drop slowly but not drastically. The third possibility is that the Government may just be making some verbal efforts, meaning that it will do nothing concrete. May I ask Mr TUNG what exactly he has in mind?*

**CHIEF EXECUTIVE** (in Cantonese): I thought Mr FUNG would ask a question on public rental housing. *(Laughter)*

Mr FUNG, I have already explained very clearly, and I simply do not know how I can possibly explain it more clearly. Property prices have already plummeted to a level which jeopardizes our overall economic development. This is something we cannot accept. The Government will do the best it can.

**MR FREDERICK FUNG** (in Cantonese): *Madam President, I wish to pursue the question I put to the Chief Executive further. I can remember what Mr Michael SUEN, Secretary for Housing, Planning and Lands, said in this Chamber in July, following the appointment of senior officials under the accountability system for principal officials. He said that the Government had neither any crystal ball nor magic wand which could make property prices go up, and that most importantly, we must wait until all the excessive private housing units had been absorbed before deciding what to do next. The way that the Secretary thought seems to be different from that of Mr TUNG. May I ask Mr TUNG whether he has ever thought about how he should deal with Secretary Michael SUEN? Or, had he already dealt with Secretary Michael SUEN before jacking up the property market? (Laughter)*

**PRESIDENT** (in Cantonese): Mr FUNG, your supplementary question should have focused on the Chief Executive's reply. But in order not to waste Members' time, I shall leave it to the Chief Executive to decide whether or not he is going to give a reply.

**MR FREDERICK FUNG** (in Cantonese): *There may be resistance, resistance to the efforts of jacking up the property market.*

**CHIEF EXECUTIVE** (in Cantonese): Mr FUNG, you are trying again to go between me and my officials. *(Laughter)*

Actually, I think Members should know very well that when it comes to the rises and drops of property prices, in the short run, for example, in a matter of just one day, two days, one week, one month, two months or even three

months, the Government cannot possibly do anything much except influencing market sentiments. But in the long run, the Government can definitely exert its influence, because the Government of Hong Kong is after all the largest land owner; and secondly, it controls the pace of approval for land grants. That is why the Government is certainly able to do something, but the effects will only be felt in the longer run.

**MR WONG YUNG-KAN** (in Cantonese): *Madam President, in 1999, in order to develop an industry for ocean going vessels in Hong Kong, the Government commissioned a consultancy study; the study lasted some 30 months and confirmed the feasibility of developing such an offshore fishing industry in Hong Kong. But the development of such an industry will require relatively substantial investments, because a fishing vessel that can meet the required standards will need an investment of more than ten million dollars. There are only several million dollars in the fisheries development fund, but a dozen or so fishermen are now waiting to apply for funding to engage in this industry. May I ask Mr TUNG whether the Government will inject more money into this fund for the development of this industry?*

**CHIEF EXECUTIVE** (in Cantonese): Madam President, I do not know whether Mr WONG has discussed this issue with the relevant Policy Bureau. I am not personally involved in this matter.

**MR WONG YUNG-KAN** (in Cantonese): *Madam President, I once raised the idea with Secretary YEOH Eng-kiong, but he bluntly replied with a straight "no negotiations", saying that there would be no injection of money. I think since the Government wanted us to develop this industry ..... the most difficult thing is to ask fishermen, who are not so highly educated, to discuss the matter. Two years ago, when I discussed this issue with the Chief Executive, he also expressed the hope that we could develop this industry. But I simply fail to understand why the relevant Policy Bureau should have responded with a straight "no negotiations", refusing even to consider at all .....*

**CHIEF EXECUTIVE** (in Cantonese): Mr WONG, as a responsible Chief Executive, I promise you that I will discuss the matter with Secretary YEOH Eng-kiong. *(Laughter)*

**MR WONG YUNG-KAN** (in Cantonese): *Good, thank you very much.*

**MS EMILY LAU** (in Cantonese): *Mr Chief Executive, when you replied to our questions just now, you said that you hoped to help people restore their confidence. If people are to restore their confidence, they will have to be sure that they can be the master of their own house, in other words, can select the government they want. Therefore, Madam President, may I ask the Chief Executive whether he will accept the request which the Legislative Council has twice made, that is, the request that consultation on our political reform should commence immediately. And, has the Chief Executive noted the view (which even the commercial sector has started to share) that time is already running out because 2007 is just right round the corner, and that this issue is highly complex and controversial? Will the Chief Executive give up his past position concerning the need to go past two checkpoints before conducting any consultation, one being the election of the second Chief Executive and the other, the Legislative Council election in 2004? Will he make any adjustment now and commence the relevant policy review immediately or at least as soon as possible?*

**CHIEF EXECUTIVE** (in Cantonese): Ms LAU, Secretary Stephen LAM is now conducting a study on this, and I know that he will let Members know his findings in the not distant future. The authorities will certainly conduct consultation on when the appropriate time should be. There will definitely be consultation. Members will definitely be consulted on when the appropriate time should be. And, about being the master of our own house, it is really high time that all of us, the Chinese in Hong Kong, should start to act as the master of our own house. We must have concern about our country's development and security. That is why I really think that it is now the time for us to enact legislation on all these issues. I mean, we must enact legislation on implementing Article 23 of the Basic law.

