

# OFFICIAL RECORD OF PROCEEDINGS

**Wednesday, 16 October 2002**

**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 MARTIN LEE CHU-MING, S.C., J.P.

THE HONOURABLE ERIC LI KA-CHEUNG, 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 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 LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI

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

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE WONG YUNG-KAN

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

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

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

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

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

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

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

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

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

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

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

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

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

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

THE HONOURABLE LI FUNG-YING, J.P.

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

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

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

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

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

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

**MEMBERS ABSENT:**

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

THE HONOURABLE MARGARET NG

THE HONOURABLE LAU PING-CHEUNG

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

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

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

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

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

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

**CLERKS IN ATTENDANCE:**

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

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

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

## TABLING OF PAPERS

The following papers were laid on the table pursuant to Rule 21(2) of the Rules of Procedure:

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
Commodities Trading (Trading Limits and Position Limits) (Amendment) (No. 2) Rules 2002 .....	142/2002
Securities (Exchange – Traded Stock Options) (Amendment) Rules 2002 .....	143/2002
Securities (Miscellaneous) (Amendment) Rules 2002 ....	144/2002
Drug Trafficking and Organized Crimes (Amendment) Ordinance 2002 (26 of 2002) (Commencement) Notice 2002.....	145/2002

### Other Papers

- No. 2 — Urban Renewal Authority  
Annual Report 2001-2002
- No. 3 — Companies Registry  
Annual Report 2001-02
- No. 4 — Electrical and Mechanical Services Trading Fund  
Annual Report 2001/02
- No. 5 — The Government Minute in response to the Report No. 38  
of the Public Accounts Committee dated July 2002

## ADDRESS

**PRESIDENT** (in Cantonese): Address. The Chief Secretary for Administration will address the Council on the Government Minute in response to the Report No. 38 of the Public Accounts Committee dated July 2002.

**The Government Minute in response to the Report No. 38 of the Public Accounts Committee dated July 2002**

**CHIEF SECRETARY FOR ADMINISTRATION:** Madam President, laid on the table today is the Government Minute responding to Report No. 38 of the Public Accounts Committee (PAC). The Minute sets out the measures that the Government has taken, or is taking, on the conclusions and recommendations contained in the Report.

The Report covers the issue of "Mechanized street cleansing services" in the Director of Audit's Report No. 37 and four of the five subjects in the Director of Audit's Report No. 38 which the PAC has selected for further investigation.

The Honourable Eric LI, Chairman of the PAC, spoke on 10 July when tabling the PAC Report. I would like to respond to some of his comments.

First, there is room for improvement in our mechanized street cleansing services. As a result of comprehensive reviews, the Food and Environmental Hygiene Department (FEHD) has introduced various improvement measures. They include revising the frequency of cleansing, upgrading time standards and work values, and streamlining work procedures. As a result, the Department now delivers the service with 72 posts and 20 mechanical cleansing vehicles less, saving \$13 million a year.

The FEHD is also simplifying its supervisory hierarchy. For example, it has reduced the three-tier structure to one-tier for supervising outsourced cleansing service and has removed the layer of Senior Foremen for in-house cleansing service. Over 350 Foreman grade posts have been redeployed with annual recurrent savings of \$49.3 million.

The FEHD will continue to explore ways to further enhancing productivity and rationalizing its staff structure.

The Administration is committed to liberalizing the local fixed telecommunications market and promoting competition. There is no doubt that telecommunications in Hong Kong have become increasingly competitive. The extent is comparable to, or even greater than that in, other economies with similar experience in liberalization. Consumers will continue to reap the

benefits. For example, we estimate that in the three years 1999 to 2001, with the sharp drop in IDD rates, fixed-line and mobile phone users saved \$15.5 billion in IDD expenses.

The Office of the Telecommunications Authority (OFTA) will conduct an in-depth and comprehensive review of the effectiveness of competition in the telecommunications market in early 2003 when the market will be fully open. There will also be further reviews on a regular basis. The OFTA will also closely monitor the availability of services from new operators to ensure that this is in line with their licence obligations.

The Post Office has increased the range of products available under the Postshop and expanded its e-Post and remittance services with a view to achieving a reasonable return. It has implemented new measures to monitor and control more effectively overtime work of delivery postmen. It is also carrying out a survey of all the beats with two delivery services daily to see if any of them can be changed to once daily. It aims to complete the survey by March next year and conduct consultations on the implementation plan.

The Post Office operates as a trading fund and not a fully commercial entity, not even a body corporate. There are clear limitations on its operation. As a government department, it has to meet the Government's social and public service obligations, including the provision of universal postal service at affordable prices. The Administration is reviewing our postal services to address the issues raised by the PAC, but until clear majority support for privatization or corporatization of the Post Office is forthcoming from the PAC or from the Legislative Council, drastic improvements will be difficult to secure.

On the subject of "management of construction and demolition materials" (C&D materials), I wish to stress that the Administration is determined to implement measures to maximize re-use of C&D materials so as to minimize the use of our scarce landfill capacity by such materials. The Administration's resolve is demonstrated by the substantial increase in the proportion of C&D materials used in reclamation projects from 35% in 1994 to 83% in 2001. We will strive for further improvement.

Regarding the re-use of C&D materials in the Penny's Bay Reclamation, we have taken steps to increase the C&D materials intake in Stage 2 to make up

for the loss in Stage 1. To ensure the optimum use of C&D materials in government reclamation projects entrusted to third parties, all works departments will liaise closely with the Public Fill Committee. We will ensure that the legal documents for the entrustment works contain clauses for optimum use of C&D materials in reclamation.

The Administration is mindful of the PAC's concern over the incomplete coverage of the Slope Catalogue. The so-called "missed" rate of about 4% of the registrable slopes is associated with technical constraints. Although most of the "missed" slopes are either of very small size or located far from developed areas, we have been taking steps to locate them as far as practicable. We have already registered all the slopes identified following landslides. We have also inspected and registered slopes identified from the latest topographic maps in the urban areas of Hong Kong, Kowloon and Tsuen Wan. We aim to complete the registration of the slopes in rural and remote areas by March next year.

We have drawn up work plans for the slope improvement and upgrading programme up to 2010. The Director of Civil Engineering is carrying out a review and will formulate, by 2004, a long-term strategy to tackle the remaining lower-risk government slopes.

To ensure that all new government slopes are subject to proper geotechnical control, we have issued clear guidelines requiring works departments to submit the geotechnical designs of new slope works to the Geotechnical Engineering Office of the Civil Engineering Department for checking.

Madam President, I wish to record the Administration's appreciation of the time and efforts that the PAC has devoted to the Report. We fully appreciate its role in safeguarding public interests by continuously demanding the delivery of high quality public services in an efficient and cost-effective manner. As always, the Administration will respond positively and promptly.

## **ORAL ANSWERS TO QUESTIONS**

**PRESIDENT** (in Cantonese): Questions. First question.

### **Poor Air Quality in Tung Chung**

1. **MR HOWARD YOUNG:** *Madam President, it has been reported that an Air Pollution Index (API) reading of 185 was recorded on 9 September 2002 in Tung Chung where the airport is located, the highest since the respective readings of 174 and 181 were recorded in July and August this year. There have been allegations that the pollutants that caused the serious air pollution and a low visibility of less than 1 km were from the Pearl River Delta or other areas of the Guangdong Province rather than from Tung Chung or other areas of the Hong Kong Special Administrative Region (SAR). In this connection, will the Government inform this Council:*

- (a) whether flight landings or takeoffs were affected by the high API reading and low visibility on those days; if so, of the respective numbers of landings and takeoffs affected;*
- (b) of the progress in implementing the measures taken jointly with the Guangdong Provincial Government to tackle the air pollution; and*
- (c) whether it will assess the effectiveness of these measures; if so, when the assessment will be made?*

### **SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS:**

Madam President, I thank the Honourable Howard YOUNG for this question.

- (a) Aircraft landings and takeoffs can be affected by a number of factors including weather condition, visibility, wind direction and wind speed as well as the standard of navigation aids available both on ground and in the aircraft. Visibility level is only one of the many factors. It is in turn also affected by factors such as meteorological condition, weather condition and air quality.

The Convention on International Civil Aviation sets down the visibility levels for landing by different types of aircraft. The minimum visibility level required for aircraft least equipped with navigation aids to land is 800 m, which is below 1 km. On 9 September 2002, when the API was 185 at Tung Chung as Mr Howard YOUNG stated in his question, the visibility level at the

Hong Kong International Airport was actually consistently above 4.5 km and no aircraft landings or takeoffs were affected by the API.

- (b) Between 1999 and early 2002, the SAR Government and the Guangdong Provincial Government have jointly carried out a study to identify the major sources of air pollution in the Pearl River Delta and together, we decided long-term measures to improve regional air quality. On 29 April this year, the two Governments made a joint announcement on their consensus to make the best endeavour to reduce by 2010 the emissions of sulphur dioxide, nitrogen oxides, respirable suspended particulates and volatile organic compounds by 40%, 20%, 55% and 55% respectively, using 1997 as the base year. The two Governments will consider in detail the enhanced control measures recommended in the study and, having regard to their feasibility, implement a series of additional measures with the objective of achieving the agreed emission reduction targets by 2010. The two Governments have set up an expert group under the Hong Kong-Guangdong Joint Working Group on Sustainable Development and Environmental Protection to take this forward.
- (c) The work of this expert group has already started and it includes the assessment of changes to regional air quality and the effectiveness of the additional improvement measures to be implemented. It is currently working on the setting up of an enhanced regional air quality monitoring network. The enhanced network is expected to become operational around 2004.

**MR HOWARD YOUNG:** *Madam President, although I heard from some people working in Tung Chung say that they could not even see some housing blocks 1 km away then, I am glad to know that no aircraft was affected, so that is a relief to our worries. However, air pollution is a big worry to tourism, our livelihood, our business and our environment. Regarding the measures mentioned by the Secretary in parts (b) and (c) of the main reply, they all appear to be long-term measures. I would like to ask whether there are any short-term measures which we can work out with the Guangdong Provincial Government and which can be implemented very quickly. For instance, we can find some*

*ways to encourage the lorry drivers who operate on both sides of the border to use low sulphur diesel, like what most of our bus drivers have done already, and this might help clear up the air.*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS:**

Madam President, I appreciate that the air quality is not in the most satisfactory condition at the moment, and it is one of the most urgent tasks of this Government to improve air quality in the long term and also in the short term. However, short-term measures are more difficult to come by, as we all know, and I have made my point on many occasions that we will take at least a couple of years, if not five to seven years, to clear up the air. As a short-term measure, the Government has already imposed restrictions on lorries crossing the border, especially when most of the lorries actually come from the Hong Kong side, that they should only fill up half of the tank to enable them to travel between Hong Kong and Guangdong, but not in any excess, so as to reduce the amount of high sulphur fuel consumed, for fuel is also available across the border.

As far as low sulphur fuel is concerned, it is not yet available and we cannot implement the measure concerned very well. And we know, the Guangdong Provincial Government is working hard to obtain low sulphur fuel at an affordable price, and that is something that we are working on together. Apart from that, there is a whole series of measures currently adopted by the Guangdong side. For example, in terms of industrial emissions, I was in Guangdong a few weeks ago and noticed that they have already closed down many of the cement factories along the border. When we take the train up to Guangdong, we can actually see a reduction in the number of highly polluting cement factories. Thus, from the industrial side, work has already started. And that will produce short-term results, as one would probably notice. As to the air monitoring programme, we will see how effective it is.

**MRS SELINA CHOW:** *Madam President, given that the Government is devoting so much attention to improving tourism infrastructure in Hong Kong, particularly on the Lantau area, and given that starting from 2005, the projects concerned would be completed, can the Secretary tell us whether the targets mentioned in part (b) of the main reply can be advanced from 2010 to a much earlier date, preferably to 2005 (though a little after 2005 is also fine)?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS:**

Madam President, the measures worked out in the Joint Working Group will come in phases, it is not that we will do nothing until 2010. Actually, many of the measures will phase in gradually throughout the whole period. I can provide a chart to Members showing how the improvement of air quality can be achieved throughout the next five to seven years. By 2010, we will achieve the final target, and by 2005, we should be able to achieve the target set out to a large extent. However, I cannot see how we are able to advance the completion of some of the more long-term projects, such as using renewable energy, in order to achieve the final target. Anyway, we will do our best to improve the situation.

**MR ALBERT CHAN** (in Cantonese): *Madam President, I hope you would allow me to raise the following supplementary. The main question of Mr Howard YOUNG mentioned whether flights were affected by the air quality. However, air pollution will also affect nearby residents and people working in the airport. When the air is polluted to such a degree as to affect the operation of the airport, the landings and takeoffs of aircraft may also be affected. Therefore, Madam President, please allow me to raise a supplementary on the effects of poor air quality on people working in the airport and nearby residents.*

**PRESIDENT** (in Cantonese): Yes.

**MR ALBERT CHAN** (in Cantonese): *Thank you, Madam President. As to the problem of air pollution, the reply of the Secretary mainly focused on the co-operative studies and working out relevant measures with its Chinese counterpart, but the reply did not mention whether it would have effect on the health of the people working in the airport and residents living in Tung Chung (particularly residents or people who live or work there for a long time). Can the Secretary please elaborate?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**

(in Cantonese): Madam President, I will answer this supplementary in Cantonese. There are certain causes for the air pollution in Tung Chung, but the poor air quality problem in that area does not last for a long period of time; it only occurs under specific weather conditions. For instance, when the northeasterly wind is

blowing, the extent of pollution will rise to second level, because pollutants from the north will be blown along with the wind to our southwest territory. On average, our API reading is not extremely high. According to long-term studies conducted by experts on the hygienic and health aspects, the health of most normal persons will not be affected by poor air quality. A small number of people, such as those who are suffering from severe asthma and heart diseases, would not be fit for outdoor work when the API reading reaches 100, but their health would not be seriously affected if they stay indoors. As to people working in the airport, in view of the current API readings, they should not be considered people under long-term exposure to polluted air, therefore their health should not be badly affected.

**MR JAMES TIEN** (in Cantonese): *Madam President, the Secretary mentioned a timetable in part (b) of the main reply, with a view to achieving a lower API reading by 2010. Can the Secretary explain whether the API reading will drop constantly from now on, or the situation will deteriorate in a year or two, and it will improve only after it has deteriorated to a certain degree? Furthermore, the Secretary also mentioned in part (b) of the main reply that the matter would be taken forward, can the Secretary explain what kind of follow-up action will be taken forward? Will the relevant work be completed only by 2010, or some of the projects are already in progress?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Cantonese): Madam President, the first part of the supplementary asks whether the condition will deteriorate before it gradually improves. When we conducted the studies, we had considered that the rapid economic development in Guangdong Province and the Pearl River Delta might aggravate the extent of pollution, and the condition might last for a year or two, because in the course of development, energy consumption, industrial equipment and the number of cars would increase. During the first or second year, we will launch a series of measures to reduce air pollution, and it is estimated that the curve of the API reading will gradually drop by the third or fourth year.

As for the second part of the supplementary, Mr TIEN wishes me to cite some examples of the proactive effort in air pollution management. Just now Mr YOUNG has mentioned fuel control. The authorities in Guangdong Province are actively considering the introduction of low sulphur fuels as well as

combating the sale of illicit fuels. For instance, a comprehensive re-registration of all gas stations may be launched in order to identify the fuel input quantity of each gas station, then a chart will be plotted and the fuel input situation can be clearly seen at a glance. Moreover, the Ma Wan Power Station is the first power plant to adopt the desulphurization facilities and uses seawater in the process. This will not only save the potable water, but also help to reduce air pollution. If Mr TIEN wishes to obtain more information on this, I would be happy to discuss with him in detail.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, I think the reply just given by the Secretary was somewhat unclear, I hope the Secretary can elucidate it. The Secretary has not yet clearly answered the supplementary raised by Mrs Selina CHOW, that is, whether the Government has worked out a certain target with the Guangdong Provincial Government, and 2010 is not the end of all efforts. The Secretary said that the condition would be improved. But how can we know whether the relevant improvement work is adequate? A target must be set. May I ask the Secretary if both sides have set a mid-term target for the interim before the year 2010? It is because the Secretary mentioned the reduction of emissions of pollutants by 40%, 20%, 55% and 55% in her reply earlier. We wish to know whether there is a target. We would be relieved if there is a target, because a target means the progress of the improvement work could be monitored.*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**

(in Cantonese): Madam President, according to the agreement between the SAR and the Guangdong Provincial Government, the ultimate target would be accomplished by 2010. As to the implementation of the entire project, it is divided into two major aspects; one of which is to deal with the air quality problem. I mentioned earlier that we had set up an expert group to work on the enhanced regional air quality-monitoring network, and the network is expected to be completed by 2004. We would be able to ascertain whether the air pollution problem has deteriorated through this network. The other is a checklist of the emission of pollutants. Our study report would include the information of all emission sources in the Pearl River Delta. For example, if there are 10 power plants in a certain place, then we will keep the statistics of pollution load of each plant, and both Hong Kong and Guangdong may have access to the checklist. The authorities in Guangdong Province are now setting

up a programme to lay down the scale of emission of pollutants to be reduced on a yearly basis and to specify the areas where the emission of pollutants will be reduced. For example, they will compare the checklist with the anticipated scale of emission of pollutants being reduced from 2000 to 2003. From these two aspects, we would be able to monitor whether both sides have realized the target of reducing pollution according to the agreement. We have even planned to set up a shared database, with which we may be able to see what the Guangdong side has achieved and the Guangdong side may also see what we have achieved. I hope Honourable Members are satisfied with my reply.

**PRESIDENT** (in Cantonese): We have spent over 19 minutes on this question. Though there are still many Members waiting to ask their questions, I will allow one last supplementary question from Members.

**MR TAM YIU-CHUNG** (in Cantonese): *Madam President, the Secretary mentioned in part (b) of the main reply that both Hong Kong and Guangdong have carried out a discussion to identify the major sources of air pollution. One of the major sources is coal-fired power plants in Guangdong Province which are many in number and their influence in this aspect is more significant. May I ask the Secretary whether the authorities have studied any measure such as upgrading the facilities of these coal-fired power plants?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Cantonese): Madam President, coal-fired power plants constitute a major source of pollution. But in this respect, we have many improvement measures, one of which is of course the use of coal with low sulphur content. I know the authorities in Guangdong are vigorously striving for the use of coal with low-sulphur content, and the relevant resource is available in Mao Ming Municipality in Guangdong Province. Besides, the authorities may adopt some technological measures, such as "coal washing" technology, that is, the use of fluidized bed, which is a technology developed by China and it has been proved to be effective in small-scale power stations. I also know that a project hosted by the United Nations in China is studying the application of this technology in power plants of various scales. Lastly, of course, we also have the desulphurization alternative,

but it would involve more investment, and we have taken into account that the option may aggravate the pressure of a tariff hike in future. We have considered all the relevant options.

**PRESIDENT** (in Cantonese): Second question.

### **Industrial Safety in Demolishing Unauthorized Structures**

2. **DR RAYMOND HO** (in Cantonese): *Madam President, regarding industrial safety in demolishing unauthorized structures, will the Government inform this Council:*

- (a) *of the number of industrial accidents caused by failure to observe the proper procedures in demolishing unauthorized structures and the resultant casualties in the past three years;*
- (b) *of the intended timing for implementing a registration system for minor works contractors, and whether it will stipulate that only registered contractors are allowed to undertake works on demolishing unauthorized structures; and*
- (c) *whether, before implementing the registration system mentioned above, it will strengthen the monitoring of works on demolishing unauthorized structures?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, in response to Dr Raymond HO's question, I give the following reply:

- (a) In the three-year period from 1 October 1999 to 30 September 2002, there was one industrial accident causing one death as a result of non-compliance with proper procedures for the demolition of unauthorized building works issued by the Buildings Department (BD). This case has been referred to the Department of Justice for consideration of further action.

- (b) We plan to introduce the Buildings (Amendment) Bill to the Legislative Council in 2003. One of the amendment proposals is the introduction of a registration system for minor works contractors to recognize the qualification of minor works contractors and enhance the regulation of minor works, including the removal of unauthorized building works and building repair. Subject to passage of the Bill by the Legislative Council and the establishment of the register of minor works contractors, we will implement the new control regime for minor works. By then, the removal of unauthorized building works may only be undertaken by registered contractors.
- (c) Before the implementation of the minor works contractor registration system, where the removal of unauthorized building works involves the demolition of a building or any substantial or significant part of a building, owners are required by the Buildings Department to appoint an Authorized Person or a Registered Structural Engineer to supervise the removal works and a registered contractor to carry them out. As for the removal of other unauthorized building works, the BD will advise building owners to appoint registered building professionals to supervise and registered contractors to carry out the works to ensure their own safety and that of the public. Furthermore, we will provide all the owners concerned with a list of registered contractors who are qualified to carry out the removal works. At the same time, the BD will enhance audit inspections of the removal of unauthorized building works, particularly those that pose a higher risk, to ensure public safety.

**DR RAYMOND HO** (in Cantonese): *Madam President, there are at present 800 000 unauthorized external structures in the territory and 220 000 signboards awaiting disposal. May I ask the Secretary how many workers with skills on demolition of unauthorized structures we expect to employ? As workers have to work at height and demolish unauthorized structures, they must be trained. Does the Secretary have in mind the relevant figure, and has he considered whether the training demand will be met to tie in with the timetable of the introduction of the Buildings (Amendment) Bill in future?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, we cannot demolish such a great number of structures in one go. In respect of unauthorized internal structures, our current approach is district-based. We will first identify the types of buildings that have a greater number of unauthorized structures, and then contract out to registered contractors the demolition works in such target buildings. Registered contractors will carry out inspection in batches, and will report to us, on completion, the categorization and number of unauthorized structures that have to be demolished. We will then proceed according to our plan, and the number of structures to be handled can thus be kept under our control. We have not formally worked out the number of workers required to complete the demolition works. However, it is estimated that under the systematic district-based approach, the existing number of workers should be able to carry out such works within the limited time. The figures quoted by Dr Raymond HO seem alarming, but I can tell Members that since the implementation of the system, 20 000 unauthorized structures were demolished last year. Thus, we have the capability to undertake such demolition works.

**DR TANG SIU-TONG** (in Cantonese): *Madam President, in part (c) of the main reply, the Government stated that, before the Buildings (Amendment) Bill is introduced to the Legislative Council, the Government would advise owners to appoint registered building professionals to supervise and registered contractors to carry out removal works if the removal of unauthorized structures works do not involve any significant part of a building. Since such an advice is not legally binding, what will the Government do if the owners ignore the advice? How will the BD monitor such demolition works to ensure safety?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, under the existing Buildings Ordinance, removal works respect of unauthorized structures are classified into two categories. One is non-exempted works that must be undertaken by registered building professionals, and the other is exempted works, and there is a distinction there. In deciding whether a certain unauthorized structure should be exempted, we have to consider the merits of each case, and there is no hard and fast rule. Our current practice, in general, is to issue notices to the owners concerned,

requesting them to employ their own contractors to demolish the unauthorized structures. For those works that must be carried out by registered contractors, the owners concerned must appoint one. We will attach to the written notice issued to the owners concerned giving the relevant instructions a list of contractors that are capable of undertaking such works at the time. If it is deemed necessary, we may step up the publicity as suggested by Dr TANG Siu-tong, and assign officers to explain to owners of buildings the structural safety of which is affected by unauthorized structures. Besides, the Home Affairs Department may offer assistance on that front. I have stated earlier that we have already identified some target buildings, and held 23 meetings with owners of those target buildings to explain to them the benefits of appointing registered building professionals as co-ordinators. Each of these meetings was attended by dozens of owners. We hope that by holding similar meetings in future, the parties concerned will understand how to deal with such issues.

**MR ABRAHAM SHEK:** *Madam President, the Buildings Department has identified 30 000-odd unauthorized structures throughout Hong Kong. What is the timetable of the Buildings Department on issuance of removal orders to owners of these unauthorized structures? And what measures does the Government have to ensure that the demolition work is carried out safely within the targeted date?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS:** Madam President, in respect of the portion of illegal building works mentioned by the Honourable Member, we have employed 63 consultants under different contracts. From June last year to date, we have included 3 300 buildings involving an estimate of 100 000 illegal structures. As far as the progress is concerned, since December last year, we have dealt with 1 540 buildings and have issued 25 000 orders for demolition involving about 47 000 structures. So far, 10 000 illegal structures have been demolished. The remaining target will be dealt with in the remaining period of the contract, and we hope that the demolition orders concerned will all be issued before the end of this year.

**MR ALBERT HO** (in Cantonese): *Madam President, the Secretary mentioned two categories of unauthorized structures in his main reply. The first type is*

*unauthorized structures that involve the whole building or any substantial or significant part of a building. As far as I understand it, it is required by law that the owners of this type of structures must appoint registered engineers to supervise the removal works. For other structures which fall under the exempted category, as the Secretary just said, their owners can decide whether or not registered engineers be appointed. But the BD will advise them to do so. Before the relevant legislation is implemented, the Government is not empowered to require such owners to appoint registered engineers, and the owners do have the right not to appoint one. During this period, owners of such non-exempted structures may still carry out removal works. How then can the Government ensure that those removal works are carried out safely? As the Government lacks the authority to supervise such works, will incidents similar to the Kwun Tong removal works incident that caused casualties happen again?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, we will step up our inspection in respect of the situation mentioned by Mr Albert HO. As I have explained earlier in my reply to Mr Abraham SHEK's supplementary question, we have already drawn up a target-oriented plan focusing on particular districts or buildings. Our colleagues will explain to the concerned owners the relevant procedures and provide with them a contact list of registered contractors. Upon receipt of the removal notices, those owners will not be at a loss; they will know how to contact the registered contractors. However, there is no guarantee that those owners will actually appoint registered contractors to carry out the removal works. Therefore, when the demolition works are in progress, we will assign officers to inspect the particular sites to check whether the required procedures are applied, and whether the contractors so appointed are qualified.

**MR ALBERT HO** (in Cantonese): *Madam President, the supplementary question I raised just now is: Given the absence of requirements in the relevant legislation, the Government does not have the authority to monitor the removal works of such exempted illegal structures. The Secretary just said that they could assign officers to inspect such works, however, they just do not have the legal base to do so. Is the Secretary saying that the Government can only advise or urge the owners to follow the requirement, but the Government has no legal authority to supervise such works? Will the Secretary please give a clearer explanation?*

**PRESIDENT** (in Cantonese): Secretary, do you have anything to add?

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, may be I have not made myself clear just now. In classifying a certain building as exempted, we sometimes encounter disputes, and I have explained earlier on that it has to be decided on the merits of each case. Thus, the buildings inspected by us are, in general, those we consider not covered by the scope of exemption.

**MR LAU KONG-WAH** (in Cantonese): *Madam President, I would like to follow up the reply just given by the Secretary. I do not know if the Government can really keep its words. Can the resources available enable the Secretary to assign officers to inspect every non-exempted works? Can the Government really achieve that? Moreover, the Secretary said that all the owners will be provided with a list. How many owners was he actually referring to when he said "all the owners"?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, Mr LAU Kong-wah may recall that in my reply to the relevant supplementary question, I said we would focus on the illegal structures of the listed target buildings. Furthermore, when I mentioned "all the owners", I referred to all those owners having received a removal order, that is, those on the list of owners issued with a removal order.

**PRESIDENT** (in Cantonese): Mr LAU, has your supplementary not been answered?

**MR LAU KONG-WAH** (in Cantonese): *Madam President, part of my supplementary question has not been answered. Could the Secretary guarantee that each non-exempted works in progress will be inspected?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, we certainly cannot inspect every works, for we can only

conduct spot checks. As I have just said, we will target mainly at the more complicated or dangerous works on the list.

**PRESIDENT** (in Cantonese): This Council has spent more than 16 minutes on this question. This is the last supplementary question.

**MR HOWARD YOUNG** (in Cantonese): *Madam President, in part (b) of the main reply, the Secretary mentioned that under the Buildings (Amendment) Bill, a registration system for minor works contractors will be introduced to enhance the safety of removal works. In part (c), it is stated that before the introduction of this system, owners of unauthorized structures the removal of which involve the demolition of any significant part of a building must appoint Authorized Persons to supervise the removal works. For building contractors undertaking those removal works, which of the above procedures is more complicated? I worry that complicated procedures may cause delay to removal works.*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, at present, registered contractors are mainly registered as contractors for large-scale demolition works, thus they are qualified for undertaking both major or minor works. We propose to introduce a new category, namely, the minor works contractors, in future. As minor works contractors will only undertake minor works, the requirements on this type of contractors can be less demanding. We will restrict their scope of service to minor works, and will forbid them from undertaking any works outside this scope. Therefore, owners do not have to appoint contractors of major works, if only minor or simple works are involved.

**PRESIDENT** (in Cantonese): Third question.

### **Combating Money Laundering Activities**

3. **MR LAU KONG-WAH** (in Cantonese): *Madam President, regarding combating money laundering activities in Hong Kong, will the Government inform this Council:*

- (a) *of the value of assets confiscated and the number of persons convicted under the legislation for combating money laundering in Hong Kong in each of the past five years;*
- (b) *whether it has assessed the effectiveness of the efforts to combat money laundering activities in Hong Kong and whether it has drawn a comparison with other countries in this respect; if so, of the respective results; and*
- (c) *whether there is information showing that money laundering activities in Hong Kong are increasing, and whether the Administration has looked into possible measures to strengthen its actions against such activities?*

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

- (a) The Drug Trafficking (Recovery of Proceeds) Ordinance (Cap. 405) and the Organized and Serious Crimes Ordinance (Cap. 455) are the principal legislation for combating money laundering activities in Hong Kong. The two Ordinances provide for, amongst others, the tracing, restraining and confiscation of proceeds derived from drug trafficking, organized crimes or specified offences, as well as criminalize dealing with the proceeds of drug trafficking or other indictable offences. The value of assets confiscated and the number of persons convicted under the above Ordinances in the past five years are as follows:

<i>Year</i>	<i>Value of assets confiscated</i>	<i>Number of persons convicted</i>
1998	\$339,850	7
1999	\$68,248,410	10
2000	\$66,755,809	14
2001	\$11,577,953	9
2002	\$1,548,119	8
(as at 31 August)		
Total	\$148,470,141	48

- (b) The Financial Action Task Force on Money Laundering (FATF) is an inter-governmental body established subsequent to the Group of Seven (G-7) Summit in 1989. The mission of the FATF is to review and recommend anti-money laundering policies and measures as well as to spread anti-money laundering messages worldwide. Hong Kong joined the FATF in 1990. The Forty Recommendations of the FATF, first developed in 1990 and subsequently revised in 1996, set out a framework for anti-money laundering efforts and are designed for universal application. They provide a complete set of counter-measures against money laundering covering the judicial system and law enforcement, the financial system and its regulation, and international co-operation. They are widely accepted by the international community as the key standards against money laundering. The FATF monitors member jurisdictions' implementation of the Forty Recommendations through the two primary instruments of mutual evaluation process and self-assessment exercise, the results of which will reflect the effectiveness of members' efforts in combating money laundering.

Under the mutual evaluation process, each member is examined in turn by the FATF on the basis of an on-site visit conducted by a team of experts from the legal, law enforcement and financial fields. The purpose of the visit is to draw up a report assessing the extent to which the jurisdiction has moved forward in implementing an effective system to counter money laundering and to highlight areas in which further progress are required. Hong Kong has undergone two rounds of mutual evaluation in 1994 and 1998. In June 1999, the evaluation report on Hong Kong was endorsed by the FATF and Hong Kong was commended on its overall progress in combating money laundering.

As regards the self-assessment exercise, members provide information on the status of their implementation of the Forty Recommendations by responding each year to a standard questionnaire. The exercise focuses on whether individual members have made efforts to implement the 28 mandatory recommendations requiring specific actions. The FATF then compiles and analyses the relevant information so as to assess the extent to which the Forty Recommendations have been implemented

by both individual members and the FATF as a whole. According to its self-assessment report released this June, Hong Kong was amongst the 12 members which had fully complied with the 28 mandatory recommendations. Separately, as an open recognition of Hong Kong's efforts in combating money laundering, Hong Kong was selected as the President of the FATF for the period July 2001 to June 2002.

- (c) As an international financial centre, Hong Kong does not impose any restrictions on capital flows and numerous financial transactions are carried out here every day. Like other major international financial centres, Hong Kong is exposed to the risk of money laundering activities. Over the years, the Government has built up a robust and comprehensive anti-money laundering regime through legislation, law enforcement, close co-operation with the financial sector, publicity and education, and international co-operation. Attacking criminals where it hurts most, their pockets, by preventing them from profiting from their crimes is an effective deterrent. Although there is no indication that money laundering activities in Hong Kong are on the rise, the Government will continue to closely monitor the trend of money laundering activities and take follow-up actions in response to the results of the mutual evaluation and self-assessment conducted by the FATF. This will ensure that the anti-money laundering legislation and measures of Hong Kong are effective in combating money laundering activities and are in step with the best practices in the world.

**MR LAU KONG-WAH** (in Cantonese): *Madam President, can the Secretary give us a breakdown on the different sources of assets confiscated in combating money laundering activities? I think the amount of money confiscated in money laundering activities is on the low side. As such, does it reflect that there are very few money laundering activities in Hong Kong, or that it is very hard for us to combat such activities?*

**SECRETARY FOR SECURITY** (in Cantonese): *Madam President, we believe money laundering activities cover criminal activities like drug trafficking, prostitution, gambling and smuggling of illegal immigrants. Globally speaking,*

money laundering activities are operated on a massive scale. According to a rough estimate made by the International Monetary Fund (IMF) in 1998, the sum of money laundered in the world each year may amount to 2% to 5% of the global Gross National Product. This precisely shows how massive is the scale of such operations. Recently, on the basis of criminal activities like illegal soccer betting and gambling, a police officer estimated that money laundered in Hong Kong amounted to \$93.4 billion each year. This police officer has made the above estimate simply on the basis of his experience in dealing with crimes and on the sum of money involved in bookmaking, illegal gambling and drug trafficking.

Therefore, I totally agree with Mr LAU Kong-wah that the amount of confiscated assets is on the low side, but there are actually a lot of difficulties in our operations. Generally speaking, one of the difficulties is money laundering does not involve any victims and we have to rely mainly on reports made by financial institutions and non-financial institutions. According to the experience of our law enforcement officers, there will not be sufficient grounds if we ask financial or non-financial institutions to make reports simply on grounds of "knows or suspects". Therefore, we did hope to upgrade the requirement on reporting to "knows or has reasonable grounds to suspect", to bring it on par with the best international standard. Unfortunately, Mr Eric LI is not in the Chamber now. The Legislative Council has discussed this issue for two years, but as many professional bodies including those in the financial, banking and accounting sectors have raised many questions and thought that if reports were to be made on "reasonable grounds to suspect", then there could be more difficulties or even cases of injustices. Therefore, we agreed to shelve the proposal on strengthening the relevant legislation for the time being. However, we will continue to keep in view whether the FATF will develop any new methods or new trends. We hope that more money laundering cases can be uncovered and more assets confiscated by strengthening the legislation or adopting other policies.

**MR HENRY WU** (in Cantonese): *Madam President, in part (b) of her main reply, the Secretary said Hong Kong had undergone two rounds of mutual evaluation in 1994 and 1998 and was commended on its progress in combating money laundering. However, if we look at the data, we can see that seven persons were convicted in 1998 and the amount of assets confiscated was not*

*very high, but it went up drastically in 1999 and 2000. Will the Secretary please tell us whether measures adopted before and after the evaluation are markedly different? The figure recorded in 1998 was very low, but it increased significantly following the commendation of the FATF. Is this due to the fact that the authorities have since stepped up its efforts on combating money laundering activities? However, why was such a low figure on the value of assets confiscated recorded in 2002? I reckon that Hong Kong may undergo another round of evaluation in 2002. Will the Secretary tell us what outcome will be brought by this evaluation?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, I thank Mr Henry WU for raising this supplementary question. Mr Henry WU has indeed been very observant in noting that the amount of assets confiscated in 1999 and 2000 was particularly large, but this has nothing to do with the evaluation. No matter whether it is the mutual evaluation process or the self-assessment exercise, the main purpose is to assess the institutions, legislation, publicity and law enforcement policies, and the work done by us was certainly not meant as "homework". Therefore, we would not for this reason make prosecutions within the year or so before or following the evaluation. As regards the reason for the exceptionally large amount of assets confiscated in 1999, it is because we had worked with the United States law enforcement agencies to investigate and crack a major international drug trafficking case in 1989. All the procedures were completed by 1999 and the police had successfully frozen US\$6 million worth of assets in relation to this single case. Since that case involved international co-operation with the United States and in accordance with our agreement, I returned part of the confiscated funds to the Government of the United States in September 2001 on behalf of the Government of the Hong Kong Special Administrative Region. We have an agreement on co-operation with the United States Government which specifies that if we crack any case through co-operation, we can share the proceeds confiscated in respect of the relevant crime.

**MR MICHAEL MAK** (in Cantonese): *Madam President, I would like to learn more about such money laundering activities. The Secretary said earlier that according to a conservative estimate or according to the estimate by the police officer mentioned by the Secretary earlier, money laundering activities involve*

*sums that may amount to more than \$90 billion. So, will the criminals involved in such money laundering activities actually spend such money through certain legitimate trades or avenues? Moreover, have such money laundering activities become more rampant in the wake of the "September 11" and the recent Bali incidents?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, I dare not name any legitimate trade for I am afraid that someone will accuse me of offending them. But I would only like to say that money can be laundered through many different ways. For example, some experts on terrorist money laundering activities indicated that Muslim countries, in particular those in Southeast Asia, prefer "Hawala banking", that is, underground banking, in which Mr A takes the money to Mr B, so it is virtually unnecessary to go through the banking system. Last year, there was a case in which a large amount of cash was brought into Hong Kong on transit and Honourable Members may have learnt about or noted that case. It was cracked by the Independent Commission Against Corruption and charges were formally pressed in relation to this case this September. In that case, as much as HK\$50 million might have been brought into Hong Kong on transit each day. Moreover, there are certainly cases where some legitimate companies and businesses are used as fronts to transfer money from one place to another through the financial system of Hong Kong. In order to plug the loopholes, the Government passed a law in June 2000, whereby money changers and foreign exchange dealers are required to register with the police and make reports. Under the existing legislation, all transactions over \$20,000 must be reported to the police for record purposes so that their clients could be identified.