**MS EMILY LAU** (in Cantonese): *Madam President, if the Chief Executive insists on discussing Article 23 of the Basic Law, mastery of our own house and democratization altogether, I think many people will be very delighted. The consultation document mentions that similar powers can also be found in some countries. But, obviously, the powers found in these countries are not as "excessive" as those being proposed to us. Does the Chief Executive, however, agree that the civilized and democratic countries mentioned in the consultation document all enacted the relevant legislation on their own, and their people have*

*the right to replace their governments? Does he agree that such should be the best time to enact the laws which members of the public think will reduce their human rights? Besides, does the Chief Executive have the feeling that as long as people are not given the right to take part in the election of the Chief Executive and all the Members of the Legislative Council, they cannot be considered the master of their own house?*

**CHIEF EXECUTIVE** (in Cantonese): The election was held in strict accordance with the procedure laid down in the Basic law. Ms LAU, I am an elected Chief Executive, and the election was held in accordance with the procedure laid down. Our future development will also take the direction laid down in the Basic Law.

**PRESIDENT** (in Cantonese): It is now 4.15 pm. The Chief Executive's Question Time is to end here. Mr Chief Executive, do you still have anything else to say?

**CHIEF EXECUTIVE** (in Cantonese): I do have one point. May I raise it to the Honourable Members?

**PRESIDENT** (in Cantonese): Yes, Mr Chief Executive, please make your point.

**CHIEF EXECUTIVE** (in Cantonese): I wish to say a few words to Honourable Members on the accountability system for principal officials (the accountability system). The accountability system took effect on 1 July this year, and my appraisal of it is that it has been well operated, with obvious effectiveness so far. Members can see that since the implementation of the accountability system, the political culture of Hong Kong has become more open. The accountability system has raised the people's expectations towards the Government, thus placing the Government under an even stronger supervision of the people. Government officials have also become more active in communicating with the people through various channels, thus building up a closer relationship between the Government and the people. It can now be seen that whenever problems arise in society or when people have any aspirations, the Government is able to respond much more quickly than before. And, government officials have become much more willing to assume responsibilities.

Actually, since the implementation of the accountability system, not only principal officials, but also the Government as a whole, have become more accountable to the people; accountability has obviously been increased. In the past, government officials used to follow precedents or consider things from the perspective of policy implementation. But now, this mentality has changed. Our prime concerns now are the people's aspirations, what their most pressing problems are, and how best to co-ordinate and look after different needs in the light of our overall, long-term interests. Because of such a change in the way of thinking, the style of administration as a whole has also undergone a significant change. Members can see clearly that our officials are now very active in liaising with the various strata and sectors of the community, and they are braver than before in making known their views about problems, so as to induce valuable feedback and people's opinions.

The accountability system has also brought about another change. It is unprecedented in the history of Hong Kong. Principal officials are not only able to make plans within their respective portfolios in the coming few years, but are also able to acquire an integrated and thorough understanding about the missions and directions of their counterparts. In the past three months, with a view to fostering a complete understanding of the overall policy of the Government among principal officials, we held quite a number of meetings among principal officials. During these meetings, we not only gave them simple presentations and briefings, but also engaged them in serious and pragmatic exchanges on all the relevant policies. Principal officials were also able to consider and even explore the values underlying the policies. The resultant understanding has given each and every Bureau Director a much clearer sense of direction in the course of policy formulation, and they have also become better able to achieve policy consistency and priority. At the same time, we of course realize that in the process of policy formulation in the future, we must widely consult the community and the Legislative Council, and must also discuss with Legislative Council Members, so as to obtain popular support.

Overall, I think the direction of the accountability system is correct. We must acknowledge its effectiveness, take good care of it and help it perfect itself. It is only natural that such a major change will need some time for adjustments and perfection in some areas. We will continue to exchange views with the different sectors and strata of society and Members of the Legislative Council, with a view to bettering the accountability system, making it more mature and conducive to the development of Hong Kong.

Thank you.

**MR ALBERT HO** (in Cantonese): *Madam President, the Chief Executive has so exceptionally spoken again following the ending of the Question Time, so I wonder if the Chief Executive can extend the Question Time of this Council just a little bit, so that we may ask further questions on the remarks he has delivered?*

**PRESIDENT** (in Cantonese): Is the Chief Executive prepared to give us five more minutes, so that Members can ask further questions?

**CHIEF EXECUTIVE** (in Cantonese): But I am in a hurry to attend another meeting.

**PRESIDENT** (in Cantonese): Mr HO, since the Chief Executive is in a hurry to attend another meeting, if you wish to ask any further question, you may perhaps present it in writing to the Chief Executive, who may then reply to you also in writing.

**CHIEF EXECUTIVE** (in Cantonese): I can reply in writing, or Mr HO may talk to me direct. I am very pleased to do so.

## **NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 16 October 2002. The Chief Executive will now leave this Chamber. Will Members please stand.

*Adjourned accordingly at twenty-one minutes past Four o'clock.*