As regards terrorist activities that Mr Michael MAK mentioned earlier, we all know such activities are well organized and transnational. Since financial support is required for such activities, terrorists will resort to transnational fund raising and this calls for our attention. The United Nations (Anti-Terrorism Measures) Bill was enacted in July this year to intercept terrorists funds. We believe that transnational financing will be involved in future terrorists activities and Hong Kong, as a responsible member of the international community, will continue to work with overseas countries to check whether terrorist funds have flowed into Hong Kong and adopt effective measures to cut off their source of finance.

**MR IP KWOK-HIM** (in Cantonese): *Madam President, according to some information, and the Secretary also said earlier, money laundering activities involve a sum as much as \$93.4 billion. Such information showed that \$3.4 billion of that amount was derived from drug trafficking activities and the remaining \$90 billion came from illegal gambling activities, including off-course horse and soccer betting with bookmakers. The Gambling (Amendment) Ordinance 2000 enacted by this Council has already come into effect. Has the Secretary assessed what the effects of that legislation are on Hong Kong's effectiveness in combating money laundering activities? Will this bring some benefit to the current serious deficit problem of Hong Kong?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, I do not have further breakdowns on the \$93.4 billion but my information at hand shows it is estimated that the \$93.4 billion involved criminal activities like bookmaking, that is, bookmaking and illegal gambling activities, including illegal soccer betting and drug trafficking, punishable under the newly passed Gambling (Amendment) Bill 2000. I have to check with the police to see whether illegal betting activities involve as much as \$90 billion. But, anyway, as I said earlier, the difficulty in dealing with money laundering is that there are no victims in such cases. We think that the relevant organizations, financial and non-financial institutions alike, and in particular non-financial institutions, should make more reports for the percentage of reports made by them is relatively low. Take the period from 1998 to 31 August of this year as an example, about 30 000 reports were made by banking and non-bank financial institutions but only about 1% of the reports were made by non-financial institutions. We believe though it may be impossible to strengthen our legislation in the short run, we can still encourage financial and non-financial institutions to make more reports by means of publicity and education efforts. Moreover, we can also step up our efforts in gathering intelligence.

**PRESIDENT** (in Cantonese): We have spent more than 16 minutes on this question. This is the last supplementary question.

**MR ALBERT HO** (in Cantonese): *Madam President, the Secretary pointed out in her main reply that Hong Kong was amongst the 12 members that had fully*

*compiled with the 28 mandatory recommendations. Can the Secretary inform this Council whether the measures currently adopted by Hong Kong have met with the global requirement on a first class level? Can the value of assets confiscated show that Hong Kong has already combated money laundering activities effectively? Or rather, despite the fact that Hong Kong has already attained a first class level and the existing measures adopted, it still fails to combat the enormous amount of illicit money in Hong Kong due to certain difficulties?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, Hong Kong has already attained a world class level in various aspects. For example, proceeds obtained through money laundering activities were criminalized 10 years ago, and we have legislation in place requiring financial and non-financial institutions to identify their clients and make reports should they have suspicions. Such a fundamental structure for combating money laundering activities is already in place. However, compared to overseas countries, we are still lacking in some aspects. As I said earlier, as regards reporting, there are already stringent provisions in legislation in the United Kingdom to the effect that reports should be made on grounds of "knows and have reasonable grounds to suspect" instead of "knows and suspects". I also said earlier that in the past two years, the Legislative Council has discussed this point but eventually came to the conclusion that for the time being, the provisions should not be tightened to the effect that reports should be made if there are "reasonable grounds to suspect". Certainly, we often exchange views with foreign experts. They think that there is a sound legal structure in Hong Kong and the Joint Financial Intelligence Unit set up jointly by the police and the Customs and Excise Department has done a good job in investigations. However, due to the difficulties I mentioned earlier, only relatively few reports were made. Moreover, as there are no victims in such cases and no one will come forward to give evidence, it is very difficult to gather evidence for pressing charges and making convictions. We hope that through the FATF — which has so many expert groups on studying the trend of money laundering activities and latest money laundering techniques and exploring measures on combating such activities — better measures can be found. Should there be any progress, we would certainly report to the Legislative Council.

**PRESIDENT** (in Cantonese): Fourth question.

**Water Dripping Caused by Air-conditioners of PRH Units**

4. **MR FRED LI** (in Cantonese): *Madam President, at present, the public rental housing (PRH) units in estates of the older types under the management of the Housing Department (HD) are not installed with drain pipes for discharging water from air conditioners, thus causing the water dripping problem which is a nuisance to the residents. In this connection, will the Government inform this Council:*

- (a) *of the number of complaints about water dripping from air-conditioners of PRH flats in the past three years, and the respective numbers of tenants who were warned or prosecuted for causing such a nuisance;*
- (b) *whether it has explored ways to solve the water dripping problems caused by air-conditioners of PRH units; if it has, of the results; and*
- (c) *given that PRH units of the latest design are provided with drain pipes for discharging water from air-conditioners, whether it plans to install drain pipes for PRH units which do not have such facilities; if not, of the reasons for that?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese):  
Madam President, my reply to Mr Fred LI's question is as follows:

- (a) In the past three years, the HD received 18 858 complaints about water dripping from air-conditioners, involving some 16 000 housing units. A total of 20 627 verbal and written warnings were issued. Of these, 390 cases which failed to make the necessary improvements were referred to the Food and Environmental Hygiene Department (FEHD). Upon the latter's advice, all of them had subsequently rectified the situation. Hence, no prosecution had been initiated.
- (b) Under the Public Health and Municipal Services Ordinance, owners of air-conditioners are required to ensure that their air-conditioners do not cause any nuisance. This requirement applies to occupants of both public and private flats.

To forestall the problem of dripping from air-conditioners in PRH estates, the HD has installed condensate drain pipes in all new housing estates since 1996. For estates completed before 1996, tenants can prevent the problem of dripping by maintaining their air-conditioners properly, installing flexible lead hoses to re-direct condensate to their flats or using condensate-free air-conditioners. The HD will regularly remind tenants of their responsibility to ensure that their air-conditioners will not drip and cause nuisance to others, through education and publicity (such as leaflets and posters) on proper installation and maintenance of air-conditioners and measures to prevent water dripping.

- (c) The responsibility for ensuring that their air-conditioners will not cause nuisance to others rests with the users. Hence, the HD considers that public money should not be used on retrofitting external condensate drain pipes in existing public housing buildings. Retrofitting works are not only expensive (with conservative costing estimate at about \$500,000 per block), but are also technically difficult since existing air-conditioners are installed at different locations. Moreover, as some of the air-conditioners have not been properly maintained, the installation of condensate drain pipes may not be entirely effective in solving the dripping problem.

**MR FRED LI** (in Cantonese): *Madam President, it can be seen from the main reply that the Government received nearly 19 000 complaints from tenants about water dripping from air-conditioners over the past three years and the situation is quite annoying to the public. At present, many tenants have taken it upon themselves to use plastic lead hoses to re-direct condensate onto the external walls and this has caused moss to grow and a lot of grim to collect on the external walls. This has in fact given rise to another problem. Has the Government considered installing drain pipes when carrying out maintenance on the external walls of these buildings under the Condition, Appraisal, Repair and Examination Programme (CARE Programme)? I am not requesting that such repairs be carried out all at once. But this measure can save resources as well as solving the problem for residents.*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, the Government has in fact considered this. I have also given some explanations in this regard in part (c) of the main reply. Concerning the use of public funds, this is of course a factor that has to be considered. According to conservative estimates, it costs \$500,000. Although the expenses can be reduced if this measure is carried out together with other maintenance works, there are still some other problems. For example, as I have said, the drain pipes on new buildings can be installed in a straight alignment and more easily because all the slots for air-conditioners are provided at a fixed location. However, there is difficulty in providing central drain pipes for older types of housing estates because the locations of the air-conditioner slots are not fixed and tenants have their air-conditioners installed at different locations. Moreover, it is necessary to take into account the conditions of individual air-conditioners when installing the drain pipes. If the air-conditioners are all new ones with drain pans at fixed locations, the installation of drain pipes will be easier. However, if the air-conditioners have been in use for a long time or are poorly maintained, or even have broken or eroded drain pans or pipes, then there will be problems in installing the drain pipes. Of course, these are not major problems and can be solved simply by spending some money. However, if the projects cannot achieve the desired results despite expending a large sum of money, then it is not worthwhile. What matters most is that we believe users of air-conditioners have their own responsibilities and the law also requires them to assume the relevant responsibilities. As Mr Fred LI has said, it is not proper for tenants to deal with this matter by connecting a hose to the external walls and let condensate run down the walls. The correct way is to connect the plastic hose into the flat and dispose of the condensate after collecting it from the air-conditioner. If tenants do so, then conditions such as the growth of moss on the external walls as mentioned by Mr Fred LI will not occur.

**MR MICHAEL MAK** (in Cantonese): *Madam President, water dripping from air-conditioners will definitely form water pools which will facilitate the breeding of a type of mosquitoes known as Aedes albopictus. Could the Secretary tell us what follow-up actions the Government has taken to eliminate this situation which may give rise to dengue fever?*

**PRESIDENT** (in Cantonese): Mr Michael MAK, can you explain to me the relationship between the breeding of mosquitoes in water pools indoors and the subject of the main question?

**MR MICHAEL MAK** (in Cantonese): *Madam President, condensate from air-conditioners often forms pools of water and there is a possibility that these water pools will cause mosquito problems. Therefore, they are directly related.*

**PRESIDENT** (in Cantonese): Mr Michael MAK, thank you for your explanation, but I rule that you cannot ask this supplementary.

**DR RAYMOND HO** (in Cantonese): *Madam President, in fact water dripping from air-conditioners often has to do with problems in maintenance, but it appears from the Secretary's reply that the Government is very passive, that is, action will be taken only after someone has lodged a complaint or a problem has emerged. Can the staff members of management offices be more proactive in their daily management in observing which air-conditioners among the units are found to have water dripping problems? If there is difficulty in observing units on upper floors, is it possible to purchase binoculars for management staff so that if water is found to drip from the air-conditioners of certain units, they can advise tenants to deal with the problem at an early date? This is better than tackling problems passively on receipt of complaints.*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, as I have said, the responsibility rests with users of air-conditioners. The primary duty of our staff members is not to walk around and make observations everywhere with binoculars, including observing whether water drips from the air-conditioners of tenants. Moreover, as I have said, staff members usually find on receipt of complaints about water dripping that the problem does not lie in just one air-conditioner. The time when the greatest number of complaints are received is usually in summer nights, since it is the time when most people turn on their air-conditioners after getting home. If staff members have to ascertain from which unit the water drops come, they have to carry out inspections from floor to floor. In this process, it is sometimes found that the problem does not lie in just one unit but rather, two or three units. It is for this reason that Members will notice a difference between the number of units and the number of complaints in the main reply. This is because we have taken the actions I have just described, therefore, we are not always entirely passive.

**MR LAU KONG-WAH** (in Cantonese): *Madam President, this problem has in fact disturbed the HD and residents very much. The Secretary pointed out in part (a) of the main reply that a total of more than 20 000 verbal and written warnings had been issued by the HD. Of these, only 390 cases in which the necessary improvements were not made were referred to the FEHD. However, does it mean that the problems in the other 10 000-odd cases have been rectified? I do not think this is always the case. Were improvements made in these 10 000-odd cases after advice was given? Furthermore, at present is it always necessary for the FEHD to deal with these problems, or can the HD also take deterrent measures by virtue of the Housing Ordinance?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): *Madam President, this is an issue relating to legislation. The FEHD is empowered to deal with matters in this regard according to law. On receiving a complaint, we will first investigate if it is true. If it is, we will then issue a verbal or written warning to advise the tenant concerned to carry out maintenance first, but this is not prosecution. We hope that through this procedure, the tenant will be amenable to advice and make improvements to put an end to such nuisance. I have enquired of the colleagues concerned to see if the desired effect was achieved after advice had been given, so that only 300-odd cases had to be referred to the FEHD for action. The reply they gave me was that tenants would normally make improvements. On these cases, they have conducted site inspections, given verbal warnings and when necessary, written notices in the hope that tenants would pay attention to the problem and take action. This approach seems to have worked quite well, therefore there are only 390 cases in which our advice was not heeded and no improvement was made. As regards tenants who are not amenable to repeated advice, we will refer these cases to the FEHD for action. After receiving the referred cases, the FEHD will take follow-up action. It can explain to the tenants concerned and tell them they will be prosecuted if no improvement is made, since it is empowered by law to do so. Therefore, the FEHD does have an edge over us in this regard. As far as I know, after the FEHD had given advice and taken further procedures in these 390 cases, all tenants had taken actions to rectify the problem, therefore no actual prosecution was instituted.*

**MR FRED LI** (in Cantonese): *Madam President, the Secretary mentioned the use of public funds and the Government has used public funds to install drain*

*pipes for air-conditioners in all PRH blocks completed after 1996. I wonder if the Secretary can reconsider installing drain pipes for I blocks or Harmony blocks, whose air-conditioner slots are located at the same place and not at different locations as described by the Secretary. Can the Government first proceed with installing drain pipes for this type of PRH blocks built before 1996 with standard slots for air-conditioners?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese):

Madam President, if the PRH flats are new construction, the drain pipes can be added during construction and the cost required is not great. However, if the drain pipes have to be installed after the flats are completed, then the cost of erecting scaffoldings and using gondolas will be incurred. According to the suggestion of Mr Fred LI, if the drain pipes should be installed in the course of carrying out maintenance in older types of PRH such as the Harmony blocks, I can take note of this suggestion and consider whether it is practicable to, for example, arrange for the installation work to tie in with the relevant projects insofar as the circumstances permit.

**MR LAU KONG-WAH** (in Cantonese): *Madam President, the HD carries out a regular annual CARE Programme which includes many items but not installing a central drain pipe for tenants. If it is possible to install central drain pipes for the housing estates or the blocks concerned, can the Secretary consider including it as one of the items so that residents can be given the choice, so as to solve a long-standing nuisance for them?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese):

Madam President, as far as I know, the programme mentioned by Mr LAU Kong-wah usually involves smaller-scale projects which do not necessarily require the erection of scaffoldings or the use of gondolas for execution. What we have been discussing appears to be a very simple matter, which is only the installation of a pipe on the external wall, however, a lot of other supporting work is involved. Therefore, I have to go back and explore whether this is feasible. If other relevant works are to be carried out, it would of course be easy to do this as well. However, as far as I know, it would not be easy to implement what Mr LAU Kong-wah suggested because there are not enough funds to carry out maintenance on external walls for tenants. There is no chance to install drain pipes if no maintenance on external walls is involved. I

have to look into this matter. So long as circumstances and resources permit, I will definitely examine it and provide tenants with better services.

**PRESIDENT** (in Cantonese): Fifth question.

### **Monitoring Activities of an Exhibition Held at City Hall**

5. **MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, it was reported that an organization, while holding an art exhibition in August this year in the Exhibition Hall of the City Hall, was asked by the City Hall management personnel not to distribute at the venue arts albums which the authorities considered as not relating to the exhibition, and officials were sent there to keep the activities under surveillance. In this connection, will the Government inform this Council:*

- (a) *of the authorities' rationale for the exercise of such powers;*
- (b) *whether similar actions had been taken in the past; if so, of the details; and*
- (c) *whether it has assessed the impact of such actions on freedom of creation and freedom of speech; if so, of the results of the assessment; if not, the reasons for that?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, before replying to Mr LEUNG Yiu-chung's question, I would like to provide some background information on the painting exhibition concerned.

It is believed that the exhibition referred to by Mr LEUNG Yiu-chung should be a ZHANG's painting exhibition held in late August this year at the Exhibition Gallery of the Hong Kong City Hall. In May 2002, the Epoch Group Limited submitted an "Ordinary Booking" application for hiring the Exhibition Gallery of the Hong Kong City Hall to hold the "ZHANG Cuiying Painting Exhibition" from 23 to 26 August this year. It was stated in the application form that the nature of the proposed activity was an exhibition of Chinese traditional paintings. The booking application was then processed and

approved by the Leisure and Cultural Services Department (LCSD) in accordance with the established booking policy, criteria and procedures.

Against this background, my reply is as follows:

- (a) Civic centres under the management of the LCSD, including the City Hall, are open to public hiring. All booking applications are processed in accordance with the established venue booking policy, criteria and procedures of the LCSD. The Director of Leisure and Cultural Services (the Director) and persons appointed by the Director to manage or assist in the management of a civic centre are empowered to administer a civic centre under the "Regulations related to civic centres" (Cap. 132 section 105O), including but not limited to building and hiring management and venue operation. Hirers of civic centres under the management of the LCSD are required to observe all the conditions, laws and regulations applicable to the hired venues. The venue management has the responsibility to ensure that hirers do not violate the laws of Hong Kong, or breach the terms and conditions of hire by carrying out activities whose purpose and nature are not compatible with those stated in the application approved. As recorded, the function organized by the hirer was purely a traditional Chinese painting exhibition. However, the hirer wanted to distribute, during the exhibition period, printed materials with parts of the content not directly related to the exhibition. Since the content of the printed materials deviated from the purpose and nature of the approved function set out in the application form, the venue management of the City Hall liaised with the hirer, who eventually agreed not to distribute the printed materials at the exhibition. However, during the period of exhibition, the hirer did not observe the agreement and distributed or displayed the printed materials from time to time. As a result, the venue management issued verbal and written warnings to the hirer. Indeed to ensure that activities are conducted in a peaceful and orderly manner, the venue management will deploy sufficient manpower to discharge duties at the venue, taking into consideration the actual requirement of the venue, in particular, when there is a large number of people attending a function or ceremony. In making arrangement for the painting exhibition in question, the LCSD has followed the regular operational arrangement for the hire of venue, which is applicable to all hirers' activities.

- (b) In the past, some hirers did request that materials not directly related to the purpose and nature of the approved activity, for example, publicity leaflets of other activities or sponsored gifts that are not permitted, could be distributed during the period of the activity. Such requests were not acceded to by the LCSD and subsequently, the hirers were willing to co-operate and observe the terms and conditions of hire.
- (c) The LCSD has all along supported freedom of creation and attached much importance to freedom of speech. This is why it regularly reviews the venue booking policy as well as the operational arrangement of venues with a view to ensuring that while hirers are required to comply with the terms and conditions of hire and regulations of the venue in conducting the approved activities, the existing arrangement will not interfere with and influence the hirers' activities or the way they are conducted.

**MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, the Secretary emphasized in his main reply that when the Government would, in processing venue booking applications of civic centres, study whether or not the exhibition and printed materials of the hirers meet the venue booking criteria. May I ask the Secretary, on what basis the Government draws up the approving criteria for the processing of venue booking applications? Let us take the arts album the Secretary has just cited for example. The relevant arts album comprised 60 pages in total, in which 40-odd pages were purely Chinese traditional paintings, however, distribution was not permitted. Therefore, I would like to know how the LCSD drew up the approving criteria. The distribution of the arts albums was prohibited. Moreover, six to seven plainclothes officers were sent to the venue to keep an eye on the exhibition. Despite the fact that the venue management issued verbal warnings, no explanation was given concerning the reason of prohibiting the distribution of the arts albums. In addition, a uniformed police officer even questioned whether the activity was related to Falun Gong. Can the Secretary inform this Council of how the relevant criteria were drawn up and on what basis and direction they were drawn up by the Government, so as to facilitate compliance by other organizations?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, in accordance with the established practice, venue management will consider seeking police assistance only when the order or condition of the venue runs out of their control, so as to prevent aggravation of the condition and the outbreak of chaos or accidents. According to the record we have, the City Hall management did not seek police assistance during the course of the exhibition. This answers the second part of Mr LEUNG's supplementary.

With regard to the first part of the supplementary, that is, how the criteria were drawn up, they are in fact set out in the terms and conditions of hire. The LCSD effects venue management in accordance with the established venue booking policy, criteria and procedures. As the said exhibition was held at the City Hall, the hirer should observe the terms and conditions of hire of the City Hall. According to the relevant terms and conditions of hire, the hirer should ensure himself, his employee, agent or any person who is allowed to gain access to the hired venue during the period of hire to observe three provisions as follows: (1) the Public Health and Municipal Services Ordinance (Cap. 132) under the laws of the Hong Kong Special Administrative Region, and all the subsidiary legislation made under the Ordinance; (2) extra rules, regulations and specific provisions set down by the venue management in relation to that activity; and (3) all the notices issued by the venue management to the hirer concerning the operational arrangement of that activity. Furthermore, according to the terms and conditions of hire, unless the hirer had obtained prior consent from the venue manager, he should not carry out activities whose purpose is not compatible with those stated in the application approved, or to alter the nature of the programme. The venue manager may decide on discretion to impose additional terms and conditions on hirers in respect of the use of a specific venue. Hirers have learnt of and agreed with the terms and conditions of hire beforehand.

According to the information provided by the LCSD, the hirer of the venue had breached the terms and conditions of hire during the abovementioned painting exhibition, because the function organized by the hirer should purely be a traditional Chinese painting exhibition. However, the hirer requested to distribute, during the exhibition period, printed materials with parts of the content being not directly related to the exhibition. Since the content of the printed materials deviated from the purpose and nature of the approved function set out in the application form, the venue management of the City Hall liaised

with the hirer, who eventually agreed not to distribute the printed materials at the exhibition. However, during the period of exhibition, the hirer violated the agreement by distributing or displaying the printed materials from time to time. As a result, the venue management issued verbal and written warnings to the hirer.

**MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, the Secretary only repeated the content of the main reply, without answering my supplementary. Instead of focusing on the act of distributing printed materials, the focus of my supplementary was on what basis the authorities considered the arts album incompatible with the criteria, as the content of the arts album mainly comprised traditional Chinese paintings. I wish to know why the distribution of the arts album was not allowed in the first place. I feel bizarre and wish to know why there were additional terms and conditions to prohibit the distribution of these arts albums. May I ask how those criteria were drawn up? Everybody can see that the contents of the arts album were just paintings. May I ask the Government how the criteria were drawn up? On what basis was the arts album judged to have deviated from pure traditional Chinese paintings?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): *Madam President, I have been given to understand that it was actually an arts album, but a large part of its contents was not directly related to the exhibition. As a result, the venue management consulted with the hirer, and the hirer agreed not to distribute the arts album at the exhibition.*

**MR TOMMY CHEUNG** (in Cantonese): *Madam President, according to the reply of the Secretary, since the hirer distributed the printed materials which were not directly related to the exhibition during the period of exhibition, therefore the venue management issued verbal and written warnings to the hirer. If hirers receive repeated verbal or written warnings as a result of violating the laws of Hong Kong or breaching of the terms and conditions of hire, but they ignore the warnings, may I ask the Secretary if the names of these organizers or persons in charge would be blacklisted, in order to deter them from violating the regulations again in future?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, I have enquired the LCS D of the blacklist issue, the LCS D replied that they did not have a so-call blacklist mentioned by Mr Tommy CHEUNG. All booking applications will be processed in accordance with the established venue booking policy, criteria and procedures of the LCS D.

**DR LO WING-LOK** (in Cantonese): *Madam President, it was reported that the printed materials mentioned were related to Falun Gong, and the Hong Kong Association of Falun Dafa had repeatedly complained that its booking applications for hiring civic centres were all unsuccessful. May I ask the Secretary whether the Government has some other criteria in processing the booking applications of Falun Gong?*

**PRESIDENT** (in Cantonese): Dr LO, can you tell me how your supplementary is related to the subject of the main question and the reply of the Secretary?

**DR LO WING-LOK** (in Cantonese): *Madam President, the Secretary mentioned in his main reply that the hirer did not observe the agreement by distributing or displaying the printed materials, that is, the arts albums mentioned earlier, and it was reported that part of the contents of those arts albums was related to Falun Gong. May I ask the Government if it has any specific set of criteria in processing the venue booking applications submitted by Falun Gong?*

**PRESIDENT** (in Cantonese): Dr LO, I consider this supplementary is in no way related to the main question. I would consider it acceptable if you ask whether the Government has adopted any specific criteria to process the venue booking applications submitted by particular organizations, as Falun Gong was not mentioned in the main question at all.

Dr LO, do you wish to phrase your supplementary in another way?

**DR LO WING-LOK** (in Cantonese): *Madam President, I would like to amend my supplementary by deleting the reference to "Falun Gong". May I ask the Government if it has any specific criteria to process the venue booking applications submitted by particular organizations?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, civic centres under LCSD management are open to public hiring. The LCSD will treat all applications without discrimination and will adopt the same venue hiring policy to process all venue booking applications. According to this established venue hiring policy, if different hirers bid for the same venue or the same time slot, the LCSD will set the priority of use in accordance with a points system, and the factors to be considered will include whether the activity to be held is arts-related, whether it is valuable to the promotion of arts, and so on.

**PRESIDENT** (in Cantonese): This Council has already spent more than 16 minutes on this question. This is the last supplementary question.

**MISS CHOY SO-YUK** (in Cantonese): *Madam President, does the Government have better measures to prevent people from passing off the sham as the genuine or crying wine but selling vinegar, that is, hosting activities in the name of arts but with the actual intention of achieving some political objectives?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, the LCSD manages civic centres and processes their bookings in accordance with the established venue booking policy, criteria and procedures of the department. Insofar as each application is concerned, the LCSD will ensure the purpose and nature of the activities are compatible with the activities stated in the application approved prior to allowing the activities to be held on schedule.

**PRESIDENT** (in Cantonese): Sixth question.

## **Construction of a Bridge Connecting Hong Kong and West of Pearl River Delta**

6. **MR HUI CHEUNG-CHING** (in Cantonese): *Madam President, the Financial Secretary stated at the end of August that, in the long run, it was essential to construct a bridge to connect Hong Kong and the western part of the Pearl River Delta. In this connection, will the Government inform this Council whether:*

- (a) *it will expeditiously conduct feasibility studies on the engineering, financial and environmental aspects of the bridge construction project, and assess the impact of the bridge, upon its commissioning, on the economic development of Hong Kong, especially with regard to the import and export sectors; whether the Administration has received assessment reports submitted by private consortia; if it has, of the details;*
- (b) *the Government of the Hong Kong Special Administrative Region (SAR) and the relevant mainland authorities have discussed the bridge construction project; if they have, of the details of the discussions; and*
- (c) *the Administration will formulate basic policies and principles for the bridge construction project, so that interested consortia can conduct in-depth study on the feasibility of constructing the bridge?*

### **SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**

(in Cantonese): *Madam President, I believe there is a common consensus in the community that Hong Kong should spare no effort in pursuing a closer economic tie with the Pearl River Delta area. From the perspective of strategic development, the construction of a land transport link between Hong Kong and the western bank of the Pearl River will further enhance the integration of the two economies, and strengthen the role of Hong Kong as a regional economic and transport hub.*

*In the third Mainland/HKSAR Conference on the Co-ordination of Major Infrastructure Projects held last month, a consensus was reached to jointly study issues relating to the Hong Kong — Pearl River West Link, including freight*

traffic and traffic flow forecasts, alignments, and economic benefits. We are following up with the State Development Planning Commission on how to proceed with this joint study.

The SAR Government is aware, through the media or other means, that there are a number of different proposals regarding the land transport link between Hong Kong and the western bank of the Pearl River. We consider it inappropriate to comment on individual proposals for the time being because they are under consideration at the moment.

We will also investigate certain policy principles such as whether to adopt the build-operate-transfer approach, how to draw up a toll mechanism, and the construction of supporting infrastructures, so that interested parties can conduct further studies on the feasibility of the project. The Government will undoubtedly uphold its principle of fairness, justice and openness in handling this project.

**MR HUI CHEUNG-CHING** (in Cantonese): *Madam President, the Secretary mentioned in the main reply that the construction of the link could strengthen the exchange and co-operation of the two economies, and a joint study on the feasibility of the project was being carried out by the SAR Government and the State Development Planning Commission. May I ask the Secretary when the project can commence according to the relevant projection?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Cantonese): Madam President, as pointed out by Mr HUI Cheung-ching, we are following up with the State Development Planning Commission on arrangements to proceed with the joint study. It is anticipated that efforts will be concentrated on the carrying out of substantive studies and verification of arguments in the next few months. Nevertheless, this will depend on the progress of our work and the Mainland's arrangements. Therefore, a timetable is still not available at the moment. Should we come up with any plans, we will certainly report to this Council expeditiously.

**MS MIRIAM LAU** (in Cantonese): *Madam President, the Secretary stated in the second paragraph of the main reply that a study was being conducted to*

*examine issues including freight traffic and traffic flow forecasts, alignments, and economic benefits. Will the Secretary inform this Council if it is true that the decision to construct this bridge will depend on the data collected from the study? If so, given the fact that, as mentioned in the first paragraph of the main reply, from the perspective of strategic development, the construction of the link will further enhance the integration of the two economies and strengthen the role of Hong Kong as a regional economic and transport hub, how can it be ensured that the link will be taken seriously when considering the overall plan?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**

(in Cantonese): Madam President, the responsibility of studying this issue will be taken up jointly by the Economic Development and Labour Bureau, the Housing, Planning and Lands Bureau, and the Environment, Transport and Works Bureau. Hopefully, the best arrangement can be made with respect to the supply of information to the Bureaux. At this stage, discussions will be focused on the information available to the Mainland, to ensure that all future decisions can stand the test of verification. Ms Miriam LAU just raised the point concerning what can be done to ensure Hong Kong continues to play the important role as a regional economic and transport hub. I fully understand the importance of our role in this context. In carrying out the study, we will certainly not forget the role to be played by the link in the long-term development of the two economies, and the necessity to formulate longer-term strategies. We will look at the matter not only from the perspective of current demands.

**MR AMBROSE LAU** (in Cantonese): *Madam President, it was mentioned in the third paragraph of the main reply that the SAR Government had been aware, through the media or other means, that there were a number of different proposals regarding the land transport link between Hong Kong and the western bank of the Pearl River, and the Government had undertaken that consideration be given to these proposals. Will the Government inform this Council of the key ideas of the proposals received so far? In addition, the Secretary has mentioned a number of proposals. What is the exact number of the proposals?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**

(in Cantonese): Madam President, I am not going to give a detailed reply with

respect to the proposals reported in the newspapers in relation to the construction of the bridge. So far, we have received two formal proposals. Having taken into consideration the options submitted by Guangdong, Hong Kong and Macao, the two proposals have come up with different landings. The ecological problem concerning the western bank of the Pearl River, including Lingding Dao, Qi'ao Dao, is covered as well.

**MR CHAN KAM-LAM** (in Cantonese): *Madam President, in the second paragraph of the main reply, the Secretary mentioned freight traffic and traffic flow forecasts, alignments, and economic benefits. However, she has made no mention of the need to conduct an Environmental Impact Assessment (EIA). As Members are all aware, whenever a road is to be built, many people will appeal to the Government to conduct an EIA, which is going to take some time to complete. May the Secretary expeditiously conduct the EIA and consult the public on such issues as alignments, EIA, traffic and transportation midway through the EIA?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Cantonese): *Madam President, the studies mentioned by me earlier will surely cover the EIA. Actually, the EIA has been undertaken simultaneously, particularly with respect to the landing in Hong Kong. The EIA for the western bank of the Pearl River will be undertaken by the Guangdong side. We will try to complete the preliminary EIA expeditiously and consult various environmental bodies and people from all walks of life. Such work should be carried out at an early stage.*

**DR TANG SIU-TONG** (in Cantonese): *Madam President, the Secretary stated that two proposals had been submitted to the Government. Will the Government invite other consortia to submit feasibility studies on land transport on the western bank of the Pearl River as well?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Cantonese): *Madam President, as mentioned by me earlier, the relevant study will be undertaken to decide on policy principles, the feasibility of the*

project and verification, before we can come up with a more concrete design plan. We will definitely publicize our plan known and invite consortia to take part in due course.

**DR RAYMOND HO** (in Cantonese): *Madam President, I understand that the bridge lies mainly outside Hong Kong. Careful consideration must be made since substantial resources will be required for the construction of supporting infrastructures, even though investment will come from the private sector. May I ask the Secretary whether Hong Kong should, in future discussions on the extent of its participation, be allowed to make its own decision on whether it should participate fully or merely complement the efforts made by the Mainland, because this is related to the degree of resource injection in future?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**

(in Cantonese): Madam President, it was mentioned by Dr Raymond HO that the bridge will have a longer section in Guangdong than in Hong Kong. When looking at the whole investment project, we will surely take into consideration what we should do to co-operate with Guangdong. Furthermore, we will give careful consideration to the construction of a number of supporting infrastructures. As I mentioned earlier, we will consider whether the business mode, namely the build-operate-transfer approach, should be adopted. We will definitely consider this crucial point in detail.

**MR HUI CHEUNG-CHING** (in Cantonese): *Madam President, the Secretary mentioned in the fourth paragraph of the main reply that some policy principles would be examined. May I ask the Secretary when these principles will be published and whether a timetable has been formulated?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**

(in Cantonese): Madam President, as explained by me earlier, since we must examine the entire project in conjunction with the State Development Planning Commission and the Guangdong Provincial Government, it is impossible for the SAR Government to unilaterally decide on these policy principles. I have

mentioned the timetable earlier. We have begun making substantive arrangements too. As regards the timing of completion, I can assure Members that I will report to this Council as early as possible.

**MR HOWARD YOUNG** (in Cantonese): *Madam President, the Secretary pointed out earlier that assessment would be carried out with respect to the design of the western landing of the bridge and the environmental protection aspect. The design will certainly have a bearing on the construction costs. May I ask the Secretary whether the Government has conducted any studies to determine whether different landings and alignments will have a neutral impact or a bearing on the economic development of Hong Kong?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**

(in Cantonese): Madam President, it is most important that the construction of a cross-boundary land transport link between Hong Kong and the western bank of the Pearl River can promote the exchange of the two economies and benefit the long-term economic development of Hong Kong. Economic development is definitely a crucial factor in deciding the alignments of the link and the landing, though other elements have a complementary role to play as well.

**PRESIDENT** (in Cantonese): Mr YOUNG, has your supplementary question not been answered?

**MR HOWARD YOUNG** (in Cantonese): *Madam President, I am not trying to question the benefit to our economic development. I only wish to know if different landings will be neutral in terms of economic benefits. What I mean is, while a certain alignment might benefit Hong Kong, another alignment might benefit Hong Kong even more. Has the Secretary studied this possibility?*

**PRESIDENT** (in Cantonese): Secretary, do you have anything to add?

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**

(in Cantonese): Madam President, as pointed out by me earlier when replying to

the supplementary raised by Mr YOUNG, we will definitely consider the option which is most beneficial to Hong Kong in terms of economic benefits. It is definitely not going to be a neutral option.

**MR LAU KONG-WAH** (in Cantonese): *Madam President, the SAR Government has all along maintained that the bridge would not be required until 2016. However, the reply given by the Chief Executive during the Question and Answer Session was "the sooner the better", though he fell short of specifying a particular year. Can the Secretary tell us if the current position of the SAR Government is that the bridge should be completed before 2016? Furthermore, is it true that the SAR Government has not come up with any proposals by itself and is waiting for the public to raise their proposals?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Cantonese): Madam President, the date, namely 2016, was first mentioned in a 2003 study on the overall planning of Hong Kong. At the present stage, after examining the findings of various studies, we certainly hope the bridge can be completed before 2016, or even several years earlier. If we are to keep pace with the development of the two economies, we must expedite the construction of the bridge. This explains why the three Policy Bureaux are now expediting the implementation of the relevant work. As for the second supplementary raised by Mr LAU .....

**MR LAU KONG-WAH** (in Cantonese): *Madam President, may I ask the Government if it has any proposal, in addition to the ones raised by the public?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Cantonese): Madam President, we have made reference to a number of proposals raised by the people. Thanks to the co-operation of the three Policy Bureaux, the SAR Government has definitely come up with its own proposals. Sharing the common goal of ensuring effectiveness in promoting the economic development of Hong Kong, each proposal has its own merits and drawbacks. We will give due consideration to all areas, such as environmental protection, as well as holistic consideration to such areas as transport.

**PRESIDENT** (in Cantonese): This Council has spent more than 16 minutes on this question. This is the last supplementary.

**MR AMBROSE LAU** (in Cantonese): *Madam President, it was mentioned in the first paragraph of the main reply that there was a consensus in society that the link could enhance the integration of the two economies. This is certainly of great significance to Hong Kong economy. In the second paragraph, it was also mentioned that we were following up with the State Development Planning Commission on how to proceed with the joint study. In this connection, many Members have raised questions about the timetable arrangements. I certainly understand that we cannot unilaterally decide when the study can be completed. Nevertheless, does the Government have any plans in mind? If not, is it prepared to propose a tentative date for the study to complete so that the Commission can consider and take matching measures?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**

(in Cantonese): Madam President, I can assure Members that we will waste no time in discussing the relevant details with the Mainland expeditiously. Hopefully, the preliminary study can be completed in a few months' time. However, we must discuss with the Commission with respect to finalizing the timetable.

**PRESIDENT** (in Cantonese): Oral question time ends here.

**WRITTEN ANSWERS TO QUESTIONS**

**Termite and Mosquito Control Carried out by AFCD**

7. **MR ERIC LI** (in Chinese): *Madam President, will the Government inform this Council whether the Agriculture, Fisheries and Conservation Department (AFCD) carries out termite and mosquito control in the areas under its management on a regular basis; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Chinese): Madam President, the AFCD is directly responsible for managing country parks and marine parks in Hong Kong. Mosquito problems are brought under control through regular inspections and cleansing in these parks. Operational details include:

- minimizing mosquito breeding grounds in barbecue/camp sites and along hiking trails through clearing of drains;
- leveling of depressions to prevent accumulation of stagnant water;
- removal of containers;
- clearing of path-side grass; and
- applying petroleum oil or larvicide to water bodies at toilets, work sites and recreational sites as necessary.

In support of the territory-wide fight against dengue fever, the Department has intensified the above steps and launched a Clean Country Parks Scheme which features an intensive clean-up operation in all country parks from October to December 2002.

The AFCD does not carry out termite control in areas under its direct management. Termites, by recycling dead wood, returning nutrients to the soil and falling prey to wild animals, play an important role in maintaining the ecological balance of our natural environment, and hence are not normally treated as pests in country parks.

### **Insufficient Recreational and Sports Facilities in Tung Chung and Tin Shui Wai North**

8. **MR ALBERT CHAN** (in Chinese): *Madam President, members of the public have reflected to me that the recreational facilities and sports grounds in new towns are inadequate, and hence fail to meet the local residents' expectation in this regard. In fact, while the populations of Tung Chung and Tin Shui Wai North have exceeded 40 000 and 100 000 respectively, both districts lack*

*sufficient recreational and sports facilities and there is only one five-a-side soccer pitch in Tin Shui Wai North. In this connection, will the Government inform this Council whether:*

- (a) it has long-term plans to provide sufficient recreational and sports facilities for the two districts, as well as short-term plans to solve the current shortage of such facilities;*
- (b) it will expedite plans to provide recreational and sports facilities in these two districts; if so, of the details; if not, the reasons for that;*
- (c) it will consider providing recreational and sports facilities earlier when developing new towns, so that the residents will be able to enjoy the facilities sooner; if so, of the details; if not, the reasons for that; and*
- (d) it has assessed if inadequate recreational and sports facilities in new towns will give rise to situations in which young people in the districts loiter in the streets when they have no place to go to for entertainment during their leisure time, and aggravates the juvenile delinquency problem?*

**SECRETARY FOR HOME AFFAIRS** (in Chinese): Madam President, my reply to the Honourable Member's questions are as follows:

- (a) In order to meet the needs of the residents in Tung Chung and Tin Shui Wai, the Leisure and Cultural Services Department (LCSD) is planning a number of projects involving sports and recreational facilities, including the provision of parks, playgrounds, a sports centre, an indoor heated pool and a library in Areas 2, 7, 17, 18 and 52, Tung Chung, as well as the provision of open spaces, a sports centre cum indoor heated pool and a library in Areas 2, 15, 25, 25A and 25B, Tin Shui Wai. These projects have been included in the "Accelerated Programme" and will be implemented within the next five years subject to the availability of resources.

Prior to the completion of these facilities, the LCSD is exploring the possibility of providing temporary recreational facilities under

minor works projects so as to alleviate residents' demand for recreational and sports facilities. For instance, the Department is planning to construct a temporary soccer pitch in Area 13, Tung Chung and provide some temporary greening and sitting-out facilities in Area 52, Tung Chung. Work is also in hand by the Department to identify suitable and available sites at the north of Tin Wah Road for the construction of temporary facilities under minor works projects.

- (b) The LCSD will launch the major works projects mentioned above according to the Public Works Programme procedures as required, such as the submission of client project brief, carrying out of project feasibility study, application for the allocation of land and funding, and so on. In addition, as some project sites are either being occupied or pending the completion of reclamation works, the projects cannot commence immediately. However, the Department will do its best to shorten the preparatory process for individual projects. It will also actively explore the scope for greater private sector participation in the design, construction and operation of the projects so as to accelerate their implementation and facilitate the early provision of a wide range of leisure and cultural facilities for local residents.
- (c) We will work with relevant government departments to ensure that future development of sports and recreational facilities in the new towns ties in with other infrastructure and housing projects, so as to facilitate the early provision of appropriate sports and recreational facilities for the public.
- (d) Prior to the completion of the recreational and sports facilities in the new towns, the LCSD will consider providing temporary recreational facilities for use by young people and the public. Other departments including the Social Welfare Department will also provide a wide range of facilities and services for young people, such as the Integrated Children and Youth Services Centres (ICYSC), which offers counseling, supportive services and socialization programmes for young people. At present, there are six ICYSCs in Tin Shui Wai. In Tung Chung, there are two

Centres which provide an integrated, one-stop service for young people and their families, including an overnight outreach service for young night drifters. As there are more young night drifters in districts like Tin Shui Wai and Tung Chung, some ICYSCs in those districts are allocated additional resources and manpower so as to extend their service hours and service focus for the overnight outreach service to young night drifters. An additional Youth Outreaching Social Work Team is also provided in Yuen Long (including Tin Shui Wai) to address the needs of young people in the district.

### **Plan to Widen Tai Tam Road**

9. **MS MIRIAM LAU** (in Chinese): *Madam President, the Government indicated in 1996 that it planned to widen the section of Tai Tam Road over Tai Tam Tuk Reservoir Dam from a 5-m wide carriageway to a standard 7.3-m wide two-lane carriageway. In this connection, will the Government inform this Council whether there is still such a plan; if so, of the progress of the project, as well as the expected commencement and completion dates of the relevant works?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Chinese): Madam President, the section of Tai Tam Road over Tai Tam Tuk Reservoir Dam can normally allow two small vehicles to run in opposite directions although it may be more difficult for large vehicles to manoeuvre.

The Transport Department had explored the feasibility of widening the section of Tai Tam Road over Tai Tam Tuk Reservoir Dam to improve the traffic conditions. It was eventually concluded that widening works would affect the structure of the dam and hence could not be pursued.

The Transport Department is now considering the possibility of introducing a visual information system to inform drivers before entering that section whether there are large vehicles approaching from the opposite direction. The Transport Department has commissioned a consultancy study on the feasibility of installing such a system and findings are expected in early 2003.

**Appointment of Members of Advisory and Statutory Bodies**

10. **MS EMILY LAU** (in Chinese): *Madam President, in reply to my question earlier, the Administration pointed out that of all the persons reappointed to advisory bodies since 1 January 2002, 19 had attained meeting attendance rates of below 25% during the year preceding their reappointment. Regarding the appointment of members of advisory/statutory bodies, will the executive authorities inform this Council:*

- (a) *of the names of the 19 persons mentioned above, their respective meeting attendance rates and the names of the advisory bodies to which they have been appointed;*
- (b) *whether they will consider using the meeting attendance rate as one of the criteria for the reappointment of members of advisory bodies; if so, of the minimum requirement they intend to impose in respect of the attendance rate; if not, the reasons for that; and*
- (c) *which members of the Election Committee have been appointed as members of advisory/statutory bodies, and of the names of the advisory/statutory bodies to which each of them has been appointed?*

**SECRETARY FOR HOME AFFAIRS** (in Chinese): Madam President,

- (a) in reply to Ms Emily LAU's question of 10 July 2002, we stated that "(c) Of all reappointments to the other advisory bodies since 1 January 2002, 19 attained an attendance rate of below 25% during the year preceding the relevant reappointment dates." The basis for calculating these attendance rates was attendance during the previous 12 months. This was not an entirely satisfactory basis for comparison as there might be one or two meetings only during that one-year period. Furthermore, the work of some advisory bodies might have been conducted by circulation of papers or by way of working groups or sub-committees. Accordingly, it would neither be fair nor appropriate to gauge the contribution of a member to the work of an advisory body simply by looking at his/her attendance rate at scheduled meetings.

The list of names required is at the Annex. However, it should be pointed out that attendance rate should only be considered as one of many measures of the contributions of the members concerned.

- (b) The Administration does not intend to use a minimum attendance rate as a condition for reappointment to an advisory body, as it is not an entirely reliable indicator of the value and contribution of a member to the work of that body.
- (c) The Election Committee is composed of 800 members who are elites from various sectors. Currently, full details of the memberships of all 800 Election Committee members on advisory or statutory bodies are not readily available.

### Annex

*Name of reappointed members with*

*attendance less than 25% in the Advisory Board or Committee preceding year*

*Remarks*

Mr Alan CHAN	Stamp Advisory Committee	Attended three out of eight meetings during the preceding term.
Dr David CHEUNG	Hong Kong Committee for Pacific Economic Cooperation	Contributed to Hong Kong's participation in a regional forum - Pacific Economic co-operation Council - in the field of e-commerce infrastructure.
Mr Canning FOK	Hong Kong Port and Maritime Board	Absent from annual meeting.
Dr William FUNG Kwok-lun, JP	Board of Trustees of the Lord Wilson Heritage Trust	Missed annual meeting. Business conducted mainly by circulation of papers.
Mrs Alice HO WONG Shiu-fung	Council of the Lord Wilson Heritage Trust	Attended to business by correspondence and papers.

*Name of reappointed members with**attendance less than 25% in the Advisory Board or Committee preceding year**Remarks*

Mr HUNG Yuet-kin	Advisory Committee on Agriculture and Fisheries	Very active in the sub-committee.
Mr Walter KWOK Ping-sheung, JP	Board of Trustees of the Lord Wilson Heritage Trust	Missed annual meeting. Business conducted mainly by circulation of papers.
Miss Winnie LEUNG Wing-yee	Hong Kong Rotary Club Students' Loan Fund and Sing Tao Foundation Students' Loan Fund Committee	Active contribution over the three-year term. Missed the annual meeting in the preceding year.
Mr Alasdair G MORRISON	Board of Trustees of the Lord Wilson Heritage Trust	Missed annual meeting. Business conducted mainly by circulation of papers.
Mr NG See-yuen, JP	Film Development Fund Projects Vetting Committee	Active contribution over the two-year term.
Mr PANG Yiu-kai, JP	Joint Committee on Student Finance	Active contribution over the three-year term. Missed the annual meeting in the preceding year.
Dr TSUI Tsin-tong, GBS, JP	Board of Trustees of the Lord Wilson Heritage Trust	Missed annual meeting. Business conducted mainly by circulation of papers.
Dr John URE	Hong Kong Committee for Pacific Economic Cooperation	Contributed to Hong Kong's participation in a regional forum - Pacific Economic co-operation Council - in the field of information and telecommunication service.
Mr Justein WONG Chun	Rice Advisory Committee	Provided useful advice to the Committee. Reappointment was

<i>Name of reappointed members with attendance less than 25% in the preceding year</i>	<i>Advisory Board or Committee</i>	<i>Remarks</i>
		important in maintaining continuity at the final stage of implementing the Government's plan to liberate the rice trade.
Mr Daniel WONG Ho-kar	Hong Kong Productivity Council	Active contribution in the two-year term.
Mr WONG Ming-yam	Hong Kong Productivity Council	Active in the sub-committee and working-group.
Ms Annie WU Suk-ching, SBS, JP	Committee on the Promotion of Civic Education	Attended three out of eight meetings during the preceding term.
Prof XU Zhi-hong	Council of Advisors on Innovation and Technology	Prof XU is the President of the Peking University and works in Beijing. The committee has been tapping his expertise through circulation of papers.
Mr James LU Shien-hwai	Waste Reduction Committee	Mr LU was reappointed to the Committee as the chairman of a task force. His attendance rate before reappointment covered only six months. He has resigned.

### **Providing Comprehensive Financial Management Education to Public**

11. **MR KENNETH TING** (in Chinese): *Madam President, it has been reported that the statistics provided by an organization which assisted members of the public in solving debt problems revealed that people who borrowed money at times of financial difficulty were often unaware of the way the loan interest was calculated and their own repayment ability, and thus got entangled in the web of debts. In this connection, will the Government inform this Council whether:*

- (a) *it will tighten the policy and require money lender companies and credit card companies to clearly inform, in simpler and more comprehensible terms than the existing ones, the borrowers of the specific amount of interest payable; if it will, of the details; if it will not, the reasons for that; and*
- (b) *it will provide comprehensive financial management education to the general public and young persons at school?*

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

- (a) Currently, the Code of Banking Practice issued by the banking industry associations already requires authorized institutions (AIs) under the Banking Ordinance to use the "Net Present Value" (NPV) method specified in the United Kingdom Consumer Credit Act regulations to calculate the annualized percentage rate (APR) of credit card and personal loan products. AIs should also be prepared to respond to inquiries from customers concerning APRs and the methods of calculation, and also to advise customers of the APRs of specific products. Moreover, AIs should where relevant quote APRs of banking products to facilitate comparison between different charging structures.

The Money Lenders Ordinance, which provides for the licensing of money lenders (excluding AIs), requires a note or memorandum in writing of an agreement for the repayment of money lent by a money lender to be signed personally by the borrower, and a copy of such note or memorandum to be given to the borrower at the time of signing. The note or memorandum is required to contain all the terms of the agreement, in particular the rate of interest charged on the loan expressed as a rate per cent per annum or the rate per cent per annum represented by the interest charged as calculated in accordance with Schedule 2 to the Ordinance. Moreover, the Ordinance imposes a duty on the money lender to give information to the borrower under certain circumstances.

We believe that the Code of Banking Practice and the Money Lenders Ordinance currently provide adequate regulation in this respect. Standardizing the calculation of APRs for credit card borrowing and personal loans helps promote greater transparency of products, allowing consumers to clearly understand the cost of borrowing and to easily compare the interest rate structure of different products. This enables consumers to choose the products or services that best suit their needs.

- (b) According to information provided by the Education Department, some subjects of the existing secondary school curriculum, for example, Home Economics, Business Fundamentals, Principles of Accounts, Business Studies, have already included the element of financial management education in topics such as personal budgeting, managing money, and so on. In addition, relevant concepts such as opportunity cost in using money and interest rate have also been included in the existing curricula of Economic and Public Affairs, and Economics.

In the Technology Education Key Learning Area Curriculum Guide (Primary 1 - Secondary 3) (2002) prepared by the Curriculum Development Council, it is recommended that more comprehensive financial management education should be provided to students through learning elements, such as financial budgeting, management of family resources and budgeting, and so on. In addition, the Personal, Social and Humanities Education Key Learning Area Curriculum Guide (Primary 1 - Secondary 3) (2002) also recommends more learning activities such as practising planning one's use of financial resources and making effective decision as consumers and investors.

Regarding public education on personal financial planning, the Hong Kong Association of Banks, the DTC Association, and the Hong Kong SAR Licensed Money Lenders Association Limited have jointly issued a leaflet on "Financial Health" at the beginning of this year. The leaflet explains the importance of managing personal credit and the consequences of bankruptcy, with suggestions on measures to enhance personal financial planning and management. In addition, the Hong Kong Monetary Authority has

recommended that the industry Associations should encourage their members to provide information on prudent financial management when issuing credit cards to students.

### **Confiscation of Protesters' Loudspeakers by Police**

12. **MR LEUNG YIU-CHUNG** (in Chinese): *Madam President, during the opening ceremony of the Tseung Kwan O Extension held by the MTR Corporation Limited on 18 August this year, the police officers at the scene had scuffles with protesters due to a row over the location of the demonstration area, and subsequently they confiscated the protesters' loudspeakers. In this connection, will the Government inform this Council:*

- (a) *of the police's detailed procedures for approving the location of demonstration areas to be set up; if so, of the details; if not, the reasons for that;*
- (b) *of the legal basis on which the police confiscate loudspeakers as well as other demonstration items from protesters; and*
- (c) *whether the police have drawn up procedures regarding confiscation of loudspeakers from protesters; if so, of the details; if not, the reasons for that?*

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

- (a) It has been the Force policy to endeavour to facilitate, as far as possible, all public meetings and public processions so that the participants may exercise their freedom of expression in an orderly and lawful manner. The objective of setting up Designated Public Activity Areas (DPAA) (that is, "demonstration areas" mentioned in the question) is to enable demonstrators to express their views freely in appropriate places, in proximity to the venue where certain activities are taking place, without causing undue obstruction and inconvenience to the persons attending such activities and other members of the public. This arrangement also facilitates the Hong Kong Police Force in carrying out their statutory duties, for example

preserving the public peace, preserving order in public places and ensuring public safety.

The police's detailed procedures in setting up DPAA are as follows:

- The police will first consider factors such as the physical setting of the place; degree of inconvenience that the public order event might cause to the nearby shops and orderly flow of vehicles and persons; duration of the likely inconvenience; emotions of demonstrators; nature of the event; and its potential threat to public order, public safety and the public interest.
  - If the organizer of a public order event gives prior notification to the police on details of the event, the police will consider, as far as possible, the specific needs of the event when setting up the DPAA. The police will also keep in touch with the organizer to explain the arrangements relating to the DPAA.
  - Plans for setting up DPAA are considered and decided by the Field Commander.
- (b) Sections 6(2), 11(1)(c) and 15(1)(c) of Public Order Ordinance empower the police to control and direct the use of amplification devices during public order events under specific circumstances, and where necessary, the police can request the organizer of the public order event to surrender the control of amplification devices for the duration of the event. The police would normally not seize "demonstration items". Where necessary, the police may have to make enquiries and follow up the use of "demonstration items" where such use gives rise to concern regarding public safety.
- (c) The Force have established procedures and guidelines regarding control of the use of amplification devices in public order events.

Under section 6(2) of Public Order Ordinance, the Commissioner of Police may, if he reasonably considers it to be necessary, in the interests of, for example, public safety, public order or the protection of the rights and freedoms of others, in such manner as he

may think fit, control and direct the extent to which sound may be amplified. Section 6(3) empowers the Commissioner to give orders as he reasonably considers necessary regarding the above situation. Sections 11(1)(c) and 15(1)(c) provide that in any public meeting and procession, if any amplification device is used in a manner that causes a noise which would not be tolerated by a reasonable person, and if so required, its control should be surrendered to a police officer during the event.

The Force's operational guidelines provide that powers under sections 6(2) and 6(3) may only be delegated to specified officers of Chief Superintendent rank or above. The guidelines also state that such powers may only be invoked in the following circumstances:

- (i) someone complains that his/her rights and freedoms are threatened; and
- (ii) the officer concerned reasonably considers it to be necessary to prevent an imminent threat to the interests of others as mentioned above.

The above matters are listed in detail in the Force's Headquarters Order which serves as instructions and guidelines for officers engaged in regulating public order events.

### **Collection of Umbilical Cord Blood by Hong Kong Red Cross**

13. **DR RAYMOND HO** (in Chinese): *Madam President, it was reported that an expectant mother had informed the Hong Kong Red Cross (HKRC) that she wished to donate the umbilical cord blood upon her delivery, so that the stem cells in the blood may be used to help cure cancer patients. As her baby was subsequently born outside office hours, due to scarcity of resources, the HKRC did not deploy staff to the public hospital concerned to collect the cord blood, resulting in its wastage. In this connection, will the Government inform this Council:*

- (a) *of the estimated total quantities of cord blood available for collection in Hong Kong over the past three years;*

- (b) *whether it has provided support to the HKRC for the collection and storage of cord blood; if so, of the details; and*
- (c) *whether it knows the procedure adopted by the HKRC for collecting cord blood at public hospitals, and whether the health care personnel of public hospitals can collect cord blood on behalf of the HKRC?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Chinese):  
Madam President,

- (a) Cord blood is rich in haematopoietic stem cells which, like bone marrow, could be infused to patients for treatment of various blood diseases, and is thus an alternative treatment for patients who require bone marrow transplant therapy. The specialists of the HKRC Blood Transfusion Service (BTS) estimates that 4 000 to 4 500 units of cord blood samples would be sufficient to provide matched cord blood for most of the local patients who may need bone marrow transplant therapy. As a first step in establishing a centralized Cord Blood Bank for Hong Kong, the BTS has, with funding support of the Hong Kong Jockey Club Charities Trust (Jockey Club Trust), set up a Cord Blood Bank in 1999 to collect, process and store 2 300 units of cord blood for transplant therapy in Hong Kong by end 2004. The total quantities of cord blood available for donation would vary depending on the following factors:
  - (i) the clinically suitability of the pregnant women for cord blood donation;
  - (ii) the medical situation of the parturients; and
  - (iii) whether the pregnant women would give consent for the donation.

As the target is to collect, process and store 2 300 units of cord blood by end 2004, the Hospital Authority (HA) has not estimated the total quantities of cord blood available for donation in the past three years.

- (b) The BTS currently deploys two specially trained nurses to collect cord blood. The salaries of these two nurses, together with the cost of the necessary equipment and consumables required for processing, testing and storing of cord blood, are funded by the Jockey Club Trust. The other operating cost of the Cord Blood Bank, including technical support provided by the BTS's specialized staff and other administrative support, is met by the HA through government subvention.
- (c) In line with the international standards, the collection, processing and storage of cord blood must be carried out by specially trained staff. For operational efficiency, the BTS has obtained the agreement of the neighbouring Kwong Wah Hospital (KWH) and Queen Elizabeth Hospital (QEH) to collect cord blood from parturients of their labour wards. Currently, two specially trained nurses collect two to four units of cord blood daily from the KWH and the QEH during Mondays to Fridays. The procedures of collecting cord blood are as follows:
- (i) The BTS staff distribute pamphlets to and conduct briefing sessions on cord blood donation for potential donors in antenatal clinics;
  - (ii) The BTS staff review the medical records of pregnant women and approach those who are clinically suitable to obtain their written consent for cord blood donation;
  - (iii) If the medical situation of a parturient is suitable for donation, cord blood will be collected from the placenta after delivery of the baby;
  - (iv) The collected cord blood will then be sent back to the BTS for testing and processing within 24 hours of collection; and
  - (v) Cord blood units suitable for transplant will be stored at -196 degree Celsius in liquid nitrogen.

**Negative-equity Properties**

14. **MR KENNETH TING** (in Chinese): *Madam President, will the Government inform this Council:*

- (a) *of the respective numbers of residential and commercial "negative-equity properties" in Hong Kong when the second mortgage loans provided by developers are taken into account, and among these properties, the number of those which has become "negative-equity properties" within this year;*
- (b) *whether it has assessed the adverse impact of the increasing number of "negative-equity properties" on the local economy, including the loss of cash, the confidence in investments and the development of the commercial and industrial sectors; if it has, of the results; and*
- (c) *whether it plans to adopt new measures to stabilize property prices, so as to reduce the number of "negative-equity properties" to a specific level, in order to reduce the impact of "negative-equity properties" on deflation; if so, of the details?*

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

- (a) According to the results of the survey announced by the Hong Kong Monetary Authority (HKMA) on residential mortgage loans (RMLs) in negative equity in June 2002, it is estimated that the total number of RMLs in negative equity in the banking sector was about 67 500 as at end of March, which is 5 500 less than that of the fourth quarter of last year.

The figures derived from the survey relate only to RMLs provided by the banks on the basis of first mortgages. The extent to which such RMLs are in negative equity, taking into account the second mortgage, is not known because banks do not maintain records on the outstanding balances of the second mortgages. The survey covers only RMLs, and does not include mortgage loans for commercial and industrial property.

The HKMA plans to announce the latest survey results on RMLs in negative equity in November this year. The current survey findings available, which cover records up to March 2002, do not allow for a meaningful comparison of the rate of change in the number of properties becoming negative equity properties during this year.

- (b) Despite a slackening property market, the number of residential mortgage loans in negative equity seems to have stabilized recently. Yet, because of the negative wealth effect, consumption and investment sentiment is inevitably dampened. In respect of consumption expenditure, the negative equity assets have more of a psychological impact, and the stability of household income should be more of a concern. As for business and industrial establishments, the situation varies. The property development sector and estate agencies are more directly and vigorously affected amidst a sluggish market. The impact on other business establishments is mainly shown in diminishing assets value and continued liabilities. On the whole, even though property as collateral has dwindled in value, banks have taken the initiative to help homeowners in negative equity. Measures taken include preferential interest rate, extension of repayment period, re-scheduling of mortgage loans to repay interest first and principal later. In the light of these measures, hardship of negative-equity property owners has been greatly alleviated. The adverse impact of negative equity on the economy should have been relieved considerably.
- (c) The Secretary for Housing, Planning and Lands is in the course of reviewing the housing policy development and will announce the review findings at an appropriate time. The Government understands the concerns of the community of the impact of negative-equity assets on local economy, but do not intend to set a target level for reduction of the number of "negative-equity properties". We hope that the number of "negative-equity properties" will be reduced if the property market improves with the economy.

**Containing the Spread of Dengue Fever**

15. **MR NG LEUNG-SING** (in Chinese): *Madam President, as over 10 cases of locally-contracted dengue fever have been reported since late August, will the Government inform this Council whether:*

- (a) *a cross-border co-operation mechanism has been put in place to contain the spread of dengue fever; if so, of the details; if not, the reasons for that; and*
- (b) *it has assessed if the existing medical system and other services in Hong Kong are able to cope with a surge in the number of dengue fever patients, and of the contingency measures drawn up to address this situation?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Chinese): Madam President, the Government has been vigilant on dengue fever, which was declared a statutory notifiable disease since 1994. Investigation and prevention measures are taken for every notified case to prevent spread of the disease. The Interdepartmental Co-ordinating Committee (ICC) on Dengue Fever, set up in 2001 and comprising concerned government departments and the Hospital Authority, co-ordinates vector control, public education efforts and contingency measures to contain the disease. A Steering Committee comprising senior officers from relevant Policy Bureaux and departments was set up in October 2002 to oversee the policy, strategies and directions of the territory-wide anti-mosquito campaign and the implementation work of the ICC.

- (a) Global prevalence of dengue fever has grown dramatically in recent decades, threatening the health of people in over 100 countries and territories, particularly in the Western Pacific Region. In view of the high volume of travel in and out of Hong Kong, there is a risk of the introduction of the dengue virus into Hong Kong from dengue endemic countries. Department of Health, therefore, maintains close liaison with the health authorities in neighbouring areas and overseas countries, including the World Health Organization (WHO) and the Centers for Disease Prevention and Control in the United States to keep abreast of developments in communicable diseases

worldwide and take precautionary and control measures as appropriate. Information on specific infectious diseases, including dengue fever, is exchanged with neighbouring countries and areas on a regular basis.

On the control of mosquitoes, the Food and Environmental Hygiene Department (FEHD) has established networks with overseas authorities with extensive experience on dengue vector control, in addition to the WHO. In view of the recent emergence of locally contracted dengue fever cases, the FEHD will further promote the sharing of experience and knowledge with the international health community with a view to enhancing the effectiveness of mosquito control measures in Hong Kong.

- (b) With the presence of the mosquito vector transmitting dengue fever imported from neighbouring areas, we expect to see sporadic local cases but with an effective mosquito control programme and surveillance system, it is our assessment that the likelihood of having an extensive outbreak will be low. We have an effective disease surveillance system involving hospitals, clinics and laboratories in the public and private sectors to monitor and control the spread of dengue fever. Adequate facilities and drugs are available to treat patients suffering from dengue fever. With early diagnosis and treatment, most patients can recover uneventfully. Contingency plans are in place to handle any upsurge in the number of patients.

### **Youth Work Experience and Training Scheme**

16. **MR WONG SING-CHI** (in Chinese): *Madam President, regarding the Youth Work Experience and Training Scheme (YWETS) launched this year, will the Government inform this Council:*

- (a) *of the number of participants and, among them, the number of young people who have been offered training places (trainees) since the implementation of the Scheme, as well as the differences in age and academic qualifications between these trainees and those participants who have not been successfully placed; and*

- (b) *whether the case managers responsible for assisting trainees have provided support services to those participants who have not been successfully placed; if so, of the current number of participants receiving such support services, as well as the resources and manpower available for the provision of such services; if not, whether consideration will be given to providing the relevant support services?*

**SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR** (in Chinese): Madam President,

- (a) Application for the current phase of the YWETS closed on 13 August 2002. As at 7 October 2002, there were 18 689 young persons in the Scheme, of whom 3 246 had been referred to join the Youth Pre-employment Training Programme (YPTP) in the first instance. They would join the YWETS upon completion of pre-employment training under the YPTP. As at the same date, we have arranged 6 767 interview appointments for trainees, and 1 124 trainees have been successfully placed into employment. The age and education profile of trainees who have been placed into employment and those yet to be placed are as follows:

*Age*

<i>Age group</i>	<i>Trainees placed into employment</i>	<i>Trainees not yet placed</i>
15-19	651	9 694
20-24	473	7 871
Total	1 124	17 565

*Educational Level*

<i>Educational level</i>	<i>Trainees placed into employment</i>	<i>Trainees not yet placed</i>
Below Secondary 3	19	862
Secondary 3 to Secondary 4	59	2 327
Secondary 5	843	11 544
Secondary 6 to Secondary 7	112	1 344
Sub-degree and post- secondary	68	1 179
Others (for example, certificate programme of the Vocational Training Council)	23	309
Total	1 124	17 565

- (b) Participating social services organizations will assign registered social workers to provide, in their capacity as case managers, a 50-hour case management service for all trainees under the YWETS. The service covers pre-employment assessment, formulation of career plan, job-matching, interview preparation, on-the-job support, and review. In total, there are 570 case managers from 180 service outlets of 43 social services organizations. Moreover, those trainees who have not previously received any training in communication and interpersonal skills will attend a 40-hour induction course to better prepare them for the on-the-job training. We expect all trainees in need of such training to complete their induction by the end of November.

We shall make every effort to refer trainees to attend selection interviews with prospective employers. Through the comprehensive support rendered by case managers, we hope to enhance the competitiveness of trainees in the employment market.

### **Recovery of Batteries for Recycling**

17. **MR LAU WONG-FAT** (in Chinese): *Madam President, regarding the recovery of batteries for recycling, will the Government inform this Council:*

- (a) *whether it has estimated the quantity of batteries discarded each year; if so, of the quantity of each type of batteries (including mobile phone batteries, general household batteries and rechargeable batteries as well as vehicle batteries);*
- (b) *whether it has assessed the impact of the discarded batteries on the environment of Hong Kong; if so, of the details;*
- (c) *whether it will consider designating a government department to co-ordinate efforts in recovering batteries for recycling;*
- (d) *whether it knows the effectiveness of the pilot scheme launched in April this year to collect used mobile phone batteries; and*
- (e) *of its plans to encourage the recovery of other types of batteries for recycling?*

### **SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**

(in Chinese): Madam President, we estimate that about 4 000 tonnes of batteries are disposed of at landfills each year. We do not have the breakdown of the types of batteries that are discarded.

The main environmental concerns of batteries are the corrosive nature of the acid contained in lead acid batteries and the possibility of leakage of toxic metals. Lead acid batteries are generated mainly from commercial and industrial sources. The acid therein is classified as chemical waste under the Waste Disposal Ordinance, and has to be properly collected and treated at the Chemical Waste Treatment Centre (CWTC) or other licensed disposal facilities.

As for other types of battery waste which are disposed of at the three landfills, they should not cause environmental problems since the landfills are

lined with impermeable liners to prevent underground leakage of contaminated liquid, and such liquid is properly collected and treated within the landfills. The operation contracts for the landfills also require operators to maintain a stringent monitoring regime to ensure that there is no underground leakage of contaminated liquid. In addition, the Environmental Protection Department (EPD) also undertakes independent environmental checking and regularly reviews reports from landfill operators.

The EPD is responsible for promoting and facilitating waste reduction and recycling programmes, including those for battery waste.

The pilot mobile phone battery recycling programme is a 12-month voluntary product responsibility scheme jointly organized by the telecommunication industry, mobile phone battery suppliers and the EPD. Since the launch of the programme in April this year, about 1.4 tonnes of mobile phone batteries (about 10 000 pieces) have been collected for recycling by the industry. As the pilot programme has just started, it is too early to draw conclusion on its effectiveness. The EPD is working with the industry to step up publicity to encourage public participation in the programme. Separately, this pilot scheme will provide us the necessary information and experience for planning similar industry-based product responsibility schemes in the future.

We plan to encourage further recovery of other types of batteries for recycling. The EPD has initiated discussions with a number of battery manufacturers and importers on the feasibility of developing product responsibility schemes for battery waste.

### **Prescribing Safety Standard for Mercury Content of Deodorant Powder**

18. **MR LAU CHIN-SHEK** (in Chinese): *Madam President, it was reported that "Goodfriend Deodorant Powder", which was manufactured and sold in Hong Kong, was found to contain high concentrations of mercury. However, there is no existing legislation prescribing the safety standard for the mercury content of deodorant powder. In this connection, will the Government inform this Council whether:*

- (a) *it has prescribed the safety standard for the mercury content of deodorant powder and similar products;*

- (b) *it has regularly conducted product safety tests on deodorant powder and similar products which are available on the market;*
- (c) *deodorant powder and similar products are required to be sent to the relevant authorities for product safety tests; if not, whether consideration will be given to imposing such a requirement; and*
- (d) *there are provisions in the existing law on the criminal liability and product liability in case a member of public falls ill after using deodorant powder or similar products with mercury content beyond the safety standard; if so, of the details?*

**SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR** (in Chinese): Madam President, my reply to the four parts of the question is as follows:

- (a) Classified as general consumer goods under the Consumer Goods Safety Ordinance (the Ordinance), deodorant powder and similar products must meet the "general safety requirement" stipulated in the Ordinance when imported into, supplied or manufactured in Hong Kong. The Ordinance stipulates factors for determining whether a product complies with the "general safety requirement". These include the manner in which the product is promoted, the specifications for packaging, and the requirement to meet reasonable safety standards as promulgated by a standards institute.

The Government Chemist adopts the Chinese National Standards — Hygiene Standards for Cosmetics (GB 7916 - 87) for testing deodorant powder and similar products. According to these standards, the mercury content of deodorant powder and similar products shall be less than one part per million (ppm). The stipulation for mercury content is the same as the standards adopted by the Food and Drug Administration of the United States.

- (b) To ensure consumer products (including deodorant powder and similar products) on sale in Hong Kong meet general safety requirements, the Commissioner of Customs and Excise vigorously enforces the Ordinance, conducting spot checks and purchasing

samples for testing. In 2001, the Customs and Excise Department (C&ED) conducted 1 357 spot checks and 374 investigations on consumer products (including deodorant powder and similar products). In the first nine months of 2002, 1 032 spot checks and 220 investigations were conducted on various consumer products. In respect of deodorant powder and similar products, the C&ED has recently taken a series of enforcement actions.

- (c) The Ordinance requires all manufacturers, importers and suppliers to ensure that consumer goods (including deodorant powder and similar products) supplied by them comply with "general safety requirement". At the same time, the C&ED also obtains samples of products from the market for testing by the Government Chemist to ensure that consumer products (including deodorant powder and similar products) on sale in Hong Kong are reasonably safe. These arrangements have been proved to be appropriate and effective. It is therefore not necessary to require compulsory tests for deodorant powder and similar product intended for sale in Hong Kong.
- (d) The Ordinance stipulates that a person shall not supply, manufacture or import into Hong Kong any consumer goods (including deodorant powder and similar products) that do not comply with the "general safety requirement" or such safety standards as the Secretary for Economic Development and Labour may by regulation designate for that particular product. Any importer, dealer, supplier or manufacturer who contravenes the Ordinance is liable to prosecution and to a maximum fine of \$100,000 and imprisonment for one year on first conviction; and a maximum fine of \$500,000 and imprisonment for two years on subsequent convictions.

### **Quality of Bottled Water**

19. **MR FRED LI** (in Chinese): *Madam President, in June this year, the Consumer Council released the results of its tests on the quality of several brands of bottled water available in the market. One of the findings was that in 10 out of the 24 samples, the actual amount of certain types of minerals differed from the labelled amount by more than 20%. In this connection, will the Government inform this Council whether:*

- (a) *it has assessed, based on the above test results, if the supply of such bottled water with a mineral content inconsistent with that shown on the label has contravened the provisions on "offences in respect of trade descriptions" in the Trade Descriptions Ordinance (Cap. 362); if the assessment is in the affirmative, whether the suppliers concerned will be prosecuted; if they will not be prosecuted, of the reasons for that;*
- (b) *the Food and Environmental Hygiene Department (FEHD) conducted tests on the amount of bacteria, harmful substances and minerals in bottled water in the past three years; if it did, of the test results; if not, whether it will consider conducting such tests on a regular basis; and*
- (c) *it will consider introducing legislative amendments to the Food and Drugs (Composition and Labelling) Regulations (Cap. 132, sub. leg.) to stipulate that bottled water should bear labels with information on the amount of minerals and other ingredients; if so, of the legislative timetable; if not, the reasons for that?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Chinese):  
Madam President,

- (a) Under section 2 of the Trade Descriptions Ordinance (Cap. 362), a false trade description is defined as a trade description which is false to a material degree. There is a wide range of chemical components in each bottled water sample. For the 10 bottled water samples, the Consumer Council found the actual content to be different from the description in the label only in respect of one or two chemical components. The effect on the total composition of the bottled water is minimal and it does not amount to constituting a false trade description under Cap. 362.
- (b) The FEHD has tested some 360 bottled water samples from 31 brands for microbiological and chemical analyses between January 2000 and September 2002. Samples are tested to determine the level of microorganisms and the level of heavy metals and other contaminants. These tests were aimed at monitoring the quality of

bottled water in accordance with the requirements as stipulated in Public Health and Municipal Services Ordinance (Cap. 132) and its subsidiary legislations, particularly the Food Adulteration (Metallic Contamination) Regulations. All test results were satisfactory.

- (c) The labelling of prepackaged food, including bottled water, is regulated by the Food and Drugs (Composition and Labelling) Regulations (Cap. 132 sub. leg. W). The Regulations require that prepackaged food must be legibly marked or labelled with its list of ingredients, but there is no specific provision requiring nutrient information, for example, the mineral content, of a food item to be labelled. We are examining the feasibility of setting up a nutrition labelling system and the possible coverage of such a system, including whether the mineral content of a food item should be labelled. The study will be completed by the end of 2002.

### **Appointment of Commissioner of ICAC**

20. **MS EMILY LAU** (in Chinese): *Madam President, it was announced on 24 June this year that the Central People's Government had, on the nomination and recommendation of the Chief Executive, appointed the then Director of Immigration as the new Commissioner of the Independent Commission Against Corruption (ICAC). In this connection, will the executive authorities inform this Council:*

- (a) *of the reasons for the sudden replacement of the Commissioner;*
- (b) *whether a fixed term of office (for example, five years) will be set for the Commissioner, so as to prevent the Chief Executive's arbitrary replacement of the post holder;*
- (c) *whether they know the public has the following concern: that the Commissioner's previous service in the disciplined services might undermine the independence of the ICAC, and the ICAC might be partial to disciplined services officers in its handling of complaints against corruption; and*
- (d) *whether they will consider allowing this Council to take part in the selection of the Commissioner; if not, of the reasons for that?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Chinese): Madam President,

- (a) The previous Commissioner of the ICAC is a civil servant by profession. He was granted no pay leave to take up the appointment as Commissioner of the ICAC in July 1999. In light of service exigency, the officer was posted back to the Civil Service in July 2002 when a new Commissioner was appointed to take up the office at the same time.
- (b) Under the Basic Law, the authority to remove the Commissioner of the ICAC is vested in the Central People's Government on the recommendation of the Chief Executive of the Hong Kong Special Administrative Region. We do not see the need to add other conditions to the Basic Law requirement, although we will continue to ensure that the appointment of the Commissioner, as with other public servants, is based on his qualifications, experience and ability.
- (c) Impartiality is a very important attribute of the Commissioner of the ICAC. Indeed, the Basic Law requires that the Commission shall function independently and be accountable to the Chief Executive. The Independent Commission Against Corruption Ordinance also makes it clear that the Commissioner shall not be subject to the direction or control of any person other than the Chief Executive. The Chief Executive has nominated the Commissioner on the basis of his qualifications, experience and ability. He is confident that the Commissioner is able to uphold impartiality and exercise full independence in handling corruption allegations, including those that may involve the disciplined services.
- (d) The Basic Law provides that the Chief Executive shall exercise his powers to nominate and report to the Central People's Government for the appointment of all principal officials, including the Commissioner of the ICAC. Therefore, it would not be appropriate to allow other parties to take part in the selection of the Commissioner, which is a matter for the Chief Executive and the Central People's Government.

**MOTION**

**PRESIDENT** (in Cantonese): Motion. Proposed resolution under the Interpretation and General Clauses Ordinance to amend the Airport Authority (Permitted Airport-related Activities) Order.

**PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE**

**SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR** (in Cantonese): Madam President, I move that the motion under the Interpretation and General Clauses Ordinance as set out on the Agenda be passed. This motion seeks to make some drafting amendments to the Airport Authority (Permitted Airport-related Activities) Order (the Order).

The Order permits the Airport Authority (AA) to engage in the "permitted airport-related activities" specified in the Schedule subject to certain conditions in order to enhance the status of Hong Kong as a centre of international and regional aviation.

Having considered the views of the Legal Adviser to the Legislative Council, we have decided to propose drafting amendments to section 5 of the Order. This section stipulates that when the AA engages in certain specified permitted activities in respect of another airport, the approval of the Financial Secretary will need to be obtained if the amount of consideration payable by the AA exceeds 2.5% of its issued share capital. The purpose of the proposed amendments is to reflect more clearly the policy intent that when the AA is engaging in or has undertaken to engage in other such specified permitted activities in respect of the same airport, we will count the total amount of consideration payable by the AA for these activities towards the threshold of 2.5%.

The House Committee of the Legislative Council considered the Order at its meeting on 4 October 2002 and agreed to our proposed amendments. I would like to thank the House Committee Chairman, Mrs Selina CHOW, and all Members of the House Committee for their support.

Thank you, Madam President.

**The Secretary for Economic Development and Labour moved the following motion:**

"That the Airport Authority (Permitted Airport-related Activities) Order, published in the Gazette as Legal Notice No. 127 of 2002 and laid on the table of the Legislative Council on 10 July 2002, be amended by repealing section 5 and substituting:

"5. Approval of Financial Secretary

- (1) The Authority shall obtain the approval of the Financial Secretary before undertaking to engage in any permitted airport-related activity specified in section 1, 2 or 3 of the Schedule in respect of an airport if the aggregate of -
  - (a) the amount of consideration payable by the Authority pursuant to such activity; and
  - (b) where the Authority is engaging in or has undertaken to engage in any other permitted airport-related activities specified in section 1, 2 or 3 of the Schedule in respect of the same airport, the amounts of consideration paid or payable by the Authority pursuant to such activities exceeds 2.5% of the issued share capital of the Authority.
- (2) After engaging in an activity approved by the Financial Secretary under subsection (1), the Authority shall ensure that a report of the activity is laid, as soon as practicable, on the table of the Legislative Council."."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by the Secretary for Economic Development and Labour be passed.

**MR JAMES TIEN** (in Cantonese): Madam President, the Panel on Economic Services chaired by me has held three meetings on the proposed Airport Authority (Permitted Airport-related Activities) Order (the Order).

The Panel expressed some concerns in the meeting held in March this year on the draft Order, which allowed the Airport Authority (AA) to expand its scope of the business activities to include the undertaking of investment activities in any overseas airport, in which no consent from the authorities would be acquired beforehand. The excessive investment risk to be borne by the AA as a result of the Order was the major concern to the Panel. We were also concerned that the AA might enter into commercial rivalry with the people by undertaking such activities as logistics or carriage services as a result of the Order.

However, by the time the Government consulted the Panel this June, it agreed to add some provisions to the Order, that is, the AA would be required to seek the prior approval of the Financial Secretary for investment in permitted airport-related activities in airports on the Mainland involving an amount of consideration exceeding 2.5% of the AA's issued share capital. It is also specified that the AA may operate carriage and logistics services only if it is not practicable for any other person to provide the service and that it is requisite or expedient for the AA to provide the service. These provisions have greatly reduced the worries of Members. As a result, the Panel expressed its support for the Order in the meeting on 24 June this year.

The amendment in the motion moved by the Secretary on the proposed provisions stipulates in a clearer way under what circumstances the AA is required to seek the prior approval of the Financial Secretary for investment. For this reason, the Liberal Party supports the amendment.

Thank you, Madam President.

**MRS SELINA CHOW:** Madam President, first of all, may I declare my interest as a member of the Airport Authority (AA). I would like to take this opportunity to welcome this Order, particularly in its amended form, because that has been done with the Administration accepting the suggestion from the House Committee. I think that, in its present form, the Order deserves the support of this Council. I also think that this Order is historic because it sets out the right direction for the development of the AA, not only for the AA, but also for Hong Kong in terms of airport management and airport investment.

It is no doubt that from the awards that have been won and many of compliments that the AA has received from passengers and airlines alike that we have been delivering a very good service and that we have, in fact, managed to maintain a lead position in that respect.

Now in the face of rising competition, it is very important that we move forward instead of staying stagnant. Thus, we have to look at ways and means whereby we can improve and expand. We have gathered a lot of expertise and we have been complimented on the kind or standard of service that we have been able to establish. Therefore, we have something very valuable that we have developed in Hong Kong which can be exported. And this is a sort of thing that we should be forever on the look out for: What can Hong Kong be exporting to the world?

Another thing that we have to enhance and strengthen is our hub position — Hong Kong as a hub in the aviation sense. Of course, in order to do that, I think it is extremely important that our airport and also our AA are able to perform to the best of our ability to enhance that hub position. And it is not enough just to do it here, sitting here, being restricted in Hong Kong. It is important to reach out to all our markets all over the world. One important thing is that 70% of our business is in China, as far as cargo is concerned. Hence, if we start partnership with our neighbouring airports, it will enhance that hub position very much.

It is very important that, with our expertise and so on, we contribute to the development of software in airport management in China as well. This is a very good direction that we are taking now and this Order allows that to happen. This is the first step. But looking into the future, perhaps our vision should extend further beyond China because the global trend is, in fact, for barriers to be lifted. For example, Schipol Airport is investing in JFK Airport, and it is actually operating Terminal 4 of JFK Airport; Singapore Airport is investing in Beijing Capital Airport. We have many examples of these. Therefore, Hong Kong should try and set its sight high and aim to become one of the world-class airport management and airport investing corporations in the world.

Madam President, I welcome the Order and support it.

**MR HOWARD YOUNG** (in Cantonese): Madam President, according to the Airport Authority Ordinance of the past, the Hong Kong Airport Authority (AA) can operate airport services only within Hong Kong. Since the commencement of operation of the Chep Lap Kok International Airport in 1998, the AA has, through its relentless efforts, managed to achieve even better results in the past year than the previous year and received a number of rewards despite the continued economic slowdown and the September 11 incident. This is something that Hong Kong people should take pride in.

In the face of keen competition from neighbouring regions and in order to further develop the potential of the Hong Kong International Airport and to obtain better investment returns, the Government has proposed the Airport Authority (Permitted Airport-related Activities) Order to enable the AA to expand its scope of operation to places outside Hong Kong and even to establish strategic partnership with other airports in other region. Concerning the amendment proposed by the Government, the tourism industry does not oppose it even though the AA is in the process of conducting negotiations on investments in airports on the Mainland in recent days. On these issues, I have consulted the views of the tourism industry and in particular, the aviation industry.

We think that if the AA, while operating its business in airports outside Hong Kong, can also increase the present passenger and freight throughput of the Hong Kong International Airport (HKIA), enhance its competitiveness and status as an aviation hub without fostering the competitiveness of our competitors or subsidizing operations outside Hong Kong, thereby reducing the present resources or affecting the quality of service of the Hong Kong International Airport, then the tourism industry will definitely support the amendment proposed by the Administration.

I have consulted the Board of Airline Representatives on the amendment. The greatest concern of the aviation industry about the amendment is whether or not the business to be operated by the AA in future will compete with the public for profit and whether it will monopolize the passenger and freight transportation as well as the logistics industries, or compel these industries to face greater operational pressure or challenges in times of difficulty. Mr James TIEN has already conveyed the views of the industrial and commercial sectors on this issue. In view of this, we believe the AA should be allowed to operate only those businesses which no private companies are willing to operate, in order to avoid introducing unnecessary competition.

If we look at international airports in Asia, we will find that the Hong Kong International Airport is a first-class airport, whether in terms of its hardware, ancillary facilities or quality of service. However, the high charges of the new airport are a Gordian knot to the aviation industry. It is as though I were an old record whenever I talk about this issue, repeating the view that the charges of the airport are exorbitant over and over again. Furthermore, we believe this is one of the reasons contributing directly to the present high costs of the aviation industry because these high charges will stifle the competitiveness of the aviation industry. Although the AA announced a 15% reduction in landing and parking charges in view of the economic slowdown (this measure has come to an end since September and the industry hopes that the measure can be extended), the airport charges in Hong Kong remain on the high side compared to neighbouring regions, and the level of charges paid by airlines here are only second to Japan in Asia. Therefore, if the AA can further lower its airport charges when expanding its business in future through sharing resources, enhancing its cost-effectiveness and lowering its operating costs, the aviation industry will unreservedly welcome and support the AA's expansion of business. Conversely, if losses suffered in the course of investment are covered by an airport charges hike, I believe the aviation industry will definitely raise objections. I hope and also believe that this will not happen.

Concerning the Government's proposal that the AA must obtain the approval of the Financial Secretary if the consideration of investment made by the AA exceeds 2.5% of its issued share capital, I support it. Not only can this effect a certain degree of supervision over the finance and items of investment of the AA without affecting its flexibility in decision making, more importantly, it will also avoid creating an "independent empire" as a result of excessive power being vested in the AA.

Finally, I hope that the AA will adhere to the principle of financial prudence in investing in businesses beyond the scope of the Chep Lap Kok Airport, consider the rate of return of each item of investment carefully, protect the interests of existing partners of the international airport, as well as making the promotion and elevation of the aviation industry in Hong Kong as its prime consideration and the maintenance of Hong Kong as an international and regional aviation centre as its target.

With these remarks, I support the motion.

**MR SIN CHUNG-KAI** (in Cantonese): Madam President, the Democratic Party supports this Order proposed by the Government. However, there is one thing peculiar about this Order. The Order was first discussed at a meeting of the Panel on Economic Services on 29 October last year. By now, it is again October, that means the discussion on this Order has already lasted for a year. Just as Mr Howard YOUNG and Mr James TIEN mentioned earlier on, this matter may be closely related to the business of the AA, such as the possibility of competition with private organizations in future. Taking into account the circumstances of Hong Kong, we find that the HKIA faces intensifying competition from the four neighboring airports. In my view, the HKIA must co-operate with other airports in order to maintain its competitiveness.

The Democratic Party welcomes the present amendment proposed by the Government. We did have some worries at the beginning, for according to the initial draft Order, the Government would have either no power or the utmost power. Though the Government has later accepted our suggestion, it still presents contrasting views time and again. At one time, the Government said that it could hardly control this type of statutory body operates through an independent board of directors. But at another time, it would say that as the major shareholder, the Government can control the operation of the Board, and does have certain a degree of influence on the Board.

The Government has also added to this Order provisions providing for the approval of the Financial Secretary for certain major activities involving an aggregate payable consideration exceeding 2.5% of the issued share capital of the AA. I think the Government holding the shares of the HKIA on behalf of the Hong Kong people should make such a decision, as at this stage, it is the Government that will ultimately be held accountable. However, if the Government lists the AA in future, it will be another scenario.

Madam President, I think it is good that the amendment of the present Order allows the AA more flexibility in co-operating with and investing in other airports. I support the views just made by Mrs Selina CHOW, that we should have the courage to participate in the management of our neighboring airports. I agree to this, but now I think the problem is how to establish links between our airport and other airports. In fact, issues raised by Mr HUI Cheung-ching on the bridge and roads in the Pearl River Delta are closely related to the airport. I

do not think the Government can refrain from considering other realms of co-operation after the Order is passed. If the HKIA has to compare favourably with the airport to be built in Guangzhou (the design capacity of the airport at Huadu, Guangzhou is 70 million passenger trips per annum at present), and to maintain its competitive edge, it must be supported by the development of other infrastructures, including roads, vessels and network services. I hope that this Order represents only a start but not an end to the work to be undertaken by the Government in this respect. The Government cannot just entrust the work to the AA and leave it at that; the Government does have a role to play in this.

We support the motion. Thank you, Madam President.

**MS MIRIAM LAU** (in Cantonese): Madam President, the Government has introduced the Airport Authority (Permitted Airport-related Activities) Order to extend the scope of activities of the Airport Authority (AA). I very much support the amendment.

Since the commission of the new HKIA, there has been continuous growth in both passenger and cargo traffic. In terms of passenger traffic, the number of mainland passengers has been constantly rising in recent years. Apart from visiting Hong Kong, mainland passengers will also come to Hong Kong for onward flights to places around the world. As for mainland cargo re-exported through Hong Kong, the growth has also been significant. There was a rise of 24% in re-export freight last year compared to that of 2000. Doubtless the HKIA has already established a close tie with the Mainland, in particular the Pearl River Delta (PRD). With China's accession to the World Trade Organization, the link between Hong Kong and China will be even closer, and the business opportunities to be brought about by the logistics industry on the Mainland should not be overlooked.

However, the objective fact is that there are five airports, of various scales, within a radius of 200 km around the PRD. These airports are each making its own effort and developing in its own way to raise its passenger and cargo throughput. The authorities of Guangzhou have invested tremendous capital in the new airport, which will come into operation next year, and the new airport will become one of the three hub airports in the Mainland. The authorities

concerned are keen on developing the airports in Shenzhen and Zhuhai. It has recently been reported in the press that they planned to construct in the Shenzhen airport a mail processing centre equipped with the most highly automated system in Asia. The Zhuhai airport is also planned to be developed into an express distribution and logistics centre.

If the AA continues to be straitjacketed, confined to this tiny island Chek Lap Kok, it can hardly keep up with the new trend of development. In fact, there is no boundary for logistics and economic development. If the HKIA can enhance its co-operation with the mainland airports, it can not only refrain from vicious competition, but also achieve a win-win situation, thereby giving impetus to the economic development of the PRD as a whole.

However, as this Order allows the AA to engage in certain permitted airport-related activities beyond its geographical confines, theoretically speaking, the AA may engage in any activities related to passenger and cargo transport. We support extending the scope of activities of the AA on the one hand, we hope on the other that the AA will not abuse its power so conferred and capitalize on its edge over other private operators in the passenger and cargo transport industries to compete for profit. It is thus provided in the Order that the provision of such services by the AA is subject to certain conditions. The AA has to ensure that no other operators are willing to offer such services, and that it is requisite for the AA to provide such services. The Liberal Party welcomes the addition of such conditions, and we hope that the AA will assume its enabling role, facilitating the provision of the required services by other operators.

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

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

(No Member responded)

**PRESIDENT** (in Cantonese): I now call on the Secretary for Economic Development and Labour to speak in reply.

**SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR** (in Cantonese): Madam President, I am very grateful to Mr James TIEN, Mrs Selina CHOW, Mr Howard YOUNG, Mr SIN Chung-kai and Ms Miriam LAU for the views expressed earlier and for their support for the amendments proposed in this Order. I would also like to take this opportunity to thank the Legislative Council Panel on Economic Services for making so many valuable suggestions on the draft Order in the past.

As a start, I would like to point out that the air transport industry is very important to the Hong Kong economy and the logistics industry that we are now actively promoting requires matching developments in the air transport service. The Hong Kong International Airport (HKIA) always enjoys certain advantages in terms of air service network, passenger handling facilities and service efficiency. Since the commissioning of the HKIA, the volume of international air cargo handled by us has always ranked first in the world. During the 12 month-period ending September this year, our airport handled 2.35 million tonnes of cargoes, and that was an increase of 12% compared to that of the same period last year. As Mrs Selina CHOW said, under this extremely competitive environment, we must continue to strive to increase the competitiveness of the HKIA in order to maintain Hong Kong's status as an international aviation hub. The Airport Authority (Permitted Airport-related Activities) Order is actually made with the intention of enhancing the competitiveness of the HKIA. Honourable Members have earlier expressed some worries about the Order and I would like to take this opportunity to make a response.

First of all, on the worry that the Airport Authority (AA) may be competing with the private sector for profits, I reiterate that there are already specific provisions in the Order to the effect that the AA shall not provide a carriage service or a logistics service unless it is not practicable for any other person to provide the service. Moreover, it has been the established policy of the AA to endeavour to attract partners from the business sector for different operations at the airport through open tendering procedures. By doing so, the AA can bring in a wide range of services for the operations of the airport and create business opportunities in the market. The AA has indicated that it would continue to implement this policy. The relevant Order may increase the risk of the AA's investment and in fact, it is also expressly provided in the Order that the AA can only invest in the airports of other places in China. The relevant clause also clearly sets out a limit on the amount of investment and provides that if the total amount of consideration payable by the AA in respect of permitted

airport activities in certain airports exceeds this limit, the approval of the Financial Secretary must be sought and a report must be submitted to the Legislative Council.

As regards the monitoring mechanism under the Order, a sufficient mechanism is already in place in the principal Ordinance governing the AA for monitoring its activities, including its Board of Directors. Members of the Board are appointed by the Chief Executive and three of its directors are representatives from the Government. According to the provisions of the Airport Authority Ordinance, the AA shall conduct its business according to prudent commercial principles and must submit its business plan, financial plan, statement of accounts and auditor's report to the Financial Secretary on a regular basis. We, therefore, believe that there are already sufficient avenues to monitor the operations of the AA.

As regards whether or not the Order is essential, I believe Honourable Members may have noted that other airports in the neighbouring regions have developed rapidly in recent years, and this have created pressures of competition on the HKIA. It is necessary for the AA to adopt some measures to enhance the competitiveness of the HKIA and to maintain Hong Kong's status as an international and regional aviation centre. Proposed measures include co-operation with other airports in the PRD and enhancement of the multimodal connections of the HKIA, so as to expand the scope of airport passenger service. It is anticipated that such measures could bring in new investments and job opportunities and the Order is made for the purpose of allowing the AA to enhance its competitiveness. In fact, we have already amended the draft Order in the light of concerns raised by the Panel on Economic Services such as to lay down some conditions and set up an approval mechanism in respect of the permitted activities of the AA. I am very pleased that the Panel on Economic Services expressed its support for the draft Order at its meeting in June this year and the amendments moved by me today simply seek to amend the drafting. I hereby urge Members to support this motion. Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by the Secretary for Economic Development and Labour 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 the Members present. I declare the motion passed.

## **MEMBERS' MOTIONS**

**PRESIDENT** (in Cantonese): Members' motions. Two motions with no legislative effect. I have accepted the recommendations of the House Committee: the movers of the motions will each have up to 15 minutes for their speeches including their replies. Other Members will each have up to seven minutes for their speeches. I am obliged to direct any Member speaking in excess of the specified time to discontinue.

**PRESIDENT** (in Cantonese): First motion: Expectations for the implementation of policies.

## **EXPECTATIONS FOR THE IMPLEMENTATION OF POLICIES**

**MR MARTIN LEE** (in Cantonese): Madam President, before the reunification, our national leaders stressed that Hong Kong would enjoy "one country, two systems", "Hong Kong people ruling Hong Kong", "high degree of autonomy" and "remaining unchanged for 50 years". At that time, Hong Kong people were full of self-confidence, thinking that we could, by virtue of our established strengths, rule of law and a fair and open society, promote the reform and opening of our country and eventually help it to march towards the international arena. However, Mr TUNG Chee-hwa made repeated blunders in the implementation of policies during his five years of office. As a result, Hong Kong's strengths were gradually undermined, eroding the past self-confidence of its people. Hong Kong has to rely on the Motherland for assistance on many different fronts, and has to ask for preferential treatment from the country. What is more, Mr TUNG has even intentionally or unintentionally surrendered the rights of Hong Kong people ruling Hong Kong with his both hands.

Nowadays, the people have completely lost confidence in TUNG Chee-hwa's administration. Hong Kong has lost the direction of development; it is facing the economic recession; the unemployment rate is high and everybody lives in fears. Under the circumstances, how can Hong Kong change for the better? What has happened to our past confidence and our pride?

Mr TUNG just attributes all the present predicaments to the global economic downturn, but fails to see the importance of the manifestation of the spirit underlining "one country, two systems" and "Hong Kong people ruling Hong Kong" under the Basic Law to maintaining the prosperity and stability of Hong Kong.

The fact that Mr TUNG could become the Chief Executive was attributable to the trust and absolute support for him by the national leaders, not because he was selected by the people of Hong Kong. Most Members of the Election Committee, Members of the Executive Council and Members of the Legislative Council not returned by direct elections belong to the classes of the rich and the powerful. They absolutely cannot reflect the realistic situation of society. They cannot keep tabs on the pulse of the community and they do not even have to be accountable to the people. People surrounding Mr TUNG include some super-rich businessmen, people from major consortia and pro-Communist people who just want to enjoy "favours", "free political lunches".

Today, we still have not achieved "Hong Kong people ruling Hong Kong" by way of democratic elections participated by all the people of Hong Kong. Today, what Hong Kong has is "businessmen ruling Hong Kong". How can we expect the implementation of policies by the Government could really reflect the interests of the people of Hong Kong? No wonder the Special Administrative Region (SAR) Government has made blunders repeatedly in its five years of administration: the Cyberport, "Sally Aw Sian Case", "interpretation of the Basic Law by the National People's Congress". All these cases have tarnished equality and justice, seriously injuring our system of rule of law. The strengths that gave Hong Kong success in the past are being gradually destroyed. Even though Mr TUNG has implemented the so-called accountability system for principal officials (the accountability system), which is devoid of any spirit of accountability, it is believed it still cannot solve the problem. For without a democratic political system, there will not be a government accountable to the people.

In order to implement "one country, two systems" and "Hong Kong people ruling Hong Kong", the Joint Declaration and the Basic Law have provided very clearly that the executive should be accountable to the legislature. However, during the final stage of drafting the Basic Law, the June 4 Incident unfortunately took place. Since the Central Authorities did not trust Hong Kong, this goal was postponed for 10 years. Mr JI Pangfei explained this very clearly in his presentation on the draft Basic Law at the Third Session of the Seventh National People's Congress at the request of the Basic Law Drafting Committee. Therefore, the Basic Law is an undemocratic mini-constitution which restricts and delays the progress of Hong Kong's democratization by 10 years. But the delay should only be 10 years.

During these 10 years of the transition, the Chief Executive is the "Transitional Chief Executive" preordained by Beijing, whereas the Legislative Council is the "Transitional Legislative Council" that could be controlled by Beijing. In spite of these, the Chief Executive should gradually progress towards the target of a democratic political system and make preparations for the political system that should be adopted 10 years later. However, Mr TUNG absolutely does not have such an intention. Instead, he re-introduced appointed membership to the District Councils, abolished the two Municipal Councils and re-introduced the system of "one company, one vote" in the functional constituency elections of the Legislative Council. He has actually taken regressive measures to hamper the progress of democratization. The Democratic Party is of the view that the most imperative task of the SAR Government is to reduce the unemployment rate as far as possible and to implement a democratic political system as soon as possible, instead of rushing to enact laws in pursuance of Article 23 of the Basic Law.

During this transitional period, it is still necessary for the Chief Executive to be accountable to the Legislative Council as stipulated by the Basic Law, so as to enable the latter to exercise checks and balances. However, Mr TUNG is attaching diminishing significance to this role of the Legislative Council. For instance, on the issues of reducing the salary of civil servants, the implementation of the accountability system and the anti-terrorists legislation, the Legislative Council was not given opportunities of sufficient discussion. The Government, for the sake of convenience, and with the support of the pro-government parties, cares only for getting the sufficient votes, without studying whether it is good or bad to pass the relevant legislation. It has made use of the undemocratic system, the peculiar system of voting in groups after the

reunification, to do whatever it wants to do, while ignoring the difficulties and well-being of the people as well as the monitoring role of the Legislative Council.

Since the reunification, we have seen many incidents of the dark hands of the Central Authorities intervening in the internal affairs of Hong Kong. The Liaison Office of the Central People's Government in Hong Kong is an obvious and visible hand of intervention which prevents the implementation of "Hong Kong people ruling Hong Kong". I still remember that on one occasion in 1988, on which I happened to be there, LU Ping told some members of the Basic Law Drafting Committee that as it was not possible for the Central Authorities to establish a Foreign Affairs Office in Hong Kong before the reunification, so it was necessary for the Xinhua News Agency to exist in Hong Kong. However, after the reunification, Hong Kong would become part of China, so the Xinhua News Agency should not continue to exist in Hong Kong. By then the Central Authorities would only establish a small organization in Hong Kong to specifically handle foreign affairs. Today, the Foreign Affairs Office has already established a very big organization in Hong Kong, but the Xinhua News Agency continues to exist here, only under a different name as "the Liaison Office of the Central People's Government in Hong Kong". Now the Liaison Office still plays a co-ordinating role behind the scene in all sorts of businesses in the SAR, of all scales. In the elections of various tiers, the Liaison Office even strongly supports pro-Communist candidates by providing back-up in terms of manpower, material supply and financial resources.

Recently, the Liaison Office again openly instructed the Government to act in affairs within the sphere of internal affairs of Hong Kong. For example, in the incident of some demonstrators burning the national flag, GAO Jiyang immediately commented to the effect that, "The Hong Kong police and the Court should punish such behaviour which is in contravention of the Basic Law." GAO's comments reflected that he disregarded the high degree of autonomy of Hong Kong and the independence of the Judiciary of Hong Kong. The Liaison Office appears as if it is the spokesman of the Central Authorities in Hong Kong, and that it is the actual ruling body of Hong Kong. Madam President, as long as the Liaison Office is not relocated back to the Mainland, the policy of "Hong Kong people ruling Hong Kong" can never be implemented.

Article 23 of the Basic Law clearly provides that the SAR shall "enact laws on its own", instead of saying that the SAR Government shall enact laws on its

own. This means that the SAR should have the liberty to decide on the timetable for enacting the laws as well as the contents of the provisions, so as to implement the policy of "Hong Kong people ruling Hong Kong". However, the Government has never really consulted the people whether it is necessary to enact the laws now. Nor has it explained why there is a need to pass the legislative proposals within this Legislative Session. Someone may say that, it is most suitable to enact the laws now when Hong Kong is enjoying a peaceful and stable time. By this logic, the provisions should be drafted in a more lenient way. However, we do not find the legislative proposals lenient in any way. In fact, the relevant proposals, apart from adopting the over-stringent restrictions left behind by the colonial government, has even reinforced some of the restrictions. This makes us feel that the extent of trust of the SAR Government in the people is even not as great as the former Hong Kong British Administration. In fact, the Government's proposals have already extended beyond the scope of Article 23 of the Basic Law. The Democratic Party is of the view that there is no need to enact laws. However, if the Government should conduct consultations on the issue, it should do so by way of a White Bill, listing all the actual provisions in the Bill, so as to enable the people from all walks of life (including our driver and taxi driver friends) to express their views on such issues as whether it is the right time to enact laws now.

In his capacity as the Chief Executive, Mr TUNG is obliged to act as the bridge between the Central Authorities and Hong Kong. He should reflect the aspirations of the Hong Kong people to the Central leaders, and he should also convey the thinking of the Central Authorities to the people of Hong Kong. There should be two-way communication. However, unfortunately, our Mr TUNG just wants to act as the Central Authorities' mouthpiece and as the messenger of the leaders. He has not listened to the aspirations of the people and then fight for them from the Central Authorities. Worse still, the Chief Executive has acted on various issues in such a way that makes us feel that he is trying to guess what is in the minds of the Central leaders. So he has not tried his best in fighting for our due rights, and he has made hasty policy decisions without going through careful consideration and analysis. As a result, he has made all sorts of blunders mentioned by me earlier on, turning Hong Kong people from being fully confident of their prospects to being worried all the time.

Today falls within the second week into this Legislative Session. According to our convention, Mr TUNG should have come before this Council last Wednesday to present his policy address for the coming year so as to explain his policy objectives and to enable the Legislative Council to start the work of the new Session. However, Mr TUNG has not done this. And without consulting the Legislative Council, he has changed this long-standing practice and postponed the presentation of his policy address to January next year. This leaves a half-year vacuum, making us feel doubtful about Mr TUNG's system of accountability and whether he has the sincerity of fulfilling the requirement of being accountable to the Legislative Council. However, since the Chief Executive is not presenting his policy address, let the Democratic Party present its expectations for the policy address and let us explain to the Legislative Council and the people our policy proposals.

After I have finished speaking, Members of the Democratic Party will present the policy proposals in our policy address expectations one after the other, covering the portfolios of political system reforms, human rights, rule of law, economic revival, solving the unemployment problem, training of talents, improving the livelihood of the people and optimizing our living environment. I hope other Members would also make good use of the opportunity to speak more.

Lastly, I would like to stress that the Democratic Party has all along put a lot of resources into conducting policy research. In the past, we had submitted many policy proposals to various Policy Bureaux. Some of them were adopted, but more often than not, they were rejected by the Government. However, we know clearly that, in an executive-led structure devoid of democracy and accountability, the Legislative Council could only play a very limited role and could exert limited influence on improving the administration by the Government. Views submitted to the Government by the general public, non-government organizations and political parties, no matter how constructive they may be, are usually needles lost in a bottle of hay. For this reason, we believe problems relating to economic issues and the people's livelihood will ultimately be connected with political issues. A system with no democracy will not bring about a government that is really accountable to the people. It will only bring about a government that belongs to the rich, that is formed by the rich and that serves the rich. In short, it is a government of the rich, by the rich and for the rich.

**Mr Martin LEE moved the following motion: (Translation)**

"That this Council urges the Government to consider seriously the expectations of the Members of this Council for the 2003 policy address."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr Martin LEE be passed.

**MR LAU CHIN-SHEK** (in Cantonese): Madam President, Mr LEE Cheuk-yan will speak on behalf of Hong Kong Confederation of Trade Unions (CTU) on how the Government can restore the people's confidence in its administration.

I would like to quote an extract from the *Bible* to express my expectations for the policy address of the Chief Executive:

The Proverbs, a book of the *Bible*, records that: The king's heart is in the hand of the Lord, as the rivers of water: he turneth it whithersoever he will. Every way of a man is right in his own eyes: but the Lord pondereth the hearts. To do justice and judgement is more acceptable to the Lord than sacrifice. Thank you, Madam President.

**MISS CHAN YUEN-HAN** (in Cantonese): Madam President, I hope the Government can come up with a clear employment policy in the next policy address to tackle the serious unemployment situation confronting us at the moment.

With the unemployment rate reaching 7.6%, unemployment is serious, and the atmosphere of the entire community is bad. Those who still have a job are afraid of losing their jobs and pay cuts, while those who are jobless have been trying in vain to hunt for jobs. Every day, countless unemployed people will approach me for assistance. Some of them are richly experienced after working for years. Some are new to the job market. They become unemployed immediately upon graduation. Some have returned from overseas countries after earning their master or doctorate degrees. Like many others, these people can hardly find a job and remain jobless for a long time. Witnessing their

hardship, I am unable to do anything to help them hunt for jobs. Insofar as the community is concerned, these human resources are being wasted. Very often, we can only look at one another with a bitter smile or sadness.

The Chief Executive often tells the people of Hong Kong to have confidence. But how can the people have confidence when faced with job insecurity? The Government must come up with a clear employment policy before the people can have confidence. The Hong Kong Federation of Trade Unions has always been advocating the implementation of a "policy of according priority to employment". In other words, the Government must not merely evaluate cost-effectiveness and financial data before implementing policies. It must take "employment", that is, what can be done to create job opportunities, as a prime consideration. Why must the Government do so? This is because the unemployment problem facing us is structural in nature. It is extremely difficult for this problem to be resolved.

However, we can see that this is not the case insofar as the Government's current policies are concerned. When formulating its policies, has the Government considered the possibility of rendering the workers jobless as a result of implementing its policies? Policies which might possibly throw workers out of work should not be implemented. Alternatively, the problem should be properly dealt with well in advance. In my opinion, the Government must endeavour to think in this way before it can overcome its problems and prevent the unemployment rate from rising higher. Nevertheless, not a single government department of the Special Administrative Region (SAR) can grasp this notion. Let us look at some examples happening around us. The latest development of this year was the opening of the "night bazaar" two days ago. Since the stalls were awarded to the contractor who made the "highest bid", the rentals of the stalls were pushed up by speculators. As the contractor has repeatedly raised the amount of deposits, the cash that stall operators have on hand becomes less and less, with some of them running out of money to stock more goods. Though it has been claimed that the "night bazaar" seeks to help the unemployed, the Government has used commercial operation as the excuse for its failure to address the difficulties encountered in creating this retail outlet. What can be done to help the people concerned? If the Government can look at this project seriously and acknowledge that the economy can be vitalized and job opportunities increased, it should come up with some good policies to help deal with the matter in a holistic manner. Furthermore, we have been given to understand that the scheme will only last two years, and the use of the site will be

changed afterwards. In other words, even if businesses fare well, the use of the site will be changed in two years. It will no longer be used to help the unemployed to operate businesses. I cannot help asking this question: Are two years enough to resolve the structural unemployment problem facing us today? I think it is imperative for the Government to address this problem. What can be done if we consider it inadequate to resolve the problem? The Government must consider this. Despite the good atmosphere just created, the "night bazaar" will soon come to an end in two years. Can the unemployment problem be resolved in these two years? What is the Government trying to do?

Two days ago, the Chief Executive indicated his intention to encourage industries to renew development in Hong Kong. However, I have not seen any concrete proposals so far. In fact, I feel that the present situation is contrary to what I have been told. I have come into contact with a number of factory operators. They all indicated to me their willingness to come back to Hong Kong at any time to invest and hire local workers. However, they need the Government to complement their efforts by introducing relevant policies. Madam President, I received a telephone call from a manufacturer of furniture and wooden merchandise only today, saying he and a dozen of manufacturers of wooden merchandise would like to return and invest in Hong Kong. Their demand is simple: They hope the Government can lease them a piece of land at a reduced rent so that they can build their factories on it. However, after doing some back-and-forth negotiations with a number of government departments such as the Housing Department and the Government Property Agency, they found their requests completely turned down and no government department was willing to help. It was simply impossible for them to return. I was told by the factory operators that they only wished to lease a piece of land. However, the front-line government departments have failed to consolidate their case and refer it to the relevant Bureaux for consideration. Though we have been told by officials at the upper level that they will treat the case as a matter of urgency, what the officials at the lower level have been doing is entirely different. Is the Government trying to use the tactic of "passing the buck" to deal with people who intend to relocate their businesses back to Hong Kong? What will the Government do to help resolve the unemployment problem?

Insofar as commercial and industrial operators are concerned, the Government has never considered whether its policies will stifle or affect employment. So far, the Government has never placed itself in the position of

operators when resuming factories and commercial sites, and contemplated how the latter can continue their operation. Neither has the Government thought of the need to formulate policies to help the operators in the course of relocating them. In short, neither land nor full assistance is rendered. I would like to quote the unique, small shops operating in Tai Hom Village as an example. The Government was completely oblivious of the problems facing the people affected by the Wong Tai Sin clearance programme. Another example concerns the demolition of an industrial building in Jordan Valley. Taking no notice of the rise in monthly rentals payable by the small operators from several hundred to several thousand dollars, the Housing Department demanded the operators to leave. Though the Government often says every job counts, no one seems to take notice when "rice bowls" are being broken one after another as a result of government policies.

Madam President, the Financial Secretary said a couple of days ago that inferior infrastructural projects would be suspended. This seems to run counter to the proposal made by the Chief Executive in last year's policy address, that infrastructural projects totalling \$600 billion would be undertaken in 15 years to help create jobs for the people. Why? Have these examples not clearly illustrated that the SAR Government does not understand structural unemployment and the importance of the policy of giving priority to employment? I very much hope the Government can seriously examine these problems. It must not harbour the hope that it can continue to implement its remedial policies in a piecemeal manner to resolve the structural unemployment problem. Given that Hong Kong continues to be troubled by all sorts of problems, there is even a greater need for the Government to pay attention to the fact that many bureaucratic problems are hidden behind these remedial policies. Does the Government believe the spreading of the atmosphere of "allowing government officials to defend one another and passing the buck" can help lead Hong Kong out of its predicament?

I see it necessary for the SAR Government to carefully consider and reflect on the various problems confronting us. Thank you, Madam President.

**DR YEUNG SUM** (in Cantonese): Madam President, during the five years after the reunification, the progress of Hong Kong's democratization and the spirit of the rule of law, very much similar to our economic situation, have both been retrogressing.

The system of representative government of Hong Kong started in the '80s. District boards (DBs) were set up first, and later, the DBs, the two Municipal Councils and the Legislative Council were gradually developed with some element of popular election to reflect and represent the views of the people. In 1994, all the appointed seats of DBs in Hong Kong were abolished. With the exception of a small number of DBs in the New Territories still retaining ex-officio membership, all the seats of other remaining DBs were directly elected by people in the district on the basis of "one person, one vote". However, after assuming office as the Chief Executive, TUNG Chee-hwa re-introduced appointed membership to DBs, and abolished the framework of the two Municipal Councils and restored the "one company, one vote" system to replace the "one person, one vote" system for some functional constituency seats. He is simply making democracy move in a regressive direction. Regarding the elections of the Chief Executive and the Legislative Council by universal suffrage, the relevant consultation on political reforms still has not been started.

Without democracy, there will not be any truly accountable government. The Government introduced the so-called accountability system for principal officials (the accountability system) in the last Legislative Session. It is a system that is accountable only to the Chief Executive, not to the people. The Government demoted the original Bureau Secretaries who had been responsible for policy formulation, to Permanent Secretaries. On top of that, a tier of principal officials personally appointed by the Chief Executive are given the responsibility of formulating policies. The politically appointed Secretaries have to be accountable to the Chief Executive. However, as the Chief Executive is not elected by universal suffrage, he does not have to be accountable to the people. In the guidelines for principal officials, even if the official has provided incorrect information to the Legislative Council and misled it, he or she does not have to resign as in the case of accountable ministers in overseas countries. All he or she is required to do is to rectify the error as soon as possible. This is undoubtedly contrary to the practice of a democratic, open and accountable political system.

The Penny Stocks Consultation Papers Incident happened in July this year, bringing about general panic in the stock market. And a lot of investors suffered great losses. Although we can see that the integrity of the Secretary concerned, Mr Frederick MA, had been questioned by the public, or he might have violated the guidelines for principal officials, Mr TUNG Chee-hwa has no intention of following up the incident and gaining a thorough understanding of it.

This makes us suspect whether the Government is sincere in implementing the accountability system. The Democratic Party requests the Government to draw up timetables for drafting the electoral laws before 2003, so as to ensure that the Village Representative Elections could comply with the principles of fairness, popularity and equality; for amending the legislation to stipulate that all the seats in the District Councils (DCs) have to be returned by universal suffrage; for amending the law before 2004 to provide that all the seats in the Legislative Council must be elected by universal suffrage; and for amending the relevant laws before 2007 to provide that the Chief Executive should be elected by universal suffrage.

Before a democratic political system and an accountable government are implemented, the role of the Legislative Council in exercising checks and balances on the Chief Executive has become all the more significant. To this end, the Government should amend the legislation as soon as possible to repeal the unreasonable provisions on the system of voting in two groups as well as the restrictions on Members' introduction of bills to the Legislative Council. We hope Hong Kong can establish a democratic political system and an accountable government as soon as possible, so that the people could, through an electoral system that is fair, open and just, choose their own representatives such as the Chief Executive, all the members in the Legislative Council and the DCs. In this way, we can implement the policy of "Hong Kong people ruling Hong Kong", so as to improve the quality of policies and legislation, to make them accountable to the people of Hong Kong, to take care of the overall interests of the people and to genuinely improve their livelihood.

Next I would like to discuss our expectations in education. "As education is our most important long-term investment, we are determined to continue to provide the necessary resources." These words were the open commitment made by TUNG Chee-hwa on education policies in his policy address 2000. Indeed, the allocation of resources for the provision of a good basic education or even tertiary education is very important to the growth of students as well as the sustainable development of Hong Kong. The Government should not underestimate the importance of this. Therefore, the Democratic Party urges the Government to provide sufficient resources to support the various education reforms which are being implemented, so as to raise the quality of both the general education and the tertiary education.

According to the data released by the Census and Statistics Department, people with an education standard of Secondary Three or below have the highest unemployment ratio. In fact, while Hong Kong is transforming into a knowledge-based economy, a responsible government should make sure that its policies should dovetail with its manpower policies. Therefore, the Government should formulate policies to raise the education standard of the whole community, so as to enhance the competitiveness of the people. The Democratic Party suggests that the Government should provide 11 years of formal education, comprising nine years of compulsory education and two years of subsidized education, and that sufficient subsidized places should be provided for Secondary Four and Secondary Five students. Besides, the Government should strive to promote the diversified development of Secondary Four and Secondary Five curricula, so as to enable the students to have more options other than the grammar secondary schools. This should be able cater to the needs of divergent intellectual development of the students, thus enabling them to complete 11 years of formal education.

As the birth rate in recent years has been on the decline, therefore, it can be envisaged that the Education Department will have to face the pressure of reducing the number of classes in primary schools. The Democratic Party urges the Government to seize this opportunity to reduce the size of a class to 25 students so as to improve the learning environment and the teacher-student ratio. Meanwhile, the Government should also promote curriculum reforms in order to alleviate the examination and homework pressure of students, encourage their diversified intellectual development and develop their self-learning abilities and interests.

On the other hand, as the number of bands for allocation of secondary school places have been merged from five into three, the Government must put in additional resources to assist the remedial work for under achieving students so as to take care of the differences in the abilities of students. The purpose of the work in this regard is to ensure that students with special learning needs can be provided with suitable care and remedial teaching, so as to enable them to proceed with value-adding activities on their own. This would also enable students of better calibre to receive proper grooming in order to fully develop their potential.

The Democratic Party is also very concerned with the Government's implementation of the "through-train" mode. Implementing this mode of

education will speed up the process for some schools to become through-train direct subsidy schools and will make some schools move towards exclusivity. Therefore, the Education Department should pay attention to the expectations of students and teachers during this transitional period, especially some parents may have to face the problem of expensive school fees.

Since the Government implemented the policy of mother tongue teaching in secondary schools in 1998, both the schools and the parents worried that the English standard of students might decline. In 2000, the Government implemented a policy which allowed some selected Chinese Middle schools to launch a pilot scheme of bilingual teaching. The Democratic Party urges the Government to conduct more research before implementing any language policy. The Government should avoid frequent policy changes so as not to affect the academic performance of students.

As for the documents on tertiary and higher education, the Democratic Party objects to the delinking of teachers' salary from that of the Civil Service. We also object to the Government's broad-brush abolition of subsidies to sub-degree and high diploma courses because this would substantially increase the tuition fee burden of many students. We also hope that the Government could strengthen local academic research by providing financial support.

With the extended economic downward in Hong Kong, it is within our expectation that the Government would face financial straits. We hope the Government, instead of reducing its investment in the education, should allocate more resources to this area to improve the quality of education. Thank you, Madam President.

**MS LI FUNG-YING** (in Cantonese): Madam President, in last year's debate on the Chief Executive's policy address, I criticized the Government for failing to keep tabs on the pulse of society, lacking the political wisdom to resolve the social grievances and being unable to propose any sound solutions to help the public resolve their imminent problems. Now another year has passed, yet Hong Kong still faces the same economic hardship, and the situation is even worse than last year. The fiscal deficits of last year were \$63.3 billion, but it is estimated that this year's fiscal deficits will be even higher. The unemployment rate for the period between June and August last year was 5.7%, but the figure has gone up to 7.6% now. The people's spending power remains weak, the

stock market is pathetic and the trading situation does not show any sign of recovery. Under the present difficult situation, what expectations should we harbour in the policy address of the Chief Executive?

The Financial Secretary announced some new measures a few days ago to open up new sources of income and cut expenditure, such as introducing new tax items, adjusting government fees and charges, reducing the number of civil servants and reviewing the Comprehensive Social Security Assistance (CSSA). And some months ago, he even required the Policy Bureaux to cut their respective expenditures of the year by 1.8%. All these measures are contrary to the prevalent aspirations of the community of Hong Kong. I agree that it is important to manage our finances in a prudent manner, and I also understand that the Financial Secretary has the intention of restoring to a balanced budget within five years. However, I question whether this is the right time for the Government to endeavour to achieve a budget balance at a time of economic downturn when the people are living amidst great difficulties. Alternatively, should it not first consider adjusting its expenditure flexibly so as to stimulate economic recovery and then move towards a budget balance later on when the economy shows signs of recovery.

Last Wednesday, this Council passed the motion on resolving the problem of unemployment. This is still the area I am most concerned with. I expect next year's policy address to provide some concrete details on ways of helping the unemployed to get jobs and providing them with financial support. The Chief Executive said in last year's policy address that the Government would invest a total of \$600 billion on infrastructure projects within the next 15 years, and would shortly start projects for improving recreational and cultural facilities and amenities, so as to create new jobs. However, early this week, the Financial Secretary asked the departments to review the priorities of infrastructure projects in order to stop projects which "have no economic efficiency" and "are lack of competitiveness". This is not an economic policy that gives priority to employment. Instead, it is a policy attaching priorities to "making the accounts look good", while all other factors are just secondary considerations or even negligible.

The Chief Executive mentioned a live tragic story in the last Question and Answer Session: A taxi driven by a taxi driver aged over 70 ran on to the pavement and knocked down a child and her grandmother in a traffic accident. The child and the old granny were unfortunate, but the fact that a 70-year-old

man still had to drive a taxi for a living really reflects that there is a serious social issue. I expect the Chief Executive to not just pay lip service to express his sympathy. Instead, he should come up with some concrete measures in his policy address to help this group of workers who are most affected by the economic downturn. Not only should we help them in terms of job opportunities, but we should also provide them with financial support when they feel at a loss.

Madam President, in the past, it was unimaginable to have deflation in Hong Kong. In the light of such new circumstances, I agree that we should review whether the present CSSA payments are reasonable. However, similarly, the unemployment rate of 7.6%, which has been standing at such a high level for a prolonged period of time, was also unimaginable in Hong Kong in the past. If the Government reduces the amount of CSSA payments on the ground of deflation, it should likewise formulate a comprehensive package of policies to deal with unemployment in view of the continuous high unemployment rate. Providing unemployment relief assistance is one of the significant items in such policies.

I would also like to speak on the civil service policy. Presently, the Government's civil service policy is even more confusing and contradictory than its housing policy. I find that, on the one hand, the Financial Secretary said in a determined tone that he would lay off staff and reduce the number of posts. On the other hand, I find that the Chief Executive has spoken in a media briefing that he would respect the rights of serving civil servants and guaranteed that he would not force even a single civil servant into retirement during his term of office. The Civil Service is a valuable asset of Hong Kong. However, during the five years since the reunification, the pressures faced by the Civil Service have been no less than employees in the private sector. In future, the Civil Service will undergo even more reforms and changes. I hope the Chief Executive can explain clearly in his policy address how such reforms and changes would be taken forward. On the issue of civil service policy, the Government should attach great significance to staff relations in the Civil Service because this will not only have a bearing on the quality of service delivery to the community and the people, but it is also related to the stability of the whole community.

Lastly, I expect the policy address of the Chief Executive to unify the strengths of the people of Hong Kong, resolve social grievances and lead Hong Kong out of the economic depression and extricate the people from the predicaments.

**MR AMBROSE LAU** (in Cantonese): Madam President, the Chief Executive says that the biggest challenge facing the second term Government is to lead Hong Kong out of the economic downturn and to restore the confidence of Hong Kong people in the future. In fact, these are also the people's expectations for the policy address 2003. In this connection, I would like to propose my expectations in four areas.

First, Mr TUNG has said that all government policies will accord priority to creating job opportunities, and creating more job opportunities will be the essential work of himself and all the new Secretaries of the new term SAR Government. I hope the policy address can clearly spell out a strategy that gives priority to creating job opportunities. Among such policies, strengthening the support for small and medium enterprises (SMEs) should be one of the most important initiatives. The policy address should also review the criteria for approving applications for loans under the Special Finance Scheme for Small and Medium Enterprises, so as to alleviate the financing difficulties of SMEs and introduce concessionary policies to encourage SMEs to enhance their competitiveness by making efforts in such aspects as innovative technology, manpower training, brand creation, adding value and creation of wealth.

Secondly, the policy address 2003 should provide clear directions and targets for the economic development of Hong Kong. For example, the term "economic transformation" has been widely discussed and promoted, but many people are still not sure how the economy should transform. If elegantly put, one may say that, "I do not see the true face of Mountain Lu, just because I am strolling in it myself." The economy of Hong Kong has undergone two major transformations since the Second World War. Industrialization took place in the '50s and '60s of the last century, whereas the economy transformed again in 1960s when it started to focus on the development of the service industry. Then Hong Kong's industries moved northwards which produced the hollowing-out and uprooting effects on the economy. All these transformations were driven by market forces and the processes were completed by the private sector. However, with the third transformation driven by the Government, where will the economy of Hong Kong go from here? Hong Kong is now being affected by the incomplete transformation. The realistic situation is that a worker is transformed from an employed person into an "unemployed" person, properties are transformed into negative assets, the fiscal reserves are diminishing, and inflation is transformed into deflation. I very much agree with what Mr TUNG

said in the Question and Answer Session, that the only ultimate solution is for Hong Kong to undergo a successful economic transformation. But I hope the policy address could explore where will the third transformation lead us, so that the people could have a clear target to strive at.

Thirdly, after the bubble economy burst, no matter how many "centres" are proposed in Hong Kong, no matter how much significance we attach to high value-added development, we still have not rationalized and formulated sensible economic policies. So the most fundamental problem is that we have not rationalized the relationship between Hong Kong and the Pearl River Delta (PRD), therefore, the progress of the co-operation between Guangdong and Hong Kong has been very slow. During the past year, the co-operation between the two places has shown some progress. For example, the construction of the fourth boundary crossing has been approved and commenced. In addition, the improvement projects at the border control points at Lok Ma Chau and Lo Wu have started and the immigration service hours have been slightly extended. However, in short, the progress of the co-operation between the two places has lagged far behind the expectations of the people and the actual needs of economic development. Travellers have to wait for long periods at the border crossings, container trucks have to line up for a long time every day at the border awaiting clearance and the bottleneck effect at the border crossings, all these have led to increased costs for our economy. I expect the policy address 2003 to rationalize the relationship between Hong Kong and the PRD, and introduce measures for speeding up the co-operation between Guangdong and Hong Kong.

Fourthly, as Hong Kong is facing huge fiscal deficits, the Government has been testing people's response by intimating that it is considering increasing the tax rates. However, Hong Kong has a narrow tax base. People who are required to pay salaries tax account for only about one third of the 1.7 million workforce, that is, only about 1.17 million. That means Hong Kong relies heavily on the middle class for its tax revenue. If the tax rate is increased without expanding the tax base, the middle class will be most affected. Presently, the incomes of the people belonging to the middle class are also affected by the economic downturn. Many of them are already shouldering the burden of negative-equity properties. The Government wants the middle class to pay more tax. It is unfair of the Government to pass the burden of the fiscal deficits on them. People of the middle class have been taking up the majority

share of tax liability. As long as they can endure the burden, they will not declare themselves bankrupt or apply for CSSA. Therefore, I expect the policy address to introduce some measures that may alleviate the burden of the middle class, or at least not to add an extra burden to their already miserable situation.

Madam President, I so submit.

**MR JAMES TO** (in Cantonese): Madam President, the situation of human rights and the rule of law in Hong Kong has gone from bad to worse since the reunification. For instance, the interpretation of the Basic Law by the National People's Congress deprived the mainland children of some Hong Kong people of their right of abode in Hong Kong, the police applied pepper spray to demonstrators, handcuffed reporters and set demonstration and press areas that were very far from the target positions. They restricted the freedom of demonstration and coverage and tried to obstruct peaceful demonstrations outside the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region (SAR) and proposed the large-scale establishment of long-term surveillance systems at public places for monitoring the activities of the public.

The newly published consultation document on Article 23 of the Basic Law is even more shocking, and the proposals made by the Government have gone beyond the scope of the provisions of Article 23. Besides prohibiting foreign political organizations from engaging in activities and establishing ties in Hong Kong, the scope of restriction has been extended. Once organizations in the Mainland have been prohibited, their branches in Hong Kong and organizations with ties to their branches in Hong Kong would become illegal organizations and the operation and existence of such organizations would be prohibited. This would seriously limit the freedom of assembly in Hong Kong. Moreover, the definitions of such offences as treason, secession, sedition and subversion are even ambiguous and extensive. Even public incidents that should generally be handled under general criminal laws have been upgraded to material offences that endanger national security, punishable by life imprisonment. "Information regarding the relationship between the Central Authorities and the SAR" is deemed as state secrets, despite the ambiguity of the expression. The Government has also proposed enhancing the power of investigation of the police so that the police may enter premises to carry out a

search without a court warrant. The police will have enhanced powers and play the role of political police.

Under the pretext of efficiency of administration and that the general public are not concerned about or do not understand it, the Government has refused to set out the specific provisions in a White Bill for public consultation. It has gone against the principles of respect for public opinion and stringent legislative procedures.

These are not policy proposals that sense the urgency of the people and think in the way they think. The Democratic Party reiterates that there has been steady political development but the economy has been in the doldrums in the five years since the reunification. The Government should endeavour to alleviate the difficulties of the people instead of making a draconian law in a hurry to restrict the freedoms of Hong Kong people, divide them and damage the foundation of the rule of law in Hong Kong.

For the interests of Hong Kong people, the Democratic Party has continued with perseverance to demand the Government and the Chief Executive to earnestly observe the three important basic principles of respect for human rights, safeguarding freedom and upholding the rule of law. Mr Albert HO will later on put forward our targets for the implementation of policies in respect of discrimination and equal opportunities and I am going to put forward the following targets:

1. immediately withdrawing the proposal to legislate on Article 23 of the Basic Law and reflecting to the Central Government the wishes of Hong Kong people, that is, it is not necessary to legislate on the provision now.
2. making amendments to the Public Order Ordinance to restore the notification system and safeguard the freedoms of procession and assembly.
3. establishing a mechanism for complaints against the police, which is independent of the Hong Kong Police Force, for receiving and conducting independent investigations, to avoid bureaucrats shielding one another and help rebuild public confidence.

4. expeditiously implementing the Interception of Communications Ordinance to regulate the arbitrary interception of people's communications by the Government, so as to protect their privacy.
5. expeditiously reaching an agreement with the Central Authorities to establish a mechanism for the adult children of Hong Kong people in the Mainland to file applications for admission to Hong Kong according to the procedures, and for the expeditious arrival for reunion of the spouses of Hong Kong people who have been separated for years, so as to relieve the burden and pressure of life of their relatives in Hong Kong.

Insofar as security is concerned, although the general crime situation has not obviously deteriorated in the past five years, in respect of the types of individual crimes, especially corruption, juvenile delinquency and trans-boundary crimes, the Democratic Party demands the Government to show particular concern for the following:

1. Statistics show that the situation of corruption in Hong Kong has continuously deteriorated and the numbers of reports and pursuable cases have increased progressively year after year. Within a year from July 1998 to June 1999, there were 3 414 reports and 2 428 pursuable cases; the former increased to 3 807 and the latter to 2 715 during 1999 to 2000, representing a rate of increase of 11%; the former further increased to 4 604 and the latter to 3 290 between the same periods in 2000 and 2001, representing a rate of increase of 21%. The Democratic Party demands the Government to ensure the deployment of sufficient manpower. It must maintain sufficient manpower in the wave of manpower reduction, adopt positive strategies to combat corruption and step up publicity and education to nip corruption in the bud.

The Democratic Party is also concerned about the fact that the Independent Commission Against Corruption (ICAC) has changed its usual practice after the incident of discord between the police and the ICAC. The ICAC will first notify the police of the information on the persons concerned and the contents of the relevant press releases before arresting the police officers suspected of corruption. The Democratic Party is very much worried that this will set a

precedent that will affect the independent operation of the ICAC. "Hong Kong is advantageous in having the ICAC" means that Hong Kong has an effective and fearless ICAC that operates independently.

2. Moreover, it has been reported that during the first seven months of this year, at least one person who went north to find a job was defrauded of money, detained or kidnapped in the Mainland each week on average. There was an incident in Guangdong Province last month in which forged Hong Kong identity cards were sold. There was also a tendency for an increase in the number of young people going north to buy and abuse soft drugs. As the restriction on the entry of mainland residents to Hong Kong may be relaxed or a visa waiver arrangement may be made for their travel to Hong Kong in the future, it would become easier for the unruly elements in the Mainland to commit crimes in Hong Kong. Therefore, the Democratic Party urges the SAR Government and the mainland authorities to make concerted efforts to closely monitor and combat such cross-boundary criminal activities that may take place.

Lastly, I wish to cite the result of an opinion poll conducted by the *Ming Pao* in June this year to conclude my speech. The opinion poll showed that almost half of the people in Hong Kong held that the situation of human rights and the rule of law was worse than that before the reunification. The Democratic Party thinks that the Government really needs to set up an independent human rights commission to receive and handle complaints about the infringement of human rights, monitor the gradually deteriorating human rights situation and actively make proposals to improve the situation. A responsible government that responds to the popular will should do so.

With these remarks, I support the motion.

**MR LEE CHEUK-YAN** (in Cantonese): Madam President, in my view, the motion today reflects the fact that the Democratic Party is an earnest supporter of Mr TUNG. I hope Chief Executive TUNG Chee-hwa will really extend his thanks to the Democratic Party instead of saying that he wishes to improve his relationship with them. The Chief Executive has said that the Democratic Party is not constructive because it always fails to hear whatever he says and always

makes criticisms. However, the motion today can actually reflect that the Democratic Party wishes to improve its relationship with the Chief Executive because they have expectations for the policy address. Do they still have expectations?

It is pretty good for them to have expectations. Let us consider the views generally expressed by the public on the subject of the motion today, that is, "expectations for the policy address". When taxi drivers, staff of McDonald's and housewives are asked about their expectations for the Government, many of them will say that they do not have expectations. They no longer have any illusions about the Government. Having no more illusions is the most miserable thing. "TUNG Chee-hwa" has already become an icon of the dwindling economy. Perhaps Members will consider such a criticism unfair to the Chief Executive because we cannot put the blame for all the problems on him. I also agree that we cannot put the blame for all the problems on him but it is a hundred per cent fact that he has precisely caused Hong Kong people to lose confidence. In all fairness, we should not make him the icon of our dwindling economy but people really feel that way and we should not discuss whether it is fair or not. How should we assess the feelings of people? We may ultimately find that it is very unfair of them to make a judgement, but their feelings are after all their feelings.

The tallest challenge faced by Chief Executive TUNG Chee-hwa now is how to extricate people out of an abyss of confidence and help them regain confidence. Insofar as expectations are concerned, it is most important for the community to restore confidence and cohesion. Therefore, I hope Members will bear with me in taking great pains to discuss how to help people restore confidence again today.

Although the people have no more illusions, we cannot feel the same and we should try to bring the dying back to life. Therefore, I particularly hope that the Chief Executive will listen to our views on the policy address and how people's confidence can be restored. A very important point is that many reforms were made in the past five years. I still want to tender the Chief Executive a piece of advice, that it is most important for reforms not to take away people's rice bowls and means of living because so doing will certainly cause discontent and indignation. I would like to advise the Chief Executive that many things, if allowed to go on, will affect the stability and rice bowls of people. Although I discussed the fiscal deficit last week, I still wish to discuss

the fiscal deficit this week. Tackling the fiscal deficit will certainly lead to unemployment and affect the rice bowls of people. On the one hand, the Government wants to tackle the fiscal deficit, on the other, it has to contract infrastructural projects to reduce the fiscal deficit. So, it is going to affect rice bowls again.

We had a meeting with Secretary Joseph WONG yesterday. As we all know, the Secretary intends to conduct a pay level survey. Civil servants will evidently be the ultimate targets if a pay level survey is conducted. If the Secretary considers implementing civil service pay reduction, he will affect the rice bowls of people. The Secretary, Dr YEOH Eng-kiong, is here and I would like to offer him a piece of advice, that a reduction of CSSA payments will also affect the means of support of people. The many other reforms currently conducted by the Government will affect the daily life of people. For instance, clearance, land resumption and removal of tens of thousands of rooftop illegal structures by the Government will involve the rehousing problem and affect the means of support of people. If the Government is never bored with continuously taking away others' rice bowls, the people will hardly be able to restore confidence.

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

Second, I hope the Chief Executive will listen to both sides instead of listening to one side only. As far as I can recall, I told the Chief Executive on one occasion many years ago that I wanted to know who he was at the back. Yet, I still do not know who is at his back today. On that occasion, the Chief Executive told me to go to his back and observe what he did from morning to night and whom he met. Of course, I have not been able to follow him from morning to night so far, therefore, I am still not clear about who he is at the back and whom he believes, contacts or discusses with. Frequently, some people will tell us what they want us to relate to the Chief Executive. Frankly speaking, all Members know that it is very difficult for me to meet the Chief Executive and I only meet him several times a year. So, we do not know whom the Chief Executive contacts or listens to. Nevertheless, I am sure about one point, that is, even if there are good wishes or expectations that the Democratic Party wants the Chief Executive to listen, he may not listen to what the Democratic Party says. The Chief Executive's failure to listen to both sides is also one of the reasons why the public do not have confidence in him.

The third problem is prevalent practice of drawing in one faction to hit at another and society has become divided. The fourth problem is that I hope the Government will not legislate on Article 23 of the Basic Law now because it will impose another burden on people. Besides taking away the rice bowls of others as I have just said, it will deprive people of their rights and freedoms and will ultimately make people lose confidence.

Lastly, if the Chief Executive really wants to restore the confidence that people have lost, he should let Hong Kong people know very clearly about the progress of democratization. I believe people will regain confidence if they have learnt from the Chief Executive that they can choose the Chief Executive in the next term. It is because they will feel that Hong Kong promises prospects and Hong Kong people finally have choice, especially the right to choose the Government, which is a right that cannot be taken away. Thank you, Madam Deputy.

**MR SIN CHUNG-KAI** (in Cantonese): Madam Deputy, the Democratic Party has the following specific proposals in respect of economic policies.

First of all, the Government should step up negotiations with the Shenzhen Municipal Government about how the valley of the Shenzhen River can be properly used and its designation as a boundary industrial zone. The Governments of the two places can make better use of the characteristics of the boundary areas to effectively manage the immigration control mechanisms of both places, promote the flows of human and material resources between the two places and reduce production costs. We certainly understand that it is really very difficult to revitalize the local industries and attract the return of all industries to Hong Kong, still we think that some basic work should be done.

Hong Kong still has many advantages of a free port and it can grasp the opportunity of China's accession to the World Trade Organization to reach an agreement for free trade with the Mainland at an early date. It can also fight for the reduction or exemption of tariffs by the Mainland for imports from Hong Kong. Using the financial and taxation policies as incentives, it is expected that there will be more opportunities for foreign investors to invest in some high value-added or high-tech research processes. The economic basis of Hong Kong will thus be broadened and job opportunities increased, and the service industry will be benefitted.

The Government should also establish closer links between Hong Kong and the Pearl River Delta and strengthen the infrastructure construction for the transportation network. For instance, it should construct the Zhuhai-Macao Bridge between Guangdong Province and Hong Kong, an express rail link to connect Hong Kong and the Guangzhou Airport and car parks at the boundary.

Moreover, the Government should encourage the development of the environmental protection industry. Unlike other industries, the environmental protection industry cannot be fully relocated northward or elsewhere and it employs a large number of low-skilled workers. So long as the Government can provide land with longer tenures at lower prices and the relevant ancillary facilities, there are conditions for the sustained development of the environmental protection industry in Hong Kong.

It is also suitable for the smokeless industry to be developed in Hong Kong and the Government can consider injecting more resources into the development of the tourism industry. Hong Kong is still characterized by the co-existence of the Chinese and Western cultures, which is still attractive to foreign tourists. The Government should explore how it can better utilize the cultural resources with local characteristics. For instance, since music and film products in Hong Kong are popular in Southeast Asia and the South China regions, the Government can consider stepping up promotion such as the establishment of a film or music museum to attract foreign tourists and benefit the local music and film industries as well. Furthermore, the Government should consider renovating buildings in Hong Kong with historical values and then designating them as tourist spots.

While local industries have to be strengthened, we cannot say that the service industry in Hong Kong does not have hidden worries. The prosperous development of commercial services in Hong Kong in the past depended to a very large extent on Hong Kong businessmen in the Mainland who used the services in Hong Kong. There was actually not a large proportion of enterprises from the Mainland and the Asian Region using our services and there was still quite a distance between the claimed financial centre in Asia. The competition faced by Hong Kong has become more and more intensive with the development and liberalization of the service industry in the Mainland, so we must look for a countermeasures. For example, Hong Kong must endeavour to improve the local business environment to attract enterprises from all parts of the world including mainland enterprises to establish headquarters in Hong Kong and make Hong Kong their centre for operation.

To this end, we should at least ensure that Hong Kong has a fair business environment and a good corporate governance structure. The Government must also expeditiously reduce the obstacles to the flows of human and material resources as well as capital between China and Hong Kong. Nevertheless, it is a great pity that, besides promoting the co-operation between the two places, the Government has so far refused to introduce a fair competition law and the progress in such work as improving corporate governance has still been very slow. If the Government only paces up the fusion between the two places, and if the business environment of Hong Kong is not superior to that of mainland cities, how different is Hong Kong from the mainland cities? What are the advantages of Hong Kong?

I am going to discuss the development of information technology.

At present, Hong Kong is actually not lagging behind our neighbouring Asian countries in the development of information technology. There is an 80% penetration rate of mobile communication services in Hong Kong and there are more than 800 000 users of broadband services. Although Hong Kong has still failed to keep up with South Korea in terms of the penetration rate, it has already left the United States far behind.

South Korea is a very good example. After the financial turmoil in 1997, there was a 6.7% negative growth in the Gross National Product of South Korea. However, South Korea spared no efforts on the development of information technology and a half of its economic growth in 2000 came from the information technology industry. Evidently, the information technology industry can induce the recovery of the dwindling economy.

Of course, a direct comparison cannot be drawn between Hong Kong and South Korea since their economic structures are greatly different. In South Korea, there is an information technology industry and the network games industry has developed into an enormous sector, driving exports and creating new posts. Hong Kong can hardly copy the example of South Korea mechanically, but we can realize from the example that we should enhance the development of the information technology industry to lead our economy out of the abyss.

I wish to emphasize again that, unlike ordinary industries, the information technology industry is a catalyst for society, for it can enhance the efficiency and

capacity of the economy as a whole. Finland, India and South Korea are very good examples. For this reason, the Government should enhance the development of the information technology industry in Hong Kong in the following aspects:

*(A) Developing business opportunities overseas*

The Hong Kong market is small but the information technology industry requires enormous investments. For enterprises to achieve break-even and even make profits, they must make their best efforts to develop the overseas markets, especially the China market.

The Government should collect more business information overseas. We have a lot of overseas economic and trade offices, but they have never assisted Hong Kong businessmen in participating in tenders in foreign countries. They can provide such information as information on the tenders of foreign governments so that the enterprises in Hong Kong can grasp such information more quickly. Providing assistance to the information technology industry in this respect, the Government will be able to develop the local market and increase the business opportunities of local enterprises.

*(B) Assisting the information technology sector in risk sharing*

The information technology industry is characterized by large investments, high risks and high returns, and such enterprises will often encounter financing difficulties during an economic downturn.

The Government should assist small and medium enterprises in the information technology industry in risk sharing. For example, it should establish an open laboratory and allow enterprises in need to use expensive instruments of development to reduce their capital investments. Government policies should also accord the information technology industry and other industries equal treatment and the Government should avoid competing against the people for profits.

Madam Deputy, I hope that the Government would not neglect the development of information technology in the next few years. Article 23 of the Basic Law about which we have been discussing recently, is an example of possible obstruction to the development of the information technology industry of Hong Kong.

**MR JASPER TSANG** (in Cantonese): Madam Deputy, the Democratic Alliance for Betterment of Hong Kong (DAB) does not intend to set out all our proposals in respect of various public policies in this debate. Besides systematically expressing our views on various policies during the debate on the policy address to be held in January next year, we will gradually and continuously make public our findings and suggestions in the meantime.

On the basis of the contents of this pamphlet and the remarks made by Mr Martin LEE earlier, I do not think the Democratic Party really wants to put forward proposals to the Government in this debate. Mr LEE Cheuk-yan has just said that we can see from the motion today that the Democratic Party supports Mr TUNG. If Mr LEE Cheuk-yan is not pretending to be innocent, he is insulting the wisdom of Members of the Democratic Party. Although the motion has highlighted expectations, if Mr LEE Cheuk-yan had listened carefully to the speech read out by Mr Martin LEE in his monotonous, low and deep voice like I did, he should have realized that the remarks made by Mr Martin LEE were against TUNG.

I will respond briefly to the rest of his speech later on granting the time. Mr Martin LEE has just said that Members of the Executive Council are rich and noble "royalists". Inevitably, I would like to surge ahead at full speed and sit in the right seat, but I would like to make a point that we intend to make first. This point is the result of some fairly in-depth studies conducted by the DAB recently. Since I think that the point should be made in good time, I would like to take this opportunity to make this point for the public's information.

Madam Deputy, as regards enhancing economic and trade co-operation between Hong Kong and Guangdong Province, I learnt not long ago from a news report that the negotiations between Hong Kong and the Mainland over the arrangements for closer economic and trade relationship had been grounded. Although the Financial Secretary later denied it, we noted that Premier ZHU Rongji had also said when he was interviewed overseas that the negotiations were very difficult. He also said that Hong Kong and the Mainland had divergent views on a lot of issues in the course of negotiation.

Originally, the negotiations began early this year and it was estimated that there would be certain results by the end of this year. Nevertheless, the progress really seems to have been much slower than originally expected. What are the reasons? Though we do not know the specifics of the negotiations,

we learn from the information disclosed by some officials in charge that, firstly, the negotiations cover a wide range of matters. The Financial Secretary has said in public that a lot of matters are involved, including trading in goods and services. Secondly, we have also heard that both parties have apparently agreed that the negotiations should deal with the easier matters first, to be followed by the more difficult ones. What do the easier matters mean? Trading in goods is an easier matter that should be considered first. It is because defining goods manufactured in Hong Kong (rather than the import of goods from foreign countries) is easier than defining Hong Kong companies in the service industry. For this reason, trading in goods is discussed first. Thirdly, zero tariff, that is, the export of Hong Kong goods to the Mainland at zero tariff should be striven for.

I do not know how true these points are. The DAB commissioned the academics of higher education and research institutions in Guangdong Province to conduct some studies at the end of last year. One of the studies was entitled "Strategies for Economic and Trade Co-operation between Hong Kong and Guangdong within the First Five Years after China's Accession to the WTO". It studied how best the co-operation between Hong Kong and Guangdong Province can be enhanced and how our advantages can be brought into full play within the first five years after China's accession to the WTO, that is, the so-called transitional period. The draft report on the study is ready and we are going to publish it later. We think that some viewpoints in the report are worth making reference to. One of the viewpoints is that the liberalization of the service market is the key to liberalization after China's accession to the WTO. Since the service industry of China had the lowest degree of marketization and opening to the outside world in the past, the degree of liberalization of the service industry of China has lagged far behind that of the manufacturing industry. After China's accession to the WTO, this aspect has to be developed and economic modernization is necessary. The service industry that is lagging far behind will become the biggest obstacle to the establishment of the modern market economy, therefore, we can say that there is a very strong impetus for the development of the service industry. The study tells us that at least for a certain period immediately after China's accession to the WTO, the potential for growth of the service industry will be far greater than that of the manufacturing and agricultural industries. This is the first point.

The second point is: Why should there be a five-year transitional period for the development of China? The strategy being adopted is known as

"opening at home before opening to the outside world" or "reform before opening". In other words, opening at home must be implemented first. Within the first five years, China should adopt a strategy to enhance the competitiveness of mainland industries (Oh, no, time is up!) before meeting the challenge of international multinational companies. However, Guangdong Province should not do the same because it is an area of China that was opened first. It has always upheld the principle of "opening before reform" and opening has driven reform. Actually, many Hong Kong businessmen have adopted various methods — they are indirect methods, also known as "deformed methods" — and quietly entered the service market of Guangdong Province by another means. Nevertheless, in so doing, they have not smashed the mainland market but have driven the development of the Mainland instead. Therefore, Guangdong Province really has such a need in this respect. It so happens that Hong Kong has an advantage in this respect, so, it is good for a relationship to be established first within this period. We are definitely not "taking advantage of them" as the Democratic Party has described, but doing so will be mutually beneficial to both parties. I hope that the Government will pay particular attention to this point.

**MR ALBERT CHAN** (in Cantonese): Madam Deputy, Mr LEE Cheuk-yan has just discredited the Democratic Party by saying that we support Mr TUNG. However, it is very interesting that a Member of the Executive Council who is a "royalist" has said that we are against Mr TUNG. While someone intends to discredit us, another intends to intensify the contradiction between Mr TUNG and us, which precisely tallies with the remark on "sowing dissension" made by Mr TUNG during the Question and Answer Session last week. As a matter of fact, the Democratic Party will not support Mr TUNG or intentionally act against Mr TUNG. We will say that his policy is right, when it is right, and we will say that it is not right when it is not. We will certainly object to a policy that should be objected to, and we will also firmly object to a policy that is inconsistent with people's wishes.

Madam Deputy, the speech I am going to make today on behalf of the Democratic Party is mainly related to planning and lands that are closely related to the people's quality of life. However, there were many instances of unsatisfactory performance by the Government in this respect in the past. We hope that the Government will formulate sound planning guidelines in the

coming year to improve the living of the people. Since the Town Planning Ordinance must be amended if sound planning is to be made, we hope the Government can really introduce amendments to the ordinance for consideration by this Council this year because the Government has made promises many times but these promises have come to nothing. The relevant ordinance should provide timely guidelines and exercise control on future planning and development to enhance the efficiency of the existing town planning system. For instance, it should streamline the procedures for application for planning approval, increase the transparency of the system and step up enforcement actions against unauthorized development. All these are very important.

In respect of optimizing the living environment of the people, the Democratic Party has repeatedly demanded the Government to consider town planning from the perspective of optimizing the living environment of the people. At present, town planning is usually made on basis of administrative convenience but not with emphasis on the people's quality of life. For instance, the Government can establish the characteristics of different communities through community planning. The density of buildings and housing should also be gradually reduced to improve the living environment. Moreover, the Government should not only construct tall buildings and create a sealed and screen-type environment because people living there would be like living in the dark.

In respect of building design, the Government should avoid constructing mould-type buildings and it should add variations to the design of such buildings as public housing estate blocks and government buildings. Since the number of elderly people will gradually increase year after year, the authorities should take the problem of an ageing population into account and look after the living needs and habits of the elderly. For example, more open space in public housing estates should be designated for use by people, especially the elderly.

The serious shortage of recreational, leisure and sports facilities in new towns is another problem. Taking Tung Chung and North Tin Shui Wai as examples, they respectively have a population of 40 000 and 100 000 but there is a serious shortage of sports and recreational facilities in these areas. There is a population of more than 100 000 in North Tin Shui Wai, but there is only one five-a-side football pitch. The Government just cannot encourage people to move to new towns without providing them with facilities for it is very unfair to them.

As regards a review on the compensation for land resumption, I have discussed the Wah Kai incident in this Council many times and I am not going to discuss the matter in detail today. However, the problem has not yet been solved and I have to strongly denounce the Government for the blunders in handling the problem. It adopted a high-handed approach and almost 100 factories were plunged into financial difficulties, which have been the Government's making.

Insofar as the implementation of large-scale infrastructure projects is concerned, I hope the Financial Secretary, Mr Antony LEUNG, will later find time to respond and explain why he has said that the progress of infrastructure projects should be determined again and why some projects that have been launched would no longer be implemented. These are significant changes in government policies, but Members have not been consulted beforehand. Has the Financial Secretary, Mr Antony LEUNG, made a slip of the tongue, or has the Government formulated new policies that we are totally unaware of?

As regards land resumption, I hope the Government would conduct a comprehensive review of the policy and legislation on land resumption at an early date. The Democratic Party urges the Government to adopt the principles of "making compensation before removal" or "making compensation before commencing works" to ensure that the owners, factory proprietors and shop operators are given reasonable compensation lest they should even lose their original capital as a result of the works.

Another social crisis that is very much a time bomb is the removal of rooftop structures. I really hope that the Government will think twice before taking actions. Recently, the Buildings Department has issued thousands of removal orders to the owners of rooftop structures. Despite the fact that many owners have financial difficulties, they still have to spend tens of thousands of dollars on the removal of the illegal structures, and they have to put up with heavier financial pressure as a result. We hope the Government will expeditiously review the so-called "8261" rehousing policy so that rehousing arrangements could be made for the residents before the removal. Insofar as the removal expenses are concerned, I hope that the Government will ensure by all means that the removal works are carried out without affecting the living of the owners of the illegal structures.

As far as land administration is concerned, I hope the Government will expeditiously perfect the administration of small house planning. The situation of occupation of Crown land should be improved because such occupation has caused serious disturbance to the life of residents in the vicinity of the Crown land that has been occupied.

Moreover, on the urban renewal front, the Democratic Party has all along urged the Government to fulfil the people-oriented spirit of urban renewal. The problem of an ageing urban area is worsening and the problem of the quality of buildings affects tens of thousands of residents in old districts. The Government should speed up urban renewal and complete within five years the 25 uncompleted projects launched by the Land Development Corporation in the past. The target of the urban renewal strategy of the Government should be to confirm that 17 outstanding projects can also be completed within three years. In regard to urban renewal, we hope that the Government will adopt the approach of developing various areas in the light of the characteristics of sub-areas. It should preserve the history and tradition of each area and allow each area in Hong Kong to preserve its characteristics so that the former outlook of old districts can be preserved. Thank you, Madam Deputy.

**DR DAVID CHU** (in Cantonese): Madam Deputy, improving the economy of Hong Kong and solving the problem of unemployment surely tops the wish-list of every citizen in Hong Kong. Unfortunately, government efforts lately have only been placed on reducing the deficits instead of reviving the economy, that is why proposals such as raising taxes which are not conducive to economic recovery have been made. In fact, deficits are only the effect while a sluggish economy is the cause. The Government should not aim at delving into the pockets of the middle class and doing things detrimental to the economy in order to reduce its deficits.

Now I would like to make two suggestions to the Government to steer the territory clear of the economic predicament. These suggestions do not call for a tax increase or an increase in spending, but they are nonetheless helpful in giving a boost to the economy and will be likewise beneficial to the middle class, the grassroots and the business sector.

The first "grand move" that I suggest to invigorate the economy is requesting the Government to make bold and decisive attempts to push up the

property prices. Over the past five years, the Hong Kong Government has made many moves to boost the economy. These include a tax rebate made in 1998 to the amount of \$8.5 billion to taxpayers, the use of \$10 billion to set up an SME Fund and an Innovative Technology Fund, as well as waiving government fees and charges which amount to tens of billion dollars. However, no obvious result has been achieved. In my opinion, the key lies in the Government failing to address the main cause, being the economic downturn. In the great property market crash, the moves made by the Government were too slow and too weak. Since the outbreak of the Asian financial turmoil, the value of properties has fallen by \$1,900 billion and the value of stocks plummeted by \$3,000 billion. The losses in these two areas amount to a total of almost \$5,000 billion. But the amount of money used by the Government over the past five years in boosting the economy is only some tens of billion dollars. Even if the leverage effect of this spending is factored into the equation, it is trivial compared to the \$5,000 billion lost in the property market crash and the stock market meltdown.

I think what the Government should do is to make the property prices go up again and solve the problem of negative-equity properties. This will lead to an improvement in the life of a section of the community. And this will in turn give impetus to economic growth and enable other measures aiming at stimulating the economy to come into full play.

I suggest that the Government should impose an immediate moratorium on land sales and sale of Home Ownership Scheme flats. Then a five-year plan of land supply and public housing production should be formulated with the amount of land and flats produced fixed. Then less rigid five-year objectives for land and flats supply should be set up. When these objectives are in place, there will not be any need to make any move to intervene in the property market as prices will be determined by supply and demand in the free market. I trust the people of Hong Kong can find living space under any rules of the game. What they fear most is unclear rules that are always changing.

The second suggestion I am going to make is to suspend the operation of the Mandatory Provident Fund (MPF) schemes. The idea of MPF is originally commendable in view of the ageing population and the need to prepare for the future. The problem is, however, that the scheme ought to be launched at a time when the economy is overheated, but the Government has chosen to launch it at a time when the economy is at its worst in 40 years. Such a bad timing

would invite failure and even impede the recovery of the economy, kind of doing bad things with a good intention.

As a matter of fact, in the short term, the implementation of the MPF schemes is actually collecting a tax of 5% from employers and employees. And when tax is raised by 5% at a time when the economy is at its worst ever, it is tantamount to suicide. At present, about 2 million employees and self-employed persons have joined the MPF schemes and their monthly contributions amount to some \$2 billion. Since the MPF schemes have been in force for nearly two years, that means as much as an accumulated total of about \$50 billion contribution is frozen. When employees have 5% less income to spend and when employers have 5% less capital to invest, then how can consumption and investment activities be buoyant? Despite the many technical problems associated with the suspension of the MPF schemes, I hope that the Government can give serious thoughts to this idea and act decisively. For that will free tens of billion dollars of capital, and give a great boost to the economy.

Madam Deputy, the Government should act boldly and make such "grand moves" as soon as possible, lest Hong Kong will become a replica of Japan.

Everybody will agree that China will become the global factory and engine of growth. So in the short run, the Government may adopt the suggestions made by me to improve the economy. However, in the long run, the economic prospects of Hong Kong would hinge on our economic restructuring and whether or not it will tie in with the economic development of our Motherland, in particular that of the Pearl River Delta.

Thank you, Madam Deputy.

**MR TIMOTHY FOK** (in Cantonese): Madam President, I would like to take this opportunity to say a few words on my expectations of the policy address to be announced in January.

The Busan Asian Games is just over. The Hong Kong delegation has completed its mission successfully, winning 21 medals, a number which exceeds the combined total of those won in past meets. The results are indeed very satisfactory.

Battered by the waves of adversities and pressure since the financial turmoil, many Hong Kong people have gradually lost their confidence, and even the assiduousness they used to take pride in is being constantly eroded. Society as a whole is now enveloped by pessimism and a sense of loss. Many youngsters are "non-engaged", but the performance of Hong Kong athletes in the Asian Games has demonstrated clearly that the people of Hong Kong are not incapable at all; as long as we can struggle to the last minute with confidence and perseverance, we will certainly be able to give full play to the highest of our capabilities and make a mark. As long as we are enterprising, adversities can always be turned into chances of equipping and training ourselves, and there will still be bright sunshine tomorrow morning.

Naturally, individual efforts and determination alone are not enough to deliver us from our crises and difficulties. What is most important is that we must have definite goals, directions and the support required. The success of the recent Busan Asian Games can highlight the importance of "unity of knowledge and practice". Over a short span of just a few years, Busan has managed to "start from scratch" and hold one of the most successful Asian Games in history. And, it is now even exploring the possibility of bidding for the right to host the Olympic Games. In contrast, Hong Kong, which is far more qualified than Busan in terms of manpower, material and financial resources, has not yet made any progress in this respect. Everything in Hong Kong, including objectives, directions, policies, planning, facilities and so on, is still at the stage of mere discussions. Why can Busan make it but Hong Kong cannot? This is a topic that warrants Members' thorough examination.

Given the current economic and livelihood problems, the Government will understandably find the promotion of sports and culture a rather taxing task, but I still hope that the Chief Executive can fully realize the mission of a responsible government in the policy address next January and make a visionary commitment to upgrading the quality of both the people themselves and their life. After all, at this very time of economic sluggishness and dwindling confidence, sports and cultural activities will perform a special function of boosting people's morale and bringing forth social solidarity. The Seoul World Cup Finals and the Busan Asian Games have shown that sports can indeed bring forth solidarity in society.

In the new era, we must explore solutions to problems with a new mindset. Young people in Hong Kong are facing problems of employment, confidence and value judgement. The primary cause of all this is their immature personality

and restricted development of multiple intelligence, which has in turn led to a lack of self-confidence and competitiveness. The development of sports and cultural activities of course cannot solve all these problems overnight, but the vitality and enterprise they call for can obviously help young people in their personality development and personal growth. Besides, sports and culture are also recognized in many foreign countries as a creative economic activity yielding very high returns, and being a new means of living for young people. As long as we recognize the creative power of sports and cultural activities and render sufficient support, a healthy, energetic and happy society will certainly emerge!

**MR SZETO WAH** (in Cantonese): Madam Deputy, there are two meanings to the saying "it takes one hundred years to educate a person". First, education is a vocation centred around people, and second, education is a prolonged and persistent endeavour.

What do we mean by man when we say education is a vocation centred around people? The subject of education is our next generation. But the key is the teachers. For our next generation is educated by the teachers.

The findings of a recent survey point out that more than 70% of teachers find their heavy workload unbearable. About 10% of them even have experienced the impulse to commit suicide. The major cause of this and in fact the bulk of discontent among teachers is the frequent changes in education reforms. When teachers are placed under such conditions, how can we expect education to be a success?

That is why education policy in the policy address for the coming year must tackle the issue of teacher morale. Morale can be given a boost by first, reducing the workload of teachers, in particular the cumbersome paperwork of an administrative nature which is utterly devoid of meaning and benefit to students; second, completing the comprehensive review of education reforms and put a stop to measures which have been launched in haste, proved ineffective and disturbing, each and every initiative made afterwards will only be detailed and concrete ones taken step-by-step after serious deliberations with proper prioritizing and consultations, tested and with experience gained; third, refraining from provoking members of the public and parents to "purge" the teachers and smear them in the name of launching a policy, as this will undermine teacher morale; fourth, abolishing the language benchmark

examinations immediately and replacing them with further studies and lifelong learning.

In 1975, the Hong Kong Professional Teachers' Union (PTU) and the Education Department reached an agreement on the arrangement to transfer redundant teachers to other schools as a result of the reduction in the number of classes. The arrangement has been working well for 27 years and strictly complied with by both parties. But this agreement has been torn apart this year. This poses a threat to the job security of all teachers in subsidized primary and secondary schools in Hong Kong. It has also dealt a severe blow to the morale of teachers which is already on the low side. The PTU is prepared to defend the interests of teachers and the Education Department is obliged to adhere to the terms of the original agreement.

The idea of reducing the number of students in each class and implement it step by step in classes and schools will serve not only to raise the quality of teaching, but also relieve teachers of their heavy workload and solve the problem of redundant teachers. It is therefore a proposal that can lead to three desirable results.

Being persistent and prolonged implies a long period of time and the effect cannot be seen instantly. There must be consistency in government policies. It must certainly not be a case of spending lavishly when you are the Chairman of the Education Commission and slashing education funding by 1.8% to tighten the purse strings when you are the Financial Secretary. By the same token, if we want to grow trees, we cannot give them a lot of water at one time while denying them water at another time. If education funding is really cut, then please take it from the Quality Education Fund which has been ridiculed as the "Quash your Edge Fund".

The recent merger proposal involving The Chinese University of Hong Kong and the Hong Kong University of Science and Technology has stirred up a big controversy in town. Luckily it has not become a pot of cooked rice or fait accompli which is too late to remedy. This lesson must be learned. If all the powers are vested in the hands of the Government, then how can the universities enjoy any autonomy? With the remark that peaceful means would be tried before resorting to force, would not an army be sent to take over a university? I have never heard of a matchmaker who tries to work out a match by resorting to the threat of force. Now the incident is not yet over. As I am aware, the University Grants Committee is reported to have a similar proposal, that is, apart

from resorting to force, it is likely that a rationing of resources will also be made. Put it other way, this is like turning off the tap used to water the tree of knowledge at the universities. Judging from the initial reactions, public opinion on this issue is loud and clear. The message is: The Government should not be bent on having its own way. For if not, talks about cohesion in society will only be sheer nonsense as the community is divided.

The accountability system for senior officials has been "gearing in" for more than three months. No one would expect that instead of ironing out differences, this gearing in has churned out a thick soup of discontent, and everyone is in the soup, so to speak. Does the Chief Executive know of this and does he order the go-ahead for it?

I hope that the Chief Executive as well as Prof Arthur LI, Secretary for Education and Manpower, would give serious thoughts to the comments made by me. I also hope that the Chief Executive can give some positive feedback when he delivers his policy address next January.

Madam Deputy, I so submit.

**MR ABRAHAM SHEK:** Madam Deputy, discussion among Legislative Council Members on various aspects of government policies prior to the Chief Executive's annual policy address is indeed a good practice in reflecting the views of the Hong Kong people whom they represent. It is only appropriate that the Government should take into consideration their views and expectations over the policies to be implemented in the coming year. The views of the Legislative Council Members, representing their constituents, reflect public opinions and sectoral interests to the Government. Although Members may hold diverse views, their ultimate goal is to advise the Government so that it could better formulate and implement policies to benefit all members of the community. The Government of the Hong Kong Special Administrative Region (SAR) is better able than the former colonial government to gauge public opinions and take societal interests into account in serving the community. And with the implementation of the accountability system for principal officials, the SAR Government has responded quicker to both the needs and expectations of the community in the decision-making process.

Hong Kong is a sophisticated community. Under the rule of law, citizens can enjoy various forms of freedom and the right of expressing personal views.

In this open society, citizens can express their expectations to the Government. Businessmen wish that the Government could provide a favourable environment for conducting business and formulate policies that benefit the development of the business sector. The general public wish the Government could implement measures to revive the economy, reduce the high unemployment rate and protect employees' interests. However, the Government cannot fulfil all the expectations of members of the community. Housing policy is an example. Views from the grassroots and the middle class, homeowners and non-homeowners are completely different. Similarly, there are 60 Members in this Council, elected from direct elections and functional constituencies. Since they represent different sectoral interests, they hold different views over government policies. In order to serve the public for the best overall interests of Hong Kong, the Administration has to balance the interests of different parties in policy formulation and policy implementation. Therefore, it is unrealistic for the Government to fulfil all legislators' expectations. It is also unfair to criticize the Government for not respecting legislators' expectations and other public opinions.

Nevertheless, the Government should consider seriously legislators' expectations and other public opinions, taking into account the future development of Hong Kong and the successful implementation of the principle of "Hong Kong people ruling Hong Kong".

In recent years, public grievances have been aroused because the Government has been over-bureaucratic in public governance and has excessively intruded into market operation. Let us take the leasing of units in the Cyberport and the Science Park for instance. The Cyberport and the Science Park projects are heavily government-subsidized in terms of land premium. The objectives are to attract multinational information technology (IT) enterprises to Hong Kong, to establish their regional headquarters here, thereby accelerating the development of IT and related industries. With the downturn of the IT industry, the Government has adopted a different policy in their leasing of units in the Cyberport and the Science Park. The effect of this is detrimental to the rental market of commercial offices. This is one of the examples that the Government should take into consideration the private sector's views and sectoral interests. And this is good for the development of Hong Kong .

The second aspect that I would like the Government to consider is that it should accelerate instead of slowing down public infrastructure works, in order

to create more jobs and works for the overall improvement to the longer-term economic development of Hong Kong. Instead of spending billions and billions of dollars in infrastructure projects which further aggravate our financial position, I have time and again urge the Government to adopt innovative measures by introducing private sector finance investment in infrastructure projects. This could result in quicker implementation of projects and greater number of jobs created in the construction industry.

The third aspect is that Mr TUNG and the Financial Secretary have talked about pushing up property prices to restore stability and confidence in the property market and to improve general confidence in the economy. With the principle of positive non-intervention in the market, the Government, no doubt, has done a lot recently, but it should also immediately consider lifting the restrictions so that mainlanders who invest in the properties of Hong Kong could be given the right of residence in Hong Kong. This will greatly activate the market and restore quite a high level of confidence in Hong Kong. And generally, the economy could improve. This is one of the ways that property prices could be pushed up slightly.

With these words, I support the motion.

**MR CHEUNG MAN-KWONG** (in Cantonese): Madam Deputy, my speech will be divided into four parts, namely, opposing the reduction of education resources, upholding the autonomy of universities, launching small-class teaching in primary and secondary schools and establishing the General Teaching Council.

Madam Deputy, it seems that there are at present two men who hold the reins of power in the SAR. One is TUNG Chee-hwa and the other is Antony LEUNG. Some time ago, Antony LEUNG made an across-the-board demand that all government departments should slash their expenditure by 1.8% and the Education and Manpower Bureau is no exception. This move goes against the pledge made by TUNG Chee-hwa earlier and runs counter to popular expectations. I must therefore make my opposition loud and clear.

On 10 October last year, the Chief Executive gave an assurance to the public in a press conference on the policy address. TUNG Chee-hwa said that

the Government would not hesitate to spend money to invest in education and the existing reserves would be used to support development in education. But one year later, Antony LEUNG is making a breach of the undertaking given by TUNG Chee-hwa to reduce education spending. Today I must ask the Government this question: Has the undertaking given by TUNG Chee-hwa vanished into thin air just like the pledge to produce 85 000 housing units? With respect to education investment, does the Government contradict itself when TUNG Chee-hwa said that the Government would not hesitate to make investments in it, but Antony LEUNG is just doing the opposite? Has the Government exhausted all ways and means such as changing the designated uses of the Quality Education Fund so that it can provide timely relief to the shortage of education resources and to minimize the impact of the slash in funding.

It has been reported that Prof Arthur LI, the Secretary for Education and Manpower, has given the assurance that funding for kindergartens would not be cut. This is good news. However, just before kindergartens and nurseries are to be combined, would the Government pledge that resources for nurseries would not be cut? Since nurseries are also targeted against children, we hope that the Government will treat them in the same way as it treats kindergartens so that pupils in the nurseries would not have to be treated unfairly.

The day before yesterday, Antony LEUNG ordered that some of the infrastructure projects pledged by TUNG Chee-hwa be stopped on grounds of cost-effectiveness. Today a paper of the Finance Committee revised the improvement works for 93 schools to grade B, meaning that these projects would not be getting any funding for the time being. I think the Government owes us an explanation as to whether or not these school improvement works are shelved due to Antony LEUNG's new policy on infrastructure projects, that they are devoid of any cost-effectiveness. Would these improvement works be shelved indefinitely? Would the interest of the pupils suffer in any way?

Madam Deputy, the proposal to merge The Chinese University of Hong Kong and the Hong Kong University of Science and Technology is a political controversy of Arthur LI's own making. The incident is somewhat like a case of all parties concerned failing to put up any convincing arguments except lame excuses. The merger is unlike a combo meal of barbecued pork and chicken. It cannot be done in a rude and rash manner, nor can anyone force the matter through by resorting to authority to threaten the universities into submission. For this would serve to suppress the freedom and autonomy of the universities.

Recently, the University College and the Imperial College of the University of London are discussing a merger. A spokesman from the University of London said that any merge was only to be made on academic grounds. It being a merger on academic grounds, any discussions should only be peaceful, with the autonomy of the universities upheld and there is no reason to resort to high-handed tactics and the threat of authority. If what the Government has in mind is that it wants to exert control over the universities through the provision of resources, or to compel universities to yield to a merger proposal by the threat of authority, it would only encroach on the autonomy of academic institutions, violate ethics in education and undermine social justice. Ultimately, public outrage will ensue. Arthur LI should be able to foresee such grave consequences and call off his merger plan. That can prevent him from becoming another Andrew LO who fell into disgrace for tampering with academic freedom.

Madam Deputy, small-class teaching in primary and secondary schools is a consensus reached in the community. It is also a common aspiration. Formerly, large-class teaching was adopted as a contingency measure under universal education. But this kind of preference of quantity over quality cannot be allowed to go on forever. Teaching is an art. But it can never be made an art when the teacher has to teach a class of 30 to 40 pupils, much like a factory churning out products. Even the teaching of skills is prohibited in such a setting. The fall in birth rate in the SAR in recent years should be seized as the golden opportunity to launch small-class teaching. Arthur LI has stated on a public occasion that small-class teaching will be tested among those "disadvantaged pupils". But in my opinion, irrespective of their being disadvantaged or otherwise, all pupils should be taught in small classes, irrespective of their learning abilities. I hope the pilot scheme in small-class teaching as proposed by Arthur LI be extended from disadvantaged pupils to all pupils across the territory. In this way, small-class teaching can truly become a commendable policy in education in the SAR.

Madam Deputy, Chief Executive TUNG Chee-hwa said in his first policy address that a General Teaching Council would be set up. Now that six years have passed, that policy address has become yellowed with time and the proposal remains nothing but a proposal on paper. Recently, the Council on Professional Conduct in Education conducted an opinion poll and more than 30 000 teachers responded. The number represents almost a referendum for the teaching profession. Findings show that 90% of the teachers thought that the General

Teaching Council should be set up as soon as possible. As the inclination is crystal clear, how can the Government turn a blind eye to it? How can TUNG Chee-hwa break his promise again? How can this General Teaching Council be aborted before it even comes into existence?

Madam Deputy, our four-point expectation for the part on education in the policy address hopes to ensure that resources allocated for education are adequate, uphold the autonomy of the universities, implement small-class teaching in primary and secondary schools, and set up the General Teaching Council. As Chief Executive TUNG Chee-hwa is always concerned about education, would he work with Prof Arthur LI to do these four things for the good of education in Hong Kong?

With these remarks, I support the motion.

**MS AUDREY EU** (in Cantonese): Madam Deputy, Chief Executive TUNG Chee-hwa said that he would think about the economy and employment even in his dreams. So in this motion on "expectations for the implementation of policies", I would like to discuss something which Mr TUNG would certainly not dream of, and that is, the constitutional development of Hong Kong.

The Basic Law outlines a blueprint for the development of the constitutional system of Hong Kong into the first 10 years of the reunification. And with the swift passage of time, half of this 10-year period has already passed. Now is the time to discuss reforms in the constitutional system. I really do not want to see things in Hong Kong dragged on to the last minute and proposals passed in enormous haste.

Now we are in the midst of a most serious confidence crisis. People do not have any confidence about the future and they do not believe that the Chief Executive, Mr TUNG Chee-hwa, and his team would have the abilities to steer Hong Kong out of the economic doldrums. People would rather save more and prepare for the rainy days instead of spending. That prevents the economy from recovering. Clearly we need to change and transform, and the first thing to start with is the constitutional system.

The problem we have is that there is no leader who has sufficient political charisma and the ability to unite the people to answer his call to fight for a better future. Some people may say that there is actually no such person around in

Hong Kong. However, I believe in the saying "heroes are made, not born". There are people of high calibre in Hong Kong and given a sound system of universal suffrage, it is only natural that leaders will come forth to govern the territory. A Chief Executive returned by universal suffrage will ensure that the office-bearer is accepted and loved by the people. And the Government may gain popular support more easily.

According to reports, the serving Secretary for Constitutional Affairs, Mr Stephen LAM, said in an internal seminar for civil servants that national assemblies overseas have 600 seats while the Legislative Council of Hong Kong has only 60 seats. Therefore, Members of the Legislative Council of Hong Kong are by comparison more influential. Arguments like these are only crooked and ludicrous, giving people the impression that the SAR Government does not have any sincerity to implement Articles 45 and 68 of the Basic Law, that is, the Chief Executive and all Members of the Legislative Council are to be returned ultimately by universal suffrage.

I am aware that the major obstruction to constitutional reforms comes from the Central Government. On the eve of the fifth anniversary of the reunification this year, Vice-Premier of the State Council, Mr QIAN Qichen, said through the Hong Kong media that the functional constituencies should be preserved. The comments made by Vice-Premier QIAN represent the view of the Chinese Government. However, the SAR Government should convey Hong Kong people's aspirations for democracy to the Beijing authorities. Moreover, I believe if universal suffrage is implemented in Hong Kong, it would set a good example for Taiwan and would make the idea of "one country, two systems" more attractive.

Some people from the business sector have reservations about a full-scale universal suffrage. Mr CHAN Kai-chung of the Hang Lung Group and Mr Peter Woo of the Wharf (Holdings) Limited have made speeches or written articles respectively to support retention of the functional constituencies. In fact, the Chief Executive election and the functional constituencies elections of the Legislative Council are all dominated by the business sector and the professional sectors. It is never easy for those with vested interest to forgo their rights, but the business sector should understand that democracy is inseparable from economy. In the long run, universal suffrage is beneficial to the economy and political leaders returned by universal suffrage would be in a better position to

balance the interest of all sectors. As a result, there will be greater unity and stability in society and the business environment will be more favourable.

Madam Deputy, I do not think that it will be a box office disaster for people from the business sector to run in direct elections. However, under the existing constitutional framework, the Legislative Council can only play the role of a watchdog and voters would natural tend to chose those candidates from the grassroots or those bold enough to criticize the Government. However, if full-scale and universal suffrage is implemented in Hong Kong, voters will want political leaders who have the leadership abilities and the power to balance different sectoral interests. Candidates from the business sector are no worse off than the other candidates in terms of their financial and other resources, their knowledge, and so on. In elections held in overseas countries, political parties close to the business sector, such as the Conservative Party in Britain and the Republican Party of the United States, are often winners. I therefore do not understand why the business sector in Hong Kong is reluctant to take on this challenge.

I hope Mr TUNG would announce in the policy address next year that preparatory work for constitutional reform would commence. Moreover, I also hope that the rule of law would be upheld steadfastly. I am becoming more worried that at a time when popular support for this government is weak, in a bid to show its strength, it will suppress those who hold different views without any good reason at all.

The imminent legislation on Article 23 of the Basic Law will be a severe test to the Government. What the Government has been saying is that legislation will be lenient, but as evident in the consultation paper, the scope of the present legislative proposal is even wider than the "seven sins" covered in Article 23, and it includes things such as upholding the stability of the SAR. As Hong Kong has sufficient legislation on maintaining of social order, why should the scope of Article 23 which is on national security be extended to include maintaining the stability of the SAR? Why should police powers be expanded? Is it meant to be invoked to investigate people who are opposed to the Government?

Two days ago, I was deeply moved when I read in the newspaper that when Ms CHEUNG Ling-chi, the surviving spouse of the late policeman LEUNG Shing-yan, attended the Honours and Awards Presentation Ceremony and received an award on behalf of her husband, she handed a submission to the

Chief Executive to oppose the legislation on Article 23. I hope that members of the public can be concerned about the legislation of Article 23 like Ms CHEUNG is and care for their civic liberties. I also hope that our Government can get to understand better public opinion instead of emphasizing all the time out of the wishful thinking that the public in general supports the consultation paper.

Madam Deputy, now there are about three months to the delivery of the policy address, I hope Mr TUNG and the accountable officials can make good use of the time to collect views from the public. What we would like to see are not superficial public relations gimmicks like officials making visits to various districts or flying a balloon among the media to test public reaction, and so on. What we would like to see is the Government formulating policies based genuinely on public will and interest. Only by doing so is the Government truly accountable to the people.

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

**MR ANDREW CHENG** (in Cantonese): Madam Deputy, in recent months, Dr Sarah LIAO, the Secretary for the Environment, Transport and Works, has pointed out on many public occasions that public transport fares are too high. The Democratic Party is in complete agreement with Dr LIAO. Unfortunately, it has been almost three months since Dr LIAO made those remarks, but the attitude adopted by public transport operators in Hong Kong is very disappointing. At most they are giving concessions like a free ride for every eight or 10 trips or when passengers are making a transfer. To date not one single operator is willing to reduce the fares direct by 10%. What is even more disappointing is that the Government is only exerting pressure on these operators by open statements and it seems to be powerless against these unco-operative operators. The Government can only say that the matter will be decided by the operators themselves. I think if in the next few months, the Government cannot offer any proposal that can effectively solve the problem of expensive fares, then the public will question if the Government was only trying to inflate the image of certain Bureau Directors who are not capable at all.

The Democratic Party suggests that the Government should devise a fare adjustment mechanism which is applicable to all major public transport operators. Take the example of Britain and the United States, these countries have adopted a

fare regulation cap to regulate the adjustment of fares by public utilities. It is a common practice in these countries. As most of the people in Hong Kong rely on public transport, if there is no sound scheme of regulation and public transport operators are given a free hand to determine their own fares, that would mean no protection to the public. This is especially true when we see that as the Government intends to protect the interest of the two railway corporations, in some areas there is no alternative expedient means of transport except the two railways. The Democratic Party thinks that this kind of regulation can base on the formula of Consumer Price Index-X. It remains, of course, that some allowance can be given to particular qualities of certain means of transport, such as the fuel and labour costs. For example, the formula of RPI-X+Q has been used as a regulatory measure since the water supply in Britain was privatized in 1994. In this formula, RPI stands for Retail Price Index and X stands for the effects of the increase in production efficiency, Q is the additional cost of investment needed to achieve a certain standard in water quality. In other words, when regulation is imposed on price ceiling, the factors concerned can be set according to the particular qualities of the trade. It applies to water supply as well as public transport.

Madam Deputy, as to the question of the merger of the two railway corporations, even at the government level, it is only indicated that the idea is still under examination. However, from the stand on the issue displayed by Dr LIAO and Mr Michael TIEN, Chairman of the Kowloon-Canton Railway Corporation (KCRC), it appears that a merger is the ultimate plan. That is why it has been said time and again that no massive layoff will result and there will be no monopolization. Unfortunately, we are precisely concerned that a merger of the two corporations will bring undesirable consequences like layoffs, monopolization and an absence of fare control. All these are problems we have to face in the course of merger.

In recent years, the MTR Corporation Limited (MTRCL) has been enforcing a vigorous streamlining policy and it is expected that the streamlining would continue after the merger. Suppose 5% of the staff will be laid off after the merger, that would mean more than 600 workers would be affected, thus giving rise to bad consequences before seeing any benefits. In 2003 when the KCRC combines its West Rail and the Light Rail, a total of more than 600 permanent posts will be slashed. It can be anticipated that if merger of a greater scale such as that between the MTRCL and the KCRC takes place, the number of staff to be laid off would be much greater.

In addition, the merger plan will enable the railway corporation to take up a much greater market share. It is expected that by 2016, the share of railway patronage in public transport will be increased to 45%. This dominance will be very obvious after the merger. If the market is monopolized, what comes next is monopolization of fares. Presently, the two railways have different routes and they do not overlap, so for the time being there is no price competition. However, from the Second Railway Development Study, it can be seen from the finalized and future network development, the overlapping of passengers will be found in at least three routes: first, the Sha Tin to Central Link of the KCRC and the Kwun Tong Line of the MTRCL; second, the Tsim Sha Tsui Extension of the KCRC and the Tsuen Wan Line of the MTRCL; and third, the Kowloon Southern Link of the KCRC and the Tsuen Wan Line of the MTRCL.

If these overlapping routes are operated by the two corporations, a scenario of competition in fares may happen. But such a scenario will not appear if these routes are operated by one single corporation. All we have will be a monopolization of fares.

Owing to the above reasons, the Democratic Party has very strong reservations about the merger proposal.

Madam Deputy, in these five-odd years since the reunification, due to the economic restructuring and the lack of an effective employment policy on the part of the Government, our unemployment problem has deteriorated continually. The unemployment rate has once reached 7.8% recently. So the Democratic Party considers that the most urgent task for the Government is to formulate an employment policy and devise a 10-year plan with objectives to be reached in the long, medium and short terms.

With the persistent economic downturn, improvement has been seen to the employment situation. On the contrary, one always hears news of layoffs. In a bid to cut costs, companies are moving their production processes to the Mainland. That is why in recent years, the labour market in Hong Kong has been threatened by massive layoffs. To address this problem, the Democratic Party suggests the setting up of guidelines on advance notice and post-layoff protection plans. The idea is to fix a notification period with respect to salary reduction and to provide that those staff whose salary has been reduced are dismissed later may use the salary prior to the reduction as a basis to work out their severance pay. In the long run and due to the high unemployment rate, the

Democratic Party thinks that the Government should reconsider the establishment of an unemployment insurance system.

In order that the unemployed will not become permanently out of work, the Labour Department should accord priority to revising the design of the training programmes for those aged 18 to 24 and who are unemployed for less than six months. It is because these young people lack working experience and this will reduce their opportunities finding employment subsequently and so they will become permanently out of work. The Labour Department should also tailor-make some training programmes for those aged 25 to 64 and who are unemployed for not more than 12 months. Moreover, the labour laws of Hong Kong should provide guidelines to encourage employers to make arrangements for those employees with an education attainment of Secondary Three to attend some retraining programmes, including formal education and skills training, so as to enhance their employability.

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

**MR MICHAEL MAK** (in Cantonese): Madam Deputy, today is originally intended to be an occasion on which Members of this Council present their views on the policy address that should have been delivered by the Chief Executive. But unfortunately, Mr TUNG has postponed unilaterally the policy address to January next year. What has replaced Mr TUNG's policy address is this "shadow" policy address compiled by the Democratic Party which is published today. This belated policy address of Mr TUNG, seen from a rather quixotic perspective, is supposed to let Members air their opinions so that the same can be taken into account when the actual policy address is compiled. However, due to the fact that Mr TUNG has been rather disdainful of public opinion and that he is always bent on having his own way, so it is very likely that the policy address to be released next January will not present us with any pleasant surprises, nor will it give us any hope.

Hong Kong is now a beleaguered city with a severe unemployment problem. All the people, be they the middle class or low-skilled or low income people, they are all struggling hard to survive. The economic downturn has dampened the desire among the people to spend, resulting in overall weak consumption and sharply diminishing demands. Many companies in a desperate bid to prevent themselves from closing down have to resort to salary

reduction and layoff. So it can be seen that frail consumer sentiments have produced a vicious cycle in domestic consumption.

Unfortunately, the Chief Executive has not taken any step or measure to restore the confidence of the people. On the contrary, on 10 October, that is last week, when he gave an address during the Question and Answer Session of this Council, he made the remark that the prospects of the unemployed were bleak. That is really throwing cold water onto the massive unemployed ranks who now number 270 000. It also shows that the Government is really at a loss in tackling this problem of unemployment.

Madam Deputy, the current unemployment situation in Hong Kong is at a point which can be aptly described as the worst possible ever and could not be any more worse. In fact, however, it could have been prevented from happening. So I think that the policy address next year should be focused on the strategic utilization of resources, I repeat, strategic, so as to create employment, launch more infrastructure projects and make bold attempts in respect of on-the-job training. All this will hopefully help solve the unemployment problem. We must get rid of the mentality of getting scared at the slightest signs and to solve problems only when they crop up and do not tackle them at the root. For if we are excessively worried about everything, we would be barred from making bold attempts to provide an impetus to the economy. In the end, we will achieve nothing and it would be impossible to salvage the lost public confidence in the economy and to stabilize society.

As the saying goes, to throw out a sprat to catch a mackerel; in my opinion, the increase in infrastructure projects will create more job opportunities and this will definitely help alleviate the unemployment problem. The Government should take the lead in this and it is believed that consumer sentiments can be stimulated to induce growth in our economy which is so badly needed.

With the tight public finances, I agree to the idea that some sensible and reasonable investments be made. With respect to medical and health, I have always supported the idea that a hospital be built on Lantau Island. Building a hospital there will not only meet the demands of the local community, but also create more job opportunities. That is certainly a reasonable expectation. It is unfortunate and baffling to see that the Government has not held any discussions on the plan to turn it into a reality.

Madam Deputy, it is important to bring in foreign investments to provide an effective solution to the problem of unemployment. As for improving the general conditions of Hong Kong to attract foreign investments, apart from economic and political considerations, the quality of medical services is also pivotal in affecting foreign investors' decision to come to Hong Kong for investment.

However, the resources that the Government is injecting into medical services, in particular human resources, are certainly not sufficient to give my constituents and all those in the medical and health services a satisfactory working environment to enable them to be fully committed to their work and to provide professional services to the public.

In this regard, what the Government has done is far from satisfactory. For example, the Hospital Authority (HA), in a bid to resolve its deficit problem, has resorted to slashing the number of posts for medical and care personnel. That has rendered many graduates in related disciplines unable to find a job in the HA and they have to undertake other unrelated jobs. As a result, the resources used in training them are wasted.

In the face of the growing and ageing population, and coupled with the problem of poverty, public demand for social services and medical services will certainly rise. The Government should therefore put in more resources, in particular in the development of primary health care services, such as improving the environment and making publicity efforts on the prevention of diseases, and so on. In this regard, the Government should make full use of the professional expertise of medical and health care personnel to undertake related community services as well as promotion and education activities. So doing will take forward the goal of providing a holistic health care service and meet the genuine needs of society. As health means wealth, the Government should spare no effort in improving public health so that people can lead a healthy life.

Madam Deputy, Hong Kong used to take pride in the provision of an affordable and quality medical service and no one was deprived of medical attention for lack of means. I understand that the deficit problem is exerting great pressure on the Government, but in view of the overriding concern of saving lives and attending the sick, I hope that the medical expenditure will not be cut in the coming year. I hope that the Chief Executive will give serious thoughts to medical services in working out his policy address. I also hope that his popularity among the people will rise and that public confidence in him will be

restored. With these remarks, Madam Deputy, I support the motion moved by Mr Martin LEE.

**MR ALBERT HO** (in Cantonese): Madam Deputy, I would like to speak on the issue of housing which has a great bearing on a most fundamental aspect of living.

First of all, I would like to respond to the recent remarks made by the Government to prop up the property market. The Democratic Party is of the view that the economic downturn in recent years, the high unemployment rate and the downward adjustment of salaries have eroded the ability of the public to purchase properties. Thus property prices have been falling. If the sluggish economy stays the way as it is, property prices will hardly rise again. The brief analysis made above is a true depiction of the property market today. But why has the Government stated on public occasions that it wishes to push property prices up through various measures? Does this reflect its ignorance of the current macro-economic climate? Or is it that it knows it is unable to do anything, but it is nevertheless sending falsely optimistic messages to lure people to buy properties and so causing a transient rise in property prices?

With regard to the policy on public housing rentals, the law provides that the rentals for public housing units should not be set at a level above 10% of the median income. Such a stipulation is meant to ensure that the level of rentals for public housing is kept at an affordable level to the tenants, that is, to prevent rentals from being too high. Once this statutory requirement is removed and in the absence of other checks and balances, the rise in the level of public housing rentals would be inconceivable. This I think would cause a very great negative impact on social stability.

If we take a look at society, we will find that the jobless rate is high, wages have dropped and the impact on the grassroots is especially serious. With persistent deflation in recent years, apart from transport fares, it is likely that the rentals of public housing are the only item of living expenses which have not been revised downwards. The result is the ratio between rentals and median income has long exceeded the statutory limit. The Secretary for Housing, Planning and Lands should seriously consider a reduction of the rentals for public housing units and refrain from trying to dig into the pockets of the financially stringent public.

On the policy of the Home Ownership Scheme (HOS), the Secretary indicated earlier that the Government was considering whether or not to continue producing HOS units. In fact, the policy on HOS is more or less defunct since the government announcement to slash the production of HOS units substantially. Despite this development, some developers still regard the HOS as a thorn in the side and make repeated demands that the HOS policy be scrapped. The Secretary's suggestion on reviewing the HOS policy with a view to examining if it should be continued is not only a response to the demands of the developers, but also a violation of the promise made by the Chief Secretary for Administration of not to stop the building of HOS flats.

The Democratic Party thinks that the supply of HOS units must be maintained and the quantity should be reasonably adjusted according to supply and demand in the market. But the HOS should never be scrapped. In addition, with respect to those HOS units which have already been completed but not yet sold, our suggestion is to turn these into public housing units in order that resources in making renewed planning can be saved. There are two advantages to this proposal. First, there will be a sufficient supply of flats to house the people affected by urban renewal. Second, the Government may have sufficient resources in public housing to relax the harsh criteria crowded public housing households must meet before they are allocated larger flats. This will improve their living conditions.

Recently, the Secretary stated that he was considering to impose a moratorium on the sale of public housing flats. This policy of sale of public housing flats has been implemented for a number of years and it has been well-received among tenants of public housing estates. Now the Government is considering to put a halt on this, the impression people will get is that the Government is wavering. Nevertheless, this will not help to induce a recovery of the property market because public housing units are presently sold at about \$200,000 and those people who buy such units merely want a place to live. They simply lack the financial means to buy flats in the private market. Therefore, if the Government wishes to prop up the property market by imposing a moratorium on the sale of public housing flats, it will prove to be futile.

The recovery of the property market hinges on the recovery of the economy as a whole. The Government should play a more active role in promoting an economic recovery. Public expenditure should be made more

cost-effective so as to boost the employment market, and increase consumption and investor confidence. As to the question of economic restructuring, apart from building more infrastructure projects, there should not be any cut in the expenditure on research and development in education institutions. These will help the long-term development of our economy and make our economic restructuring a success. However, government expenditure has been cut in many areas due to the deficit problem, such as in university funding, training expenses, and even some infrastructure projects have been called to a halt. As the greatest consumer in Hong Kong, the Government is however reducing its spending in all aspects. This may result in a further shrivelling of the economy and deal an extra blow to public confidence in the economic prospects.

In 1933, the United States was in the midst of the Great Depression when President ROOSEVELT assumed office. He proposed the New Deal and through increasing public expenditure, the confidence of Americans was bolstered and there was greater unity among in society. As a result of his leadership, the United States managed to move out of the economic downturn gradually. Now what Hong Kong needs is a Chief Executive with a broad vision and political prowess, one who is able to unite the people of Hong Kong and lead them out of their predicament. Unfortunately, the incumbent Chief Executive lacks a popular mandate from the outset and he is reluctant to take on board public opinion from all quarters. Then how can the people of Hong Kong regain their confidence in hard times as such?

Lastly, I hope to remind the Government once again that there is an urgency to legislate against racial discrimination, lest, we will be denounced by the Human Rights Committee of the United Nations. I would also like to remind the Government again to expeditiously review the operations of the Equal Opportunities Commission with a view to expanding its powers and formulating codes of practice with respect to gender, age and sexual orientation for subsequent legislation. I hope that a full-scale and comprehensive blueprint on anti-discrimination legislation can be mapped out by the Government. I so submit.

**MR BERNARD CHAN:** Madam Deputy, I expect the next policy address to be frustrating for all of us. The Government will be damned if it does, and damned if it does not. It must cut expenditure, but it will not do so. It must raise more revenues, but it will not do that, either.

On the expenditure side, the Government has admitted that welfare and health spending cannot be reduced meaningfully. Some welfare payments may come down to reflect negative inflation. On the other hand, our senior citizens' "fruit money" will be safe. It may be possible to make some hospital charges a bit more realistic, but not much. The bulk of expenditure is on civil servants' salaries. A pay level survey will take at least a year to complete, that is, if the Administration decides to go ahead with it. Thus, nothing much can be done there.

There may be serious over-manning in some areas, but it seems that the Government is afraid of laying people off. There is scope for cutting infrastructure projects. It is good to see the Administration admit that some of these are not cost-effective. But again, as today's editorial in *Apple Daily* shows, many people prefer artificial job creation, regardless of the true costs.

On the revenue side, the Government is prepared to sacrifice income from land sales in an attempt to stabilize property prices. Property prices and unemployment seem to override everything else. Raising other revenues — introducing new taxes, for example — is too unpopular to imagine.

In fact, everything is too unpopular to imagine. Everything — except the continued depletion of our reserves.

If the Government really wants to break out of this situation, I can suggest one way for it to start. Mr TUNG would stand up in this Council to deliver his policy address. He would announce that he and all his senior Policy Secretaries are taking a massive pay cut. Let us say 30%. They would still be very well-paid compared with American, British or other government officials. They would be sending the message that we must all make some adjustments. And they would be saying that the process starts at the top.

But I must say, Madam Deputy, I do not expect that to happen. We will just fall back on those reserves. Easy come, easy go. Let us hope that we learn how to balance the books before we use them all up.

Thank you.

**MR FRED LI** (in Cantonese): Madam Deputy, being the Democratic Party's spokesman on food safety and environmental hygiene, I will start by stating the expectations of the Democratic Party for the implementation of policies on food safety and environmental hygiene. Then I will speak on consumers' rights and fair competition.

As a common saying goes, "illness finds its way in through the mouth". Food safety and environmental hygiene are of paramount importance to public health. The Government cannot in any way neglect this area of policy. With the implementation of the accountability system for principal officials in July this year, Dr YEOH Eng-kiong has since been appointed as the Secretary for Health, Welfare and Food overseeing three major policy areas. Judging from Dr YEOH's career history, naturally he will be more concerned about medical care and welfare services. And I found from the webpage of the Health, Welfare and Food Bureau that Secretary YEOH's Welcome Message is virtually silent on the future direction of food safety and environmental hygiene policies. Are these areas given just secondary importance? Or are policies on food safety and environmental hygiene considered inferior? I think failure on the part of Secretary YEOH to make improvements in respect of food safety and environmental hygiene during his term of office would lead to public discontent.

The Democratic Party considers that insofar as food safety and environmental hygiene issues are concerned, what warrants the utmost attention from the Secretary during his term of office is the labelling of genetically modified (GM) food, which should be implemented expeditiously. The Government has not yet announced a timetable for legislation on GM food and we consider this utterly disappointing. As a result of the Government's indecisive attitude, Hong Kong is lagging far behind the neighbouring countries. Even in our Motherland, China, legislation was enacted on 1 July this year to regulate food with GM ingredients. We propose that the Government should expeditiously table a bill on the labelling of GM food for scrutiny by this Council and implement a voluntary labelling system for a period not more than 18 months to provide the public with information on the kinds of food that contain GM ingredients, so that GM food would not be subject to no regulation in the territory.

(THE PRESIDENT resumed the Chair)

As far as I understand it, Dr YEOH has visited markets more than once since he took office. I trust that he already has some understanding of the environment and operation of markets. Markets are now beleaguered by internal and external problems. Internally, facilities at markets warrant improvements; externally, superstores are posing serious threats to the commercial viability of markets. The Democratic Party considers that local public markets are a major tourist highlight in Hong Kong. For instance, the 70-year-old Wan Chai Market is considered a paradigm of public architecture in Hong Kong, and the slaughtering of poultry at the Market is an attraction to many tourists. So, markets have perform an important socio-economic function, providing latitude for the survival of small business operators. In the course of business transactions between stall operators and the public, there are often exchanges of warm greetings and regard. The sheer seller-buyer relationship between supermarkets and customers is no match for that very unique sense of cordiality at markets. If the Government shelves plans to build markets because of the mushrooming of superstores, and if it charges stall operators rental at the market rate, markets would further diminish, in which case we believe members of the public would have no choice but to patronize supermarkets. To ensure the provision of adequate municipal services to the public, the Government must press ahead with construction works of markets and enhance the competitiveness of markets. It should freeze the rent of market stalls, so as not to add to the burden of vendors.

Moreover, from the perspectives of facilitating market economy and protecting consumers' interest, there is all the more reason for the Government not to replace markets by supermarkets. According to a survey conducted by the Consumer Council recently, the prices of goods at supermarkets have nonetheless gone up despite the prevailing deflation. Furthermore, the offer of discounts to elderly customers by supermarkets has again aroused concern in the community over whether fair competition legislation should be introduced to prevent consortiums from driving out other competitors with their financial strength and hence monopolize the market.

Being the Democratic Party's spokesman on consumer interest, I hope the Government can introduce fair competition legislation. But over the years, the Government has rejected this demand of the Democratic Party and only set up the Competition Policy Advisory Group which is more of a window-dressing gesture than anything with substantive effectiveness. Fair competition

legislation is meant not only to protect public interest. Indeed, fair competition is a crucial element indispensable to maintaining and enhancing the competitiveness of the local economy. Eliminating man-made obstacles to market competition and allowing more enterprises free access to markets are conducive to the effective distribution of economic resources. It is an international trend to formulate fair competition legislation. Apart from the European and American countries, such Asian countries as Japan, China, South Korea, Taiwan and Thailand have also enacted their own laws and policies on fair competition. Why does Hong Kong have to lag behind this development?

We hope that the Government will actively consider introducing legislation on fair competition. We also hope that competition can be introduced into various public utilities in Hong Kong to protect public interest by, among other things, opening up the electricity market as soon as possible after the expiry of the profit control agreements between the Government and the two power companies in 2008, so that electricity tariffs would not continue to rise all the time. Moreover, we hope that the Government can do more to protect consumers' rights and interest, including establishing a labelling system for beauty products and affecting monitoring on such products, and expediting the progress of bringing appetite suppressants under regulation to protect the rights and interest of consumers.

At present, there is no independent and specific legislation regulating the quality of beauty products in Hong Kong. The Democratic Party considers that the Government should follow the practices of the United Kingdom, the United States and Canada and expeditiously enact legislation to step up regulation of beauty products. For beauty products which claim to have therapeutic functions, studies should be conducted to ascertain whether they should be incorporated into the scope of regulation of pharmaceutical products. The Government has all along taken this matter lightly, thinking that this is but a trivial matter. But as there is specific legislation regulating beauty products in other countries, why is such legislation not found in Hong Kong? How many more incidents of poisoning by mercury in beauty products have to happen before the Government is willing to enact laws? In the coming year, the Democratic Party will urge the Government to look into legislation in this respect to step up regulation of beauty products.

With these remarks, I support the motion.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, earlier on some Honourable colleagues said that today's motion debate is meant to "support TUNG Chee-hwa", whereas some said that it "opposes TUNG Chee-hwa". But whether it be "supporting TUNG" or "opposing TUNG", the most important thing is whether our discussion on the implementation of policies aims to resolve problems and make proposals to benefit the community, or whether it is gross flattery that confuses right and wrong and is not conducted with a practical attitude. This is the most important thing. In fact, I very much agree with what Mr LEE Cheuk-yan said earlier. When I saw the wording of the motion proposed by Mr Martin LEE today, I was indeed puzzled, because what is there for us to have any expectation for Mr TUNG? Most people will share this view. The governance by the SAR Government over the past five years has indeed been very disappointing. Given this, we had better not to harbour any expectation at all. I think this is precisely a reflection of the helplessness felt by the majority of Hong Kong people, and this also explains why Mr TUNG's popularity rating has continued to drop in the last couple of years.

If we take an overview of Mr TUNG's administration in the past five years, there can be two reasons why the people are disappointed. The first is frequent changes in policies, resulting in social unrest; the second is he showing bias towards business tycoons and oppressing the general masses.

Examples of the Government changing its policies frequently abound. First, on the housing front there is the policy of "building 85 000 flats". It is indeed unnecessary to elaborate on this, for we have talked about this farce for a great many times. But other than this very farce, the Financial Secretary, Mr Antony LEUNG, has stated recently that in order to ease the deficit, it is necessary to call a halt to some infrastructure projects. This has instantly put Mr TUNG's undertaking in last year's policy address to create 30 000 jobs within three years in danger of turning into a "dishonoured cheque". In retrospect, when Mr TUNG undertook to create jobs in the 2001 policy address, he said that 20 000 jobs in relation to public works would be created in the next three years. We can see that 13 400 of these jobs were indeed created last year and this year, but some 6 600 jobs are scheduled to be created in 2003 or afterwards. If the Government really called a halt to some infrastructure projects, then would the target of creating these 6 600 jobs be likely to lapse? The Government might say that it would not, because they are not suggesting a permanent halt of these projects, just that they will commence at a later stage. But with a high-standing unemployment rate and as the number of unemployed

people has surged to over 270 000, to members of the public, they cannot afford to let go one single job opportunity, "not one less". If the projects were implemented at a later stage, it means that jobs would be created only at a later stage. Then, can the Government tell those people who are seeking employment and suffering from poverty and hunger what to do?

On this issue, Financial Secretary Antony LEUNG is very clever, as he has said repeatedly that he is holding back projects with low effectiveness. I wish to ask the Financial Secretary: How is the so-called effectiveness determined? Who will make the decision? For projects that can create jobs but have little economic efficiency, are they considered projects with low effectiveness? Indeed, some environmental improvement works that we always mention often fall into this category. Will the Government come to the view that this sort of environmental improvement works have to be abandoned?

That the Government frequently changes its policies and goes back on its words has indeed undermined public confidence. How can we have any expectation for the Government? This is a question often asked by the majority of people. In fact, many people have already criticized that frequent changes in government policies have plunged the public into a state of confusion. The Government did undertake to build housing flats but failed to live up to its promise; it did say that jobs would be created but subsequently made an "about-turn". The people had high expectations for the Government, but it turns out that none of its undertakings have materialized. According to analysis from the angle of political science, such a situation will sow the seeds for social instability. But in the past few years, Mr TUNG has repeatedly committed just the same mistake. In the past, Mr TUNG could explain away the frequent policy changes by putting the blame on the unco-operative attitude of civil servants, alleging that they did not follow his leadership. However, Mr TUNG can no longer use this as an excuse, because the accountability system for principal officials is now led by Mr TUNG himself and he has laid emphasis on the team spirit of the accountability system for principal officials. Yet, I can see the phenomenon that some officials have been telling their own version of the story. Is this consistent with the team spirit?

Indeed, in the final analysis, the reason for today's scenario in which policies are changed frequently and infrastructure projects are held back at the expense of job opportunities is that there is another problem which is even more

serious, that is, the rigid target stressed by the Government to achieve fiscal balance in 2006-07. The crux of the problem lies the lack of comprehensive planning in government policies, which has led to continued fragmentation of government policies. The fact is that infrastructure projects can not only create jobs, but also generate long-term returns. A halt in infrastructure projects and hence a cut in the number of jobs can, of course, achieve savings in expenditure in the short run, but it will certainly bring about adverse consequences, such as rising unemployment and possible increases in expenditure on social services, in the long run. Under such circumstances, the loss is likely to outweigh the gain. So, the Government's policies really "fails to see the wood for the trees".

Indeed, so long as the Government can put off the target of achieving fiscal balance a little, the Government would have greater financial leeway to tackle the prevailing problem of unemployment. Many opinion polls have showed that unemployment or the employment issue is given very high priority by the people. But what the Government has done suggests that the Government appears to be not listening to the views of the people, not seeing the things seen by them. The Government, in particular Mr TUNG, has always vowed to "sense the urgency of the people". Where is this vow now? We are facing a Government that claims to be accountable. But this Government has continued to act in an arbitrary way. How exactly does accountability relate to arbitrary acts?

During his governance over the past five years, Mr TUNG has not only changed his policies frequently, but also shown bias towards consortiums and business tycoons; and this situation still exists today. Recently, the most evident example is the relationship between Mr TUNG and property developers. He keeps on saying that measures would be taken to shore up the property market and that the sale of flats under the HOS and public rental flats would be suspended. In so doing, he has not only disappointed the people, but also aggravated the situation of the Treasury. So, under such circumstances, we really cannot sit by with folded arms. Many people have said that they have lost all hopes, but as Mr LEE Cheuk-yan has said, although we have lost all hopes, we still have to work continuously to make right this hopeless situation, or else Hong Kong would have no future. Under the circumstance, I maintain that the Government must listen to our views.

Thank you, Madam President.

**DR LAW CHI-KWONG** (in Cantonese): Madam President, I will speak on medical care, population and environmental policies.

To uphold the spirit of professional autonomy and at the same time ensure the protection of patients' rights, the Democratic Party has, in recent years, continuously worked for the establishment of an independent statutory body to deal with medical complaints, and a dedicated mechanism for handling medical complaints to provide one-stop services which include receiving and classifying complaints, complaint referrals, providing information and mediation services, and assisting complainants to initiate proceedings. Opinion polls show that 85% of the interviewees support these proposals.

However, the creation of a new medical ombudsman requires the drafting of legislation. Therefore, before work in this area is completed, the Government can make use of the existing manpower and resources of the Department of Health to set up a provisional office of the medical ombudsman as a transitional arrangement. The Government should formally establish the office of the medical ombudsman outside the government framework by legislation in 2004 the latest to make this office an independent statutory body.

All along, the needs of women for primary medical services have not been given due attention. At present, there are only three Women Health Centres providing health care services for women under 64 years of age in Hong Kong. The 50 Maternal and Child Health Centres (MCHCs) located in different parts of the territory provide services targeting at infants. Given the drop in the birth rate, these MCHCs should be converted into Women and Child Health Centres, expanding the service targets to cover all women and providing physical, psychological and mental health care services for the 3-million-odd women in Hong Kong while at the same time providing parenting education for parents. This will be cost-effective and can provide expedient services for women.

With regard to the population policy, in order to formulate a sustainable development strategy and upgrade the competitiveness of Hong Kong, it is necessary to formulate a population policy, of which a very important element is the immigration policy. The Democratic Party considers that Hong Kong's immigration policy should give priority to family reunion, with the objective being attracting capital and talents. At present, the power to vet applications from mainlanders for settlement in Hong Kong rests with the relevant mainland

authorities. The SAR Government should fight for the power to vet mainlanders' applications for settlement in Hong Kong before a population policy could be effectively formulated and implemented in Hong Kong.

The 1999 policy address undertook to establish a Council for Sustainable Development. Three years have lapsed and still, this Council is yet to be seen. Given that Hong Kong is caught in different kinds of severe challenges, such as an economic recession, disparity between the rich and the poor, limited scope for community participation in the policy-making process, and the increasingly heavy pressure of development on natural resources, the Democratic Party holds that the Government cannot drag its feet any more over the implementation of a policy on sustainable development. The Government must drum up the resolve to implement this policy. It cannot hold discussions without making decisions and make decisions without putting them into practice any more.

On the promotion of community participation in sustainable development, as we can see from the Agenda 21, a prerequisite of sustainable development is extensive public participation in policy-making. The Government should encourage public participation in the planning, formulation, implementation and review of policies. It should open more dialogues with members of the public, district organizations, professional bodies, the academia and private companies, so as to reach a consensus view through consultation. It should also provide participants, and the participating organizations and companies with all relevant statistics and information to facilitate their effective participation in the policy-making process.

A challenge to the promotion of sustainable development is the need to stimulate a sense of mission among all communities in society. As to how this sense of mission can be aroused, it depends on whether the Government is willing to genuinely co-operate and maintain dialogues with social organizations and the industrial and commercial sector, while recognizing their respective functions, responsibilities and special abilities. Moreover, since non-governmental organizations and the various industries and businesses have their own networks, the Government should make use of and strengthen these networks and fully co-operate with organizations or companies covered by these networks as far as possible. It should expeditiously implement pilot schemes in

districts and plough in resources to try to establish a partnership relationship with non-governmental organizations, community groups and the private sector. Besides, the Government should formulate partnership programmes with large-scale business establishments and small and medium-sized enterprises to promote exchanges in respect of environmental management technology and market development, implement sustainable development projects and conduct studies of technology which is free of environmental hazards.

The Government should foster communication and co-operation among government departments, streamline its internal operation and appoint managers for projects to save organizations the trouble of having to contact many government departments and wait for a long time for replies in order to implement a project, for this would very often cause the project to abort.

At present, over 9 000 tonnes of domestic waste is transported to landfills every day. To ease the pressure on landfills, the Government has to make every effort to facilitate the recovery of domestic waste and develop the recycling industry. Having said that, however, it is not enough to rely solely on government efforts and it will be difficult to deal with waste recovery-related issues in so many public and private housing estates by government efforts alone. The Government should encourage community organizations, such as kaifong associations, residents' associations, environmental groups and management companies of estates to organize waste recovery activities and build up a good partnership relationship with them to formulate waste recovery schemes in concert. Insofar as waste recovery schemes are concerned, the Government can play a part by providing space for the storage of waste to help residents with the storage and disposal of recyclable waste, providing more and bigger waste separation bins, finding ways to minimize the costs of waste transportation, charging community second-hand shops lower rents, and providing land and developing overseas markets for the recovery industry. On the other hand, non-government organizations can take on the role of mobilizing the public to participate in recovery activities. They can also provide additional channels for collecting recyclable waste from the public and liaise with waste recyclers for the acquisition of recyclable waste. The continued development of waste recovery schemes require assistance from all sides, including the Government, non-government organizations and the waste recycling trade.

With these remarks, I support the motion.

**DR RAYMOND HO** (in Cantonese): Madam President, if the accountability system for principal officials (the accountability system) were not implemented some months ago, I believe we would have already known the content of the policy address of this year. But now we have to wait for nearly another three months before we can learn of the ruling concepts of the Chief Executive and his hand-picked governing team as well as their solutions for steering Hong Kong out of the rock bottom of the economic depression. Although certain opinion polls have indicated that the people's confidence in the Government is declining, it is believed that the public would still have some expectations for the policy address 2003, as it will be the first policy address published after the implementation of the accountability system.

To the majority of the people, one of their prime expectations is the Government managing to steer Hong Kong out of its present economic predicaments. For those unemployed or underemployed, they would of course hope that the Government could implement some measures and policies that would create job opportunities. However, the remarks made by the Financial Secretary, Mr Antony LEUNG, last Monday on infrastructure expenditure might make such people question if they should still harbour great expectations for the policy address 2003.

As infrastructure projects would bring about enormous benefits to the local economy, I have always suggested to the Government that it should increase its investment in this aspect. Last year, a cross-party coalition of the Legislative Council presented seven consensus measures to the Government in a bid to relieve the difficulties of the people, and they included such suggestions by me as expediting the implementation of infrastructure projects, implementing the outstanding projects committed by the two former Municipal Councils and improving and maintaining ageing infrastructure facilities, so as to create more job opportunities.

Although the Chief Executive already responded in his policy address delivered last October by pledging to invest \$600 billion on infrastructure projects within 15 years, Financial Secretary Antony LEUNG's recent remarks have added new conditions to the launching of these projects, that is, the Government will only invest in projects with economic efficiency and profit-making capability. For those projects with no economic efficiency or low economic efficiency, they will be postponed or even cancelled. They would surely be withdrawn.

In fact, on the issue of whether infrastructure projects should be implemented, not all such projects are suitable for assessment by the criteria of economic efficiency and profit-making capability. On the one hand, infrastructure projects are meant to address the needs of people's living. For example, among the 160-odd outstanding projects of the former Municipal Councils, there are gymnasias, libraries, markets, leisure grounds, and so on, which are all directly related to the people's quality of living. On the other hand, infrastructure projects have to cope with the practical needs of economic development and commercial and industrial activities; for example, building road networks will benefit the transportation of goods and commercial and industrial activities, and cross-boundary works projects will help to promote the co-operative development of both Hong Kong and the Mainland. Therefore, when deciding whether certain infrastructure projects should be launched, we should not make their profitability as the sole consideration. This is particularly true under the present economic downturn, for infrastructure projects will help to stimulate the economy and create job opportunities, thus boosting the consumer market and speeding up economic recovery. This is helpful to restoring people's confidence in Hong Kong.

If the recent remarks of the Financial Secretary can be taken as an index, then the Government should be more concerned with the public sentiments and strengthen its communication with them, so as to be really able to "sense the urgency of the people and think in the way they think". Let me take the engineering and construction industry, with which I am familiar, as an example. As the Government becomes increasingly slow in launching public works projects, more and more people in the industry have become unemployed. There are about 300 000 people working in the industry, including workers, professionals and technicians. These people are facing a tough situation of having an unemployment rate of nearly 20%. One may describe the situation as: no projects for the companies to bid, and no work for the workers.

In view of this, 12 professional organizations, which include the Hong Kong Institution of Engineers, Hong Kong Construction Association, Hong Kong Electrical and Mechanical Contractors Association, Hong Kong Construction Industry Employees General Union (with more than 200 000 members) and two other Members of this Council, namely Mr LAU Ping-cheung and Mr Abraham SHEK, have formed a Joint Committee of Concern for Public Works Projects. Recently, we tried to make an appointment with Dr Sarah LIAO, Secretary for the Environment, Transport and Works, in order to reflect

the predicaments of the industry and to seek an updated understanding of the latest policies and directions of the Government in respect of public works projects. Although three weeks have passed, we still have not received any notification on the meeting arrangements. A lot of people in the industry are now suffering from unemployment or underemployment. Through the meeting, we hope the Government can gain an understanding of their predicaments. However, the accountability official is not willing to grasp the opportunity to understand the grievances of the people. Is this the working style of "sensing the urgency of the people and thinking in the way they think"?

Now, I would like to discuss the problems of local tertiary education. In the policy address delivered in 2000, the Chief Executive proposed that the age participation rate of higher education would be raised to 60% within 10 years. Apart from achieving this target, I also hope that the Government will see to it that the quality of the graduates from the tertiary institutions, their academic standards and the number of graduates shall meet the needs of society. During the past 10 years or so, our experience in increasing the number of law graduates could more or less enlighten us on this issue. Now, due to the oversupply of law graduates, they have found it not easy to land a job in the legal profession. And the linguistic and academic levels of some graduates have also aroused concern in the community.

The issues of improving the quality of teaching at universities and the merger of universities have induced heated controversies in the community. I hope the Government can conduct extensive consultations with various parties, especially the affected institutions and stakeholders, before making any major decision on such issues.

Lastly, I hope the Government can expeditiously implement the strategy of sustainable development, and that it can promote the waste recovery and recycling industries. In comparison with other developed countries and territories, the development of the waste recovery and recycling industries has been very slow in Hong Kong and the waste recovery and recycling rate is very low when compared with developed countries. Even for some controversial support measures adopted by the Government, such as the provision of low-cost land, it takes the Government a long time to consider such measures in great details. However, the Government should remove some policies that may hinder the development of such industries as soon as possible. For example, for

some industrial spirits recycled from construction waste collected in Hong Kong, or some kind of diesel recycled from chemical waste collected locally, both of them are subject to duty. This a measure is suffocating the development of renewable energy in Hong Kong. In fact, the Government should formulate the relevant policies, such as encouraging cross-boundary lorry drivers plying between Hong Kong and the Mainland to switch to using recycled diesel. This is just one of the examples. The Government should conduct more in-depth studies and introduce effective initiatives to promote the development of these industries.

Madam President, I hope the Government can appreciate the public sentiments and draw up a policy address that can address the realistic needs of Hong Kong within the next two months. I so submit.

**MR WONG SING-CHI** (in Cantonese): Madam President, my remarks will focus mainly on the problems faced by two groups of people in society. The first one is the youth community and the second the elderly community.

For the youth community, unemployment is a major problem, and we have discussed it many times before. Thirty years from now, the elderly dependency ratio will be 562 people in every 1 000 people, up from the 382 people in 2001. The task of caring for children and the elderly will fall on the young people of this generation, so if the young people now lack competitiveness, our future will be most worrying. If we can invest more in the youth community today, the time will come in the future when we can reap the returns from our long-term social investment.

However, the young people today are battered acute unemployment. As indicated by a survey of the Census and Statistics Department on the second quarter of this year, the unemployment rate among youths of the 15 to 19 age bracket was as high as 30%. So if the problem is not tackled, these people may well become unemployed on a long-term basis or marginalized workers.

The Democratic Party maintains that a multi-pronged approach is required to solve the problem of "non-engaged" youths. Besides the enhancement of employment assistance and training for the youth, higher salary subsidy and tax incentives may also increase young people's chances of securing employment. And, in the long term, the ultimate solution should be assisting young people in

continuing with their studies. That way, their educational standards can be raised, thereby upgrading their competitiveness.

The most urgent task now is to provide young people with opportunities of receiving 11 years of formal education, nine of which should be compulsory and the rest of the two subsidized. I mean, in case any students cannot go on to senior secondary school for one reason or another immediately after completing nine years of compulsory education, they should be given an opportunity to return to school at a later time and receive two years of subsidized senior secondary education. This will accord them more education opportunities, and also help improve their employment prospects. Besides, diversified curricula and development opportunities should be provided as much as possible, so that youngsters with different aptitudes and abilities can all find suitable opportunities of further study.

Regarding those youngsters who cannot find a sixth form place after the Hong Kong Certificate of Education Examination (HKCEE), the Democratic Party proposes that the Government should reorganize the existing continuing education curricula and set up sixth form colleges to offer places to HKCEE candidates with nine to 13 points. The courses provided should basically be practical in nature, preparing graduates for public examinations, and articulated with formal tertiary institutions.

The disobedience and deviance of youngsters, such as drug abuse and young night drifters, may easily attract the great concern of the media and the public, and this has produced some kind of labelling effect on youngsters. However, since youngsters are undergoing the transition from childhood to adulthood, a little bit of rebellious tendency is in fact not at all a serious problem. But if they break the law, their future will be affected. The Government should allocate more resources to step up its education work, enhance the effectiveness of youth workers, provide more assistance to youngsters and help them deal with crises, in the hope that the problems of juvenile delinquency and drug abuse can be reduced year after year.

The family also has very far-reaching effects on the growth of youngsters. Generation gap, lack of care from parents who are both working, domestic violence, parents' marital disputes, and so on, are often the underlying causes for youngsters going astray. Family assistance services are therefore very important to the prevention of youth problems, because they can help parents build up a closer relationship with their children at an early stage, thus reducing

communication problems and enabling children to grow up in a better environment. The family as a factor should also be considered in the course of handling youth at risk, and the scope of service should be extended to the family, with the establishment of parents' assistance centres for the families of youth at risk and family counselling hotlines, for example.

Next, I wish to talk about the elderly. During the first term of the Chief Executive, the Government always stressed that it would improve the lot of the elderly and give them a secured old age. The Chief Executive, Mr TUNG Chee-hwa, even undertook in the 2000 policy address to review the Old Age Allowance (commonly called the "fruit grant"), so as to improve the living of those old people living on the verge of poverty. Unfortunately, the cheque has yet to be honoured.

Although the review is not yet completed, the Government has already stressed repeatedly that it would have to explore ways of cutting expenditure. Those old people who have just a little savings and who have to rely on the "fruit grant" of some \$700 cannot possibly cut their expenses any further. Government officials must put themselves in the position of these elderly people and try to see their plight, instead of always looking at them as a possibility of expenditure reduction.

The Democratic Party hereby calls upon the Government not to use tight finances as a reason for affecting the livelihood of those elderly people living on the "fruit grant". Nor should it introduce any means test to restrict old people's entitlement to the several hundred dollars of "fruit grant", because the "fruit grant" symbolizes our recognition of old people's past contribution, and it should not be lightly taken away. The Government must also not take any actions which may affect the livelihood of those old people living on the Comprehensive Social Security Assistance (CSSA). Before the Government implements any policy related to the elderly, it must put itself in their position, seek to appreciate their hardship and give priority to their interests.

I also hope that the Government can correct its mistake and allow those old people living with their children to apply independently for CSSA, so that they can continue to live in their original neighbourhood and live harmoniously with their family members.

Besides, the Democratic Party also proposes the Government to relax the residency requirement and allow old people having received the Old Age

Allowance for a specific period of time to return to and live in the Mainland, so that their living standard can be improved. Currently, elderly recipients of the "fruit grant" are not permitted to live outside Hong Kong for more than 180 days a year, and this makes it very difficult for them to live in the Mainland on a long-term basis. An opinion poll conducted by the Democratic Party earlier on shows that over 60% of the 700 or so respondents think that this restriction should be relaxed. The Democratic Party therefore appeals again to the Government that it should relax this restriction, so that old people can have an additional option of returning to the Mainland for residence. This proposal will not add to the Government's expenditure, but will help improve the old people's living. It is hoped that the Government can seriously consider this proposal of the Democratic Party.

Madam President, I so submit.

**MS EMILY LAU** (in Cantonese): Madam President, first of all, I wish to express my dissatisfaction about the Chief Executive's deferral of the announcement of the policy address without consulting the Legislative Council beforehand. I am sure that many Legislative Council Members also feel strongly dissatisfied about this. For one thing, the lack of consultation is in itself bad enough, and nobody thinks that this is a good practice either. What is more, the new Session of the legislature has already started, and although debates will still be conducted regardless, the Chief Executive should still propose some sort of directions at the commencement of the new Legislative Session, so as to form a basis for the legislature's business. As far as I can remember, a couple of months ago, even Mr James TIEN wondered why the announcement of the policy address had to be deferred for several months, saying that the Chief Executive was not new and had been in office for some five years already. I fail completely to understand why either. I have to reiterate my strong dissatisfaction here, and I hope that this is just an exception, not a regular practice to be followed every year in the future. Moreover, if ever this is to be done again, the legislature must be consulted beforehand, because the Chief Executive has to announce his policy address in the Legislative Council. If the Chief Executive were to announce his policy address in the street, he could of course do so any time he likes. And, such a practice will also affect our business in this Legislative Session.

Madam President, I also agree very much with Mr LEE Cheuk-yan and Mr LEUNG Yiu-chung, and I can say on behalf of many people (for I am sure that many people do think that way) that they do not expect anything from Chief Executive TUNG Chee-hwa. If we told people that we still harbour any expectations of him, they would probably think that we are "nuts". Over the past five years, I have received complaints from numerous people, and I have talked about these complaints in this Chamber many times before. Madam President, one of these people even said that there had never been even one single good day in all these years. When asked whether this might be a bit exaggerated, he replied in the negative, asserting that this must be an accurate description. So, how can we still have any expectations? In a way, I agree with Mr Bernard CHAN, who said just now that we would certainly run into great trouble next year, because nothing could be done, not even the imposition of higher taxes. This is also an apt description of Mr TUNG Chee-hwa's administration: "indecision", or "discussions without decisions, and decisions without implementation". Some have asked half jokingly (and a bit bitterly), "What can push up the Hong Kong stock market immediately by at least 30%?" Well, the answer is the immediate resignation of Mr TUNG as Chief Executive, the reason being that only this can bring us a ray of hope.

Why did I tell Mr TUNG last Thursday that if the people of Hong Kong were really the master of their own house and could select their own government, they might just (as the colloquialism goes) "make a bet" and replace the incumbent Chief Executive. In that case, even if the new candidate fails to perform well, they will still have the chance to select another one. But now we are all stuck in a dead end. This is where I agree with Mr Bernard CHAN. But he is only just half correct. Do people know why the Chief Executive cannot achieve anything? It is because he is so "indecisive". When he wants to increase taxes, he fears criticisms, and when he wants to spend more money, he also fears people's complaints. The Financial Secretary said the day before yesterday that infrastructure projects would be halted, but now he is scared again, because people, even including Executive Council Members, have come forth to criticize him. The point is that if the Legislative Council works out a scheme for him (not so much to help him, but to just help the people of Hong Kong, I must say), then he needs not be so scared any more; he just has to follow the scheme. But then Members belonging to the Breakfast Group are really something this time around. Madam President, the Breakfast Group is so choosy — it simply refuses to co-operate. That is why Mr Bernard CHAN and

the Breakfast Group have been the centre of the problem. Actually, even if the Breakfast Group agrees to co-operate, the democratic camp may not be able to reap any benefit anyway.

Therefore, we really have to ask ourselves how we can possibly extricate ourselves from the predicament. Though the Chief Executive does not have the people's mandate, does not have their recognition, I still think that there are things that he must tackle. Deflation is now so rampant, and our fiscal deficits are so high, but many Honourable colleagues still hold that the Government must continue to spend more money. I certainly agree to this, but despite this agreement, I am also very worried, "If the economic downturn continues, and the dollar peg is attacked again, who can assume the responsibility? How can we have \$100 billion to rescue the market again?" Has anyone discussed all these matters with us? No, there has been no consultation at all. The Government has simply said that some infrastructure projects and facilities with little economic efficiency will be withdrawn, and we had to spend more than an hour in the Public Works Subcommittee meeting earlier today discussing the matter. Why have the executive authorities done this time and again? The Financial Secretary has personally promised to the House Committee that all policy changes will be implemented only after consultations. But not long after this, they have, all of a sudden, said that two of the universities should be merged, and infrastructure facilities with little economic efficiency will be withdrawn.

Madam President, given such a predicament, and faced with such executive authorities, what can we possibly say? I am elected by the people of Hong Kong, but I cannot tell the people publicly what is going on. Many people have actually told me how miserable they are, for they will have to endure a difficult period of five more years. In spite of all this, we must do the best we can. I agree that Members should work together, but some of them are just so picky, refusing to do so. Some others also refuse to co-operate, even saying to the executive authorities, "Ha, ha, you must not either." This is a most irresponsible attitude. Members may well be unable to exert any influence over some matters, but if they can do so over others, I think they should really make a try. If not, how can they face their own electorates, small as they may be, let alone the 6 million to 7 million people in Hong Kong?

Madam President, I do not know what the Chief Executive is going to announce in the Legislative Council in January next year. But I do not wish to

see Mr Bernard CHAN's prophecy fulfilled. Anyway, we have still got something in hand, and if he thinks he is somewhat unable, we can do them for him, provided that we have the courage required.

I so submit.

**MR JAMES TIEN** (in Cantonese): Madam President, I had chosen to speak at this very late stage because I hoped to listen to the speeches of a few more Members of the Democratic Party on their expectations for the implementation of policies.

Madam President, I very much disagree with what Mr Martin LEE said in moving his motion and I must say that I am disappointed too. In his speech he had made many slogan-like remarks, such as "for the rich", "by the rich", and so on. In today's Hong Kong, it is indeed undesirable to drive a wedge in society in this way. In fact, for people with the means to invest, it would be difficult for them to make any investment if they were not reasonably affluent. Would it be possible for him to secure loans from banks simply with the business he is doing without having to inject any capital at all? Yet, when I listened more attentively to the views expressed by Members of the Democratic Party and other Members inside and outside this Chamber, I found that many of their views relating to the people's livelihood are agreeable. The Liberal Party also found these views agreeable. So, I think there is room for us to co-operate in the future.

Madam President, as I have many opportunities to convey the views of the Liberal Party on various policy areas to all principal officials after joining the Executive Council on behalf of the Liberal Party, not many Members of the Liberal Party are going to speak today. We will only speak on a number of aspects concerning the implementation of policies in future that are considered more important by the Liberal Party.

First, we can all see that the Government has adopted a new policy and that is, the appointment of 11 new principal officials. If we keep on reminding them of what undertakings the Chief Executive had made in last year's policy address and what a particular principal official had said in the year before last, it would be tantamount to asking them to shoulder all the burden of the past. I think this will impede the new principal officials in their work, making it difficult

for them to achieve anything. Should we give the accountable principal officials an opportunity to map out plans for all policy areas in the next five years, so that they can start afresh and express their own views and observations, as if they are given a blank paper to write on, without having to work within the parameters of past policies or accede to the request that they should finish all the work initiated by the first SAR Government? Certainly, I do agree that they must review and study all the previous undertakings and must not brush them all aside. In fact, when they handle a policy, be it relates to education, medical care or the economy (what we always talk about broadly come under these few areas), they should be allowed the freedom to make decisions. Let us not keep on asking them and reminding them of what undertakings were made last year and so on and so forth. As Ms Emily LAU has said earlier, when some infrastructure projects are ordered to stop, there are views that unemployment might be created as a result, but then there is a financial deficit. Which area of work should they handle first? Under this new development, that is, the implementation of the accountability system for principal officials, I think the second SAR Government should prioritize all the issues that need to be handled.

Madam President, I also wish to make several other points. Dr David CHU mentioned the Mandatory Provident Fund (MPF) System and asked whether this System had tremendously affected the daily operation of society? I do share his view. Over \$20 billion (made up by the 5% employers' contribution and the 5% employees' contribution) in society are not usable for the time being until the retirement of the relevant contributors several decades later, and 70% of these funds have been transferred overseas for investment. This, quite on the contrary, has actually benefitted many countries, such as the United States where the economy has recovered. But the community of Hong Kong at large has \$20 billion less as funds for circulation. This is also a reason why the Hong Kong economy is in such a bad shape.

Madam President, the Liberal Party considers that the linked exchange rate between Hong Kong Dollar and US Dollar must be maintained in the future economy. As the economy of Hong Kong is so weak, which is like we have fallen sick and are lying in bed, it is indeed inappropriate for us to consider delinking today. Delinking was not an option even in the past when the economy was robust with high economic growth and low unemployment. It would be all the more difficult to pursue this today. I hope that one day when the Hong Kong economy has rapidly picked up, the unemployment rate has come

down and when our economy has been revitalized, we can revisit this issue. Under this premise, it transpires that what we can do is confined to the internal affairs of Hong Kong. Even though tourists may exchange less money as a result of the strong Hong Kong Dollar, there is really nothing we can do in the international free market.

Then what can Hong Kong do now? The Liberal Party considers it opportune for the Government to take measures to stabilize the property market. That is to say, we think that the Government should stop selling flats under the Home Ownership Scheme and public rental housing flats. The land to be put on sale by the Kowloon-Canton Railway Corporation, the MTR Corporation Limited and the Urban Renewal Authority should be entrusted to the Government for central arrangement, so that policies are promulgated by one authority, rather than many different authorities. The Liberal Party considers that a moratorium on land sale should be imposed for two years, so as to give the public a clear message and to facilitate the recovery of the property market to benefit the 1.4 million property owners in Hong Kong. Certainly, I absolutely agree that the 70 000 flats currently held by property developers will also benefit. But I hope that Members will not oppose this policy on the ground that it will favour property developers, because this would make the 1.4 million property owners in Hong Kong suffer.

Moreover, another point is that with regard to population policy, apart from a quota of 150 for family reunion, the Government can give consideration to those people who wish to come to Hong Kong for investment or settlement or those who come to Hong Kong under some sort of a points system. Whether they are university graduates, people with high education level or people who can speak English, we can allow them to settle in the territory if they start a business and invest a few million dollars or buy a property here; or we may admit professionals. All these are ways to attract investment from mainlanders who can then be allowed to settle in Hong Kong. This can also provide employment opportunities for another group of unemployed people.

Madam President, finally, I wish to say that our success is mainly attributed to our simple tax regime with low tax rates. Hong Kong is now caught in an extremely serious financial deficit. The Liberal Party worries that the Government will adopt such measures as increasing tax or levying new taxes. In that case, the general public and the industrial and business sector would certainly find it unaffordable and their only choice would be to cut back on

expenditure. Obviously, speaking of cutting expenditure, the Liberal Party is greatly disappointed. As we have always mentioned, the Civil Service is the most feasible avenue for cutting expenditure; what we mean is both the number and salary of civil servants can be reduced. In this regard, we very much agree with what Mr Bernard CHAN has said. While he proposed that we should start with senior officials, we think that we should reconsider this issue from the angle of the Civil Service as a whole. We hope that in the new review, a survey of the pay level trend will be conducted. Certainly, even if the findings revealed that the civil service pay is on the high side, it would not be necessary to effect a substantial pay cut in one go; and under the Basic Law, the rate of the pay cut is also limited. However, the Government can do more in this regard. I think this will be helpful to the overall finance of Hong Kong; and I hope we can resolve this problem in the coming year.

As for our views in other areas, the Liberal Party plans to wait for the announcements of the Chief Executive and the 11 principal officials and then proceed to a debate in January.

**MS CYD HO** (in Cantonese): Madam President, today's debate in fact is the outcome produced by the hasty forming of the team of principal officials on political appointment, as well as a unilateral change in the relationship between the executive authorities and the legislature. Therefore, we really do not have any expectation. However, we are still duty-bound to discuss what the Government should do in its implementation of policies.

As a common saying goes, "Politics cannot be separated from economics, and the *vice versa*." Hong Kong is now facing two major predicaments, that is, the steady regression in the democratization of its political system and its economic conditions. Let me first speak on the problems of the political system.

If the people have the chance to participate in formulating policies with the Government, and if they have the chance to make suggestions, they would naturally support the Government in solidarity. They do not have to tease and scorn the reality which they are powerless to change. This makes the officials feel uneasy. The Basic Law stipulates that a review of the political system will be conducted in 2007. We have repeatedly proposed that we should proceed with the work in this regard as soon as possible, so that public consultation can

be conducted and the people can participate in the discussion. This will enable the people to participate in the formulation of a mechanism that accords them universal and fair participation in decision making and make the people realize that they have the power to change the status quo. In this way, we can cheer up the morale of the community. Therefore, I sincerely urge the Government to proceed with the review and not to wait until the 2004 Legislative Council election is over.

On the economic issues, the most urgent task for the Government now is to improve the livelihood of the people and to bring about an economic recovery. The long-term goal is to achieve a balanced budget. The new Financial Secretary (not new now), Mr Antony LEUNG, proclaimed soon after he had assumed office that there might be a crisis of fiscal deficits. At that time, we mentioned two warning lines. The first one is about the capability of the community to endure the recession. The Government should increase its expenditure to create job opportunities and stimulate the internal economy. The second warning line is about the financial strength of the Government, that is, when our reserve drops to a certain level, we should substantially open up new sources of income and cut back on expenditure. Under the present economic situation, no one would object to this course of action by the Government. However, I would like to remind the Government of an important point, that is, a lot of people are already suffering from the pressure of unemployment or reduction of salary, and the quality of their life is much worse than before. If the Government is to launch any new measures and policies, the livelihood of the grass-roots people must be taken care of. In addition, the Government should not implement the new policies by divisive measures.

Last week, the Central Policy Unit and The Chinese University of Hong Kong organized a forum to review the taxation policies. Discussion was conducted on how to open up new sources of income and cut back on expenditure, and it touched upon the issue of reduction of salary of the Civil Service. The Government had adopted a savage method in handling this matter, that is, in order to achieve the purpose of reducing the salary of civil servants, the Government had resorted to legislation in order to prevent the Civil Service from taking legal action against it for breach of contract terms. Consequently, the Government managed to reduce the salary of the civil servants only by small percentages. While the action pleased neither party, it had damaged the relationship of mutual trust between the Government and the Civil Service. Therefore, I hope the Government can hold peaceful and amiable discussions with civil service organizations in future in order to reach a consensus. It

should not adopt the tactics of "response testing" by way of media briefings in which it said that 60 000 posts would be deleted in five years. In fact, both sides can reach a consensus, be the discussion about deleting posts or reducing salary. Unilateral "response testing" will only lead to further instability.

The second noteworthy point is about the review of Comprehensive Social Security Assistance (CSSA). Recently, there are many gossipy reports which say that the authorities would reduce CSSA payments by about 12% which is the accumulated deflation rate. In this connection, I would like to remind the relevant officials that the CSSA in fact had been reduced substantially in 1998-99, in which many non-recurrent domestic expenditure items such as eyeglasses fitting fees were deleted. Thanks to deflation in recent years and the fact that the amount of CSSA has not been reduced, the pain suffered by the people has not been so great, and that explains why the people can still endure. If the accumulated deflation rate has to be reduced all at the same time now, the grass-roots families may have difficulties in coping with it.

The Chief Secretary for Administration, the Financial Secretary and all the other senior officials would surely ask: How can a balanced budget be achieved if expenditure cannot be cut and additional income cannot be generated? We have a list of "deletion items", which is called the "kill list" in the Government. One of the items is to withdraw the resources allocated for enacting laws in relation to Article 23 of the Basic Law. Suspending the legislative process, then we do not have to waste the time and energy of the Secretary. The additional expenditure required for deploying manpower to monitor those activities listed as illegal in future could also be avoided. There is one point I must share with Members, that is, in this legislative proposal, the term "informers" will be changed to "government contractors". By then, in the annual Budget debate, Mr James TO can no longer question, by way of a motion, how the \$100 million of informer's fee is spent because such expenditure would have been listed as confidential information. So there will be a "big hole" in public expenditure, which the Legislative Council has no power to monitor.

The second item that can be suspended is the Smart Identity Card scheme. There is no need for everyone in Hong Kong to change and use this kind of identity card. The authorities may allow those who travel frequently between Hong Kong and the Mainland to choose freely whether they want to change to use this kind of identity cards. This can save several hundreds million dollars.

Besides, the Dongjiang water supply scheme is another item that should be reviewed. When there is sufficient rainfall, the authorities would drain a large quantity of the Dongjiang water into the sea. That is equivalent to dumping money into the sea. Therefore, the Government should negotiate a deal with Guangdong Province to enable us to purchase Dongjiang water with some flexibility, that is, buy as much as we can use. This is not just saving public expenditure, but would also provide a good impetus to encouraging the people to use less water.

The fourth item we can do is to assess the social responsibility that should be shouldered by public utility companies that have been awarded franchises. Such companies include CLP Power Hong Kong Limited, Hong Kong Electric Company Limited, MTR Corporation Limited, Kowloon-Canton Railway Corporation and other public transport service providers. Such companies make handsome profits annually, and the franchise agreements have provided them with a lot of concessionary terms. They should be able to shoulder more responsibility for the community. I would not follow Mr Andrew CHENG in asking them to adjust their fares downwards. However, I think, in terms of violating the environment and problems arising from mass layoffs by large companies, they should be able to shoulder some of the social costs. In fact, in response to pressure coming from consumer resistance to globalization, many multinational enterprises and public service providers have voluntarily introduced business philosophies which stress the importance of humanity and social responsibility. We may draw reference from these noteworthy examples.

Madam President, more labour disputes will occur at a time of economic depression. Such disputes could easily develop into physical scuffles between workers and police officers. This is the last thing we would wish to see. I particularly do not wish to see union leaders being accused of the offence of causing public disturbances by gathering a crowd of people to violate seriously the stability of the SAR, that is, the offence of sedition under the legislative proposal for implementing Article 23. I hope both sides can exercise restraint. In particular, the Government should suspend the work of enacting laws for Article 23. Instead, it should first proceed with the work of establishing a democratic political system to ease the grievances of the people.

Thank you, Madam President.

**MR HENRY WU** (in Cantonese): Madam President, about my expectations of the 2003 policy address, actually, when I spoke during the motion debate on solving the unemployment problem last Wednesday, I already explained in detail the industry expectations of the Government. I do not want to waste Members' time, so I am not going to repeat them here.

I agree with Mr Jasper TSANG that with just seven minutes, it is apparently impossible to make any exhaustive analysis of the overall strategy of administration, which is why I will just try to highlight the strong aspirations of the industry. As for the rest of the strategy, I shall later voice my views to the relevant authorities in a more systematic manner.

I only wish to reiterate the two demands made by the industry so strongly to both the Government and the authorities concerned numerous times before: first, to maintain the system of minimum brokerage commission; second, the prompt implementation of fair competition measures aimed at rectifying the unequal treatment of the securities divisions of banks and the industry, so as to foster a business environment with full-scale fair competition, one which gives local small and medium securities dealers room of survival, thus promoting the economic stability and prosperity of Hong Kong as a whole.

Madam President, the 2003 policy address will be the first policy address to be announced under the accountability system for principal officials. I have very great expectations of the officials under the accountability system of three Departments and 11 Bureaux. I therefore wish to say a few words on my expectations of them.

For quite some time, the economy of Hong Kong has been put to an extremely severe test because of the effects of both external and internal factors. I think Hong Kong can extricate itself from the current predicament only if all of its people can help out one another and work with solidarity. For this reason, all officials, regardless of their ranks, must note the virtue of communication, avoid sounding "high, big and empty", and stop talking about empty ideals. There must be tolerance but no conceit and over-ambition; an emphasis on the qualities of a good leader but never any attempt to confuse the public. They must seek to broaden consensus while accommodating minor difference. There must be "slim" structures. There must be no small tricks and intrigues. Most importantly, all must support the leadership in administration.

To put it simply, through the following five pairs of "Do's and Don't's", I hope to sum up what I think should be the objectives of accountability officials in policy formulation as well as the principles of civil servants in policy enforcement: (i) Do communicate but don't talk dreams; (ii) Do accommodate others but don't be over-ambitious; (iii) Do be benevolent but don't confuse people; (iv) Do seek consensus but don't be bloated in structure, and (v) Do support Mr TUNG but don't engage in intrigues.

As for the Chief Executive, Mr TUNG Chee-hwa, I would like to wish him good health by giving him this piece of advice: "Take more care but eat less lotus seed paste". This is to remind him that while preparing the 2003 policy address, he must also take good care of his own health. Since he is desk-bound most of the time, he had better eat less sugar.

Madam President, I so submit.

**MR HOWARD YOUNG** (in Cantonese): Madam President, the speech I am going to deliver today seeks mainly to respond to the ways proposed by the Chief Executive for resolving our financial difficulties in last week's Question and Answer Session.

The Liberal Party very much agrees with the Chief Executive that the only way to fundamentally resolve our financial hardship is to undergo economic transformation. Furthermore, Hong Kong must consolidate and strengthen its edge as being an international financial, logistics, commercial, and tourism hub. On behalf of the tourism sector to which I belong, I would like to say a few words on the concerns of the industry.

Several days ago, the Government finally gave the go-ahead to the cable car project on Lantau. Actually, the Government indicated that a cable car system would be built on Lantau as early as mid-1998. Now the plan was finally endorsed after four years' delay. Nevertheless, it is "better late than never". I hope the bill concerning the cable car system to be built at Tung Chung can be submitted to this Council for scrutiny to enable the project to be commenced expeditiously. I also hope this project, which has been handed to the MTR Corporation Limited, is not among those which, according to the Financial Secretary, might meet the fate of "being scrapped".

The Government is prepared to amend the Town Planning Ordinance this year to shorten its vetting period by way of legislation, and streamline its vetting procedure. The Liberal Party supports this move. We hope the amendments can be passed smoothly to speed up the progress of the cable car project, so that it can tie in with the completion of other attractions on Lantau, such as the Disney theme park, the Tung Chung Battery, and so on.

Regarding the decision that no hotels will be built under the Ngong Ping tourism development plan published by the Planning Department earlier, there is a widespread concern in the tourism industry that tourists will be inconvenienced as a result of a lack of lodging facilities. We would therefore like to suggest the Government to follow the examples of some places in Europe and Japan to encourage and help local residents to develop a "family-run lodging programme" in a systematic manner, whereby residents can let their own houses to tourists. In doing so, not only can we solve the lodging problem faced by tourists, but also allow them to further understand the unique style of living of Hong Kong people. This will boost cultural exchange as well.

Nevertheless, if family-run lodging is to be developed in Hong Kong, it might be subject to regulation by the Hotel and Guesthouse Accommodation Ordinance. If the same set of law applicable to the construction of hotels is to be applied to small lodgings operated in the form of village houses or family-run lodges, the vitality of small operators will obviously be stifled. We hope the relevant legislation can be reviewed to ascertain if limitations can be lifted to allow the industry to operate in Hong Kong, particularly against the background that no hotels can be built on Lantau.

Lastly, I would like to point out that the Government has indicated its plan to build a cruise terminal in the southeast development zone of Kowloon. Though this proposal was mooted a long time ago, there has been all thunder but no rain. Up to the present moment, no go-ahead to the plan has been given. The development of a cruise terminal can help attract more cruise passengers to go ashore for spending, and thus stimulate local economic development and increase job opportunities. It is evident that the construction of a cruise terminal can play an effective role in stimulating local economic development. It is therefore not appropriate for the Government to further delay the plan. I guess this project is not one of those projects that, according to the Financial Secretary, have to be "dropped", because it has not even been launched yet. I really hope this project can be put into implementation. In my personal opinion,

this project should be undertaken by the Government, instead of counting on private investment. Actually, similar projects are carried out by the government in Singapore.

Furthermore, the Shenzhen Municipality has invested a total of \$5 billion in the construction of a major cruise terminal. The project is listed as a key construction item by the municipal government too. It is known that the government of Yuexiu, Guangzhou has also expressed interest in constructing a cruise terminal. Should we fail to catch up, it will be even more difficult for Hong Kong to compete with its neighbours, such as Singapore, Shenzhen, and so on, in maintaining the status of being Asia's cruise hub.

Madam President, both the industry and I agree with the repeated remark made by the Chief Executive, that tourism is one of the important pillars of Hong Kong's future economy. We hope government departments can make more efforts to complement our efforts in consolidating this pillar, so as to speed up the revival of Hong Kong economy.

I so submit.

**MR CHAN KAM-LAM** (in Cantonese): Madam President, today's motion debate is indeed hard to come by. The Democratic Party has compiled a pamphlet outlining its expectations for the policy address, though the focus of the book is apparently on the first two articles: the "foreword" written by Chairman of the Democratic Party, and the "introduction". The articles seek mainly to, through belittling the authority of the SAR Government, the Chief Executive, and this Council, spell out its expectations for the policy address. It is nonetheless evident that the pamphlet has an ulterior motive. The Democratic Party has certainly made a rare move to have compiled a number of articles into a comprehensive pamphlet, claiming its content represents the Democratic Party's expectations for the policy address.

I have gone through the pamphlet carefully. I guess I can sum up how I feel in a few words: lack of a clear direction, vague, self-contradictory, evasive, misleading and divisive. These are the key points of the pamphlet. Perhaps I can say a few words on why I say the pamphlet lacks a clear direction. In the pamphlet, Members of the Democratic Party expressed their hope for the SAR

Government to break away from the economic downturn. However, no specific and innovative direction was proposed. If we take a look at the pamphlet, we can find that it is basically repeating the economic direction all along stressed by the SAR Government, only that the Democratic Party is trying to elaborate it in a new manner. This is why I find nothing special in the pamphlet. It has failed to elaborate on ways for Hong Kong to develop its economy and ameliorate its deficit. On the one hand, Hong Kong's adverse economic environment is attributed to the administrative blunders made by the Chief Executive in the past. On the other hand, it is admitted that Hong Kong economy has faced a lot of difficulties as a result of the financial turmoil and the global economic downturn over the past five years. Likewise, the Democratic Party has, on the one hand, maintained that Hong Kong fared well in the past and blamed the Chief Executive for causing a lot of problems at the moment. On the other hand, it is said that the Government has all along been relying on forces of the labour market to adjust the unemployment problem. In the same paragraph, however, it is indicated that the Government should address the problems and give up its "non-intervention" mentality, and consider making full employment its policy objective. Frankly speaking, similar proposals have been raised repeatedly in the Chief Executive's policy addresses and the Financial Secretary's budgets. It can be said that the Democratic Party lacks a clear direction for this.

As regards being vague, many of the serious accusations made in the pamphlet are totally unfounded. It is mentioned that all affairs in Hong Kong are co-ordinated back stage by the Liaison Office of the Central People's Government in Hong Kong. The Liaison Office is even described as an apparent, visible hand, which has made it impossible for the policy of "Hong Kong people ruling Hong Kong" to be implemented again. I have no idea where their rationales lie. It has also been mentioned in an article at the beginning that Hong Kong's autonomy whereby "Hong Kong people ruling Hong Kong" has been surrendered by Mr TUNG Chee-hwa with both hands. This is also a totally unfounded accusation.

As regards being self-contradictory, it is evident to Members that the Democratic Party points out right at the beginning of the "introduction" that before the reunification, Hong Kong people were confident that we could, by virtue of our established strengths, rule of law, and an just and open society, promote the reform and opening of our country and march towards the international arena. Members may wish to recall the brief history of Hong

Kong during the past five years and how the Democratic Party looked at the reunification. According to the Democratic Party, Hong Kong was to plunge into complete darkness after the reunification. After arriving in Canada or the United States, some people even said that they might not be able to return after the reunification and the visit might be the last one. These remarks are all self-contradictory. It is also mentioned in the pamphlet that the Chief Executive has relied on the country for assistance and asked for concessions. However, when the Democratic Party appealed in the article for strengthened ties between Hong Kong and the Mainland, it expressed that it hoped the Mainland could lower customs tariff for Hong Kong goods and provide more concessions. Is it the same as asking the Chief Executive to appeal to the Mainland for more favours?

Furthermore, the pamphlet has acted evasively and resisted the reality of the Mainland's development. It has not said a single word about China's economic development and achievements made in various areas today. Under such circumstances, how can we accurately evaluate the path Hong Kong should follow when it comes to its future development? Only three short paragraphs have been devoted to the need to strengthen our ties with the Mainland.

Despite Dr YEUNG Sum's criticism of the medium of instruction policy adopted by the Government, not a single word has been mentioned about the mother-tongue teaching policy advocated by Mr SZETO Wah and Mr CHEUNG Man-kwong. Is it not a reflection of the evasive attitude adopted by the Democratic Party? Recently, Dr LAW Chi-kwong put up banners all over the places to indicate his determination to reform Comprehensive Social Security Assistance and encourage employment. However, not a single word about this is mentioned in the pamphlet.

Madam President, while it is essential for us to raise suggestions in relation to the policy address to be delivered by the Chief Executive, we hope the suggestions are practical. Incidentally, I bet Mr SZETO Wah has not proofread the pamphlet since there are a lot of typographic errors.

Thank you, Madam President.

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

(No Member responded)

**CHIEF SECRETARY FOR ADMINISTRATION** (in Cantonese): Madam President, first of all, I wish to express my heartfelt thanks to Honourable Members. Today, Mr Martin LEE moved this motion and other Members have also spoken on it. Members have put forward lots of insightful and sagacious views which are valuable to the Government. We have all along paid heed to the suggestions, justification and views of the Members of the Legislative Council. On the introduction of legislative proposals, formulation of policies and in the process of resource allocation, we will take into serious consideration the precious views of Members of this Council. In respect of the views on the day-to-day services of the Government made by Members, we always conduct in-depth studies and reviews.

Mr Martin LEE and other Members of the Democratic Party have all together delivered speeches spanning 42 pages. They have given many fair comments on certain practical issues related to the people's livelihood. Mr Martin LEE has given me a printed copy of the consolidated speeches before the meeting. At a glance, the booklet looks like an official document of the Government of the Hong Kong Special Administrative Region (SAR). However, on the first page of the Chinese version, the title is covered with a loosely glued sticker. When the sticker is torn away, the truth is thus unveiled. It exposes the secret title of the consolidated speeches compiled by the Democratic Party. Let me read it aloud, "2002-03 policy rose address" (a misprint of a Chinese character of "2002-03 policy address"). However, after the reproachful remarks made by Ms Emily LAU, I hope the Democratic Party will forgive me in making a joke of these trivialities. I would now come back to the question. Unfortunately, the "introduction" of the consolidated speeches — A Five-Year Review and Conclusion — delivered by Mr Martin LEE is filled with a series of abusive and far-fetched prejudices and hypothesis, which are vague and disappointing.

The policy address to be delivered by the Chief Executive has a special meaning to the Chief Executive and all of us. In his policy address, the Chief Executive will put forward the board directions of his governance and pinpoint the prevailing problems. The policy address aims to pull the general public together to make collaborative efforts, and to enlist the support of the Legislative Council for the policy programme of the Government. The concrete suggestions proposed by Members at the time regarding the needs of Hong Kong will have an important bearing on the Government in the policy formulation. I believe the debate today will bear rich fruits ultimately. Moreover, according to the timetable presented to the Legislative Council in July this year, we are

prepared to consult Members on the issues to be covered in the policy address to be delivered next month.

Madam President, I have to state on the outset that the SAR Government supports this motion. However, I am duty-bound to explain the two considerations the Government must make in relation to the motion. Firstly, the 60 Members of the Legislative Council come from different background. They each represent the interest of their sectors and have different expectations on the Government. Thus, their proposals are often contrasting. Last year, an Honourable Member described the debate in the Legislative Council among different political parties as "discussion among people from different planets", because they do not speak a common language. Therefore, the Government must judge carefully, and to identify, among the views reflecting the high ideals of Members, which are consistent with the interest of the community as a whole, and use the same as the basis of governance.

Secondly, even consensus may be reached on certain aspects of administration, the Government still has to consider the priorities of policies to be implemented, as policies that merit examination and implementation are indeed numerous. In addition, the Government is faced by a fiscal deficit, it must therefore exercise stringent control over public expenditure in order to achieve a budget balance over the medium term. Setting priorities for individual option is thus particularly important, and it is a responsibility the Government cannot shrink. Though difficult, the Government must set priorities.

Under these circumstances, the Government welcomes Members to conduct rational discussions on the administration of the Government and give incisive views. We believe such discussions will certainly serve as a channel of communication and will lead the community to better harmony. The Government is ready to listen to pool collective wisdom, to get to understand the public sentiments, and to gauge the genuine needs of society, so that we can assist the Chief Executive in compiling a policy address in the interest of the development of Hong Kong, which will be delivered in January next year.

Thank you.

**PRESIDENT** (in Cantonese): Mr Martin LEE, you may now reply. You still have two minutes twenty seconds.

**MR MARTIN LEE** (in Cantonese): Madam President, I would like to thank the 32 Members who have spoken. This number represents more than half the total number of Members. I would like to seek Members' tolerance, for this pamphlet has indeed contained many topographic errors due to the very haste in putting it together. There are a total of 59 proposals in the pamphlet. I hope the Chief Executive can read the pamphlet seriously, instead of giving it just a quick look.

Although a number of Members have spoken today, it is a pity that only a few Members from the Liberal Party and the Democratic Alliance for the Betterment of Hong Kong (DAB) have spoken. In particular, the respectful Mr CHAN Kam-lam has used up seven minutes to criticize the Democratic Party, without saying a word on the DAB's proposals. I believe many Members have been disappointed. It does not matter even if we are being scolded. It seems that Mr James TIEN did not appreciate my speech as well. I do sympathize with the way he looks at the matter. This is what I am thinking: Should the leader of the Liberal Party follow the footsteps of his predecessor and take part in direct election, in addition to the need for the new Catholic bishop and the new Director of the Liaison Office of the Central People's Government in Hong Kong to follow the examples of their respective predecessors? Mr CHEUNG Man-kwong reminded me that the reporters are waiting for me outside. Was Mr LEE Cheuk-yan right in saying we are trying to "support Mr TUNG", or was Mr Jasper TSANG right in saying we are trying to "oppose Mr TUNG"? The answer is: Both of them are wrong. Why would I move this motion? This is because I was elected under the "one person, one vote" system. I am obliged to show concern before the Chief Executive does, and to rejoice after the Chief Executive does. Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Martin LEE 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 passed.

**PRESIDENT** (in Cantonese): Second motion: Terminal handling charges.

### **TERMINAL HANDLING CHARGES**

**MR KENNETH TING** (in Cantonese): Madam President, under the global economic downturn, the economic performance of Hong Kong has not been very satisfactory in recent years. Deflation has continued for 45 months in a row, but our terminal handling charges (THC), by far the highest in the world, have seen no reduction at all. Since the container freight industry accounts for a large share of the economy of Hong Kong, high THC will hinder the development of our import/export trade. For this reason, I have proposed this motion, urging the Government to fully assess the impacts of high THC on our economy, and to strive to bring THC down to a reasonable level.

THC is imposed on local consignors by shipping companies, and it can be broken down into two components. The first is the charge paid by a shipping company to a terminal operator for using the latter's facilities. The second is reckoned to be the charge imposed by a shipping company to cover its freight rate. Madam President, the problem lies with the second component. In order to cover their freight rate and thus to ensure their profits, the various liner conferences have imposed the highest THC in the world on local consignors who do not have any bargaining power at all. The charge for shipping a 40-ft container from Hong Kong to Taiwan, for example, is just US\$10, but the THC is as high as US\$340. The levels of THC set by shipping companies really amount to downright overcharging.

Major buyers in Europe and the United States, when placing orders with local manufacturers, will usually specify the shipping companies to be used as a condition. And, since local manufacturers are small in scale and thus have weak bargaining power, they will have no alternative but to use the specified shipping companies and pay the highly unreasonable THC. The THC for a

20-ft standard container, Pan-Pacific and eastbound, is US\$270 in Hong Kong, while the charge imposed by the port of Shenzhen is US\$140 and that by the port of Shanghai is just US\$60, or merely 25% of the THC in Hong Kong. This can clearly show the very high level of THC in Hong Kong.

Madam President, local consignors now pay as much as \$24 billion in THC annually. It is estimated that 40% of this amount, or \$9.6 billion, goes to shipping companies as profits. Such enormous and unreasonable charges have increased the costs of all those goods imported or exported through our container terminals, thus severely undermining the competitiveness of our goods. The prices of imported goods will also remain high as a result.

In the past two weeks, I conducted a questionnaire survey among the 1 000 or so member companies of the Federation of Hong Kong Industries (FHKI), seeking their views on THC. One hundred and five completed questionnaires have been received as of today, and 94% of the respondents are of the view that THC in Hong Kong is much too high and should be lowered. Exorbitant THC is a long-standing cause of complaint by the business sector in Hong Kong. The SAR Government should discard its attitude of non-intervention and actively assist local manufacturers in fighting for reasonable THC.

Next, I will turn to the negative impacts of THC on Hong Kong. The container transportation industry is a major component of our economy, and 13 people in every 100 employed persons in Hong Kong are engaged in trades and occupations related to the container transportation industry. Container handling and port transportation now provide 250 000 jobs and bring us \$200 billion in revenue. High THC will only lead to a drain of container business from Hong Kong to Shenzhen, dealing a further blow to our economy.

The statistics of the Shenzhen Port Authority as quoted by Reuters show that as at 15 September, the throughput of the port of Shenzhen was as high as 60 million tonnes, representing a rise of 43.6% over the figure of the corresponding period of last year. In contrast, there was just an increase of 2.3% in throughput for the Kwai Chung Container Terminal in Hong Kong during the first eight months of this year. The rise of Shenzhen and the decline of Hong Kong are thus very obvious.

Madam President, over the years, I have been acting on behalf of the FHKI and the Hong Kong Shippers' Council to fight for lower THC from

various liner conferences. However, in the absence of any government support and without any bargaining chips, the most we have managed to achieve is only a freeze of the annual increases in THC. I once suggested shipping companies and terminal operators to disclose their respective charges, but they all refused to do so on the ground of business secret. We also suggested shipping companies and terminal operators to collect their charges separately, so that consignors can fight for lower THC from shipping companies direct. But once again, shipping companies and terminal operators simply ignored their request. Some time later, we requested the Government to intervene, but the most it has done is to arrange meetings for us, caring naught about the outcome of such meetings. Therefore, in a way, I have actually been forced to move this motion today. I hope that this debate can once again urge the Government and Members to pay proper attention to the problem that THC is eating continuously into the competitiveness of Hong Kong. I also hope that the various sectors of society can join hands to work out ways of lowering THC to a reasonable level that is affordable by the commercial and industrial sector.

Recently, both Mr Canning FOK of Hutchison Whampoa and Mr Eric CHRISTENSEN, Managing Director of Modern Terminals Limited (MTL), have said that terminal operators have lowered the charges collected from shipping companies several times. According to the MTL, over the past three to four years, terminal operators in Hong Kong have already lowered their charges on shipping companies by as much as 25%. Mr Eric CHRISTENSEN has also said that the freight rate of shipping companies has actually gone down by half over the past few years. The problem is that despite the continuous drop of freight rate, shipping companies have not followed terminal operators in lowering the THC payable to them by consignors, refusing to transfer the benefit of terminal operators' fee reductions to consignors. Madam President, it is very obvious that various liner conferences have sought to plunder local shippers by collecting from them exorbitant THC. The SAR Government must address this problem squarely and strive to rectify the situation.

The Government has been claiming that Hong Kong has excellent port facilities and highly efficient container terminals, emphasizing that this is a competitive edge of Hong Kong. The FHKI agrees. But I must also point out that to give full play to the competitive edge of our port, the Government must ensure that THC are lowered to a reasonable level. Only in this way can local manufacturers benefit from the "inexpensive" and "highly efficient" port facilities for the benefit of promoting our commercial and industrial development.

Madam President, in a study report on the unreasonable phenomenon that Hong Kong charges the highest THC in the world, the Consumer Council points that the Government should intervene and monitor the determination of charges. Besides, the Hong Kong Port and Maritime Board, as the highest adviser to the Government on port and maritime affairs, is also obligated to play the role of the "police" and monitor the "agreement" of liner conferences. The FHKI agrees with the Consumer Council that such an unreasonable situation, which hinders the operation of the free market, must be rectified. On behalf of the FHKI, I urge the Government once again to take positive steps to put in place a mechanism whereby consignors, the SAR Government and shipping companies can hold joint discussions on the level of THC. I also urge the Government to enhance its monitoring and play an active role in setting the criteria and level of THC, so as to assist the local commercial and industrial sector as well as consignors in striving to lower THC. I hope that Members can support my motion on the premise of promoting the commercial and industrial development of Hong Kong.

I so submit, Madam President.

**Mr Kenneth TING moved the following motion: (translation)**

"That this Council urges the Government to expeditiously study the specific impact of the persistently high terminal handling charges on the local economy, and to strive to have those charges reduced to a reasonable level."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr Kenneth TING be passed.

**DR DAVID CHU** (in Cantonese): Madam President, in the first half of this year, the freight throughput of the port at Yantian, Shenzhen grew as much as 50%, while there was just a small increase in that of the Hong Kong port. The difference in port charges is believed to be a major reason. As we all know, the THC of Hong Kong are among one of the highest in the whole of Asia or even the whole world. A 20-ft standard container, pan-Pacific and eastbound, for example, is charged US\$270 in Hong Kong, US\$140 in the port of Guangdong and some US\$60 in Shanghai, which is only about 25% of the rate in Hong Kong.

Now that many cities in the Pearl River Delta are intent on developing a logistics industry and improving their port facilities, the freight industry of Hong Kong is facing a most challenging test. If the situation is not tackled seriously, I am afraid that in less than three years, the container port of Hong Kong will definitely be facing a crisis of declining throughput.

Nowadays, because of globalization and fierce price competition, enterprises around the world are all striving to reduce operating costs and increase production efficiency. Even a very small cost difference will have substantial impact on the competitiveness of products. That is why high THC will produce immense effects on the competitiveness of all enterprises — large, medium and small ones alike, and will also work against the development of Hong Kong into a logistics centre. The logistics industry will not only promote our economic growth, but also provide many jobs. Directly and indirectly, the container terminal industry now employs more than 200 000 workers, who are engaged in container terminal operation, freight transportation, insurance, trade, financial services, and so on. The withering of the logistics industry will only aggravate the unemployment situation in Hong Kong.

Madam President, the causes of exorbitant THC in Hong Kong are many and complicated, and they include the high costs of land, labour and equipment. Moreover, the Hong Kong Government's policy of awarding operating rights to the bidder quoting the highest prices has forced developers to invest billions of dollars in container terminal development. Such capital costs are as much as three to four times of those required in the Mainland. Therefore, in the long run, the Government should review its policy of awarding the operating rights of container terminals, so as to ensure that while public revenue is assured, container port development will not be turned into "real estate projects". Besides, there are now only five container terminal operators in Hong Kong, and there has been the view that the resultant lack of competition among container terminals is the reason for the persistently high charges. In view of this, the Government should promptly explore how best to introduce more competition on a fair basis, so as to lower the THC. The Hong Kong Telecom, for example, did a very good job in market liberalization, making it possible for people to pay much lower telephone charges. If the Government can introduce more operators into the container terminal industry, enterprises of different sizes will stand to benefit. In addition, the Government should urge container terminal

operators and shipping companies to increase the transparency of their charges, so as to let the wider community know whether their charges are reasonable.

Finally, while trying to foster lower THC, the Government must also strive to upgrade the competitiveness of the local logistics industry, such as by constructing the Hong Kong-Zhuhai crossing to channel goods from western Guangdong to Hong Kong. It must also improve the efficiency of customs clearance (one possibility being the early implementation of co-location clearance), so that cargoes need not be stuck at the checkpoints for hours. With these remarks, I support the motion.

**MR NG LEUNG-SING** (in Cantonese): Madam President, the container transportation industry has by now become an important industry in the economy of Hong Kong, and it is also set to play a major role in the development of a high value-added logistics industry in the future. It is thus small wonder that people have told me that the logistics industry should elect their own functional sector representative to the Legislative Council, saying that only this can highlight the important status of the logistics industry in the economy of Hong Kong. Therefore, to ensure the development of this industry, its service quality and prices should be made equally competitive. This is also an important topic.

Doubtless THC in Hong Kong are higher than those in other countries or regions. The reasons for this are the regrant premiums demanded by the Government and the huge investments which the successful bidders have to make in constructing the necessary ancillary facilities. All this has pushed up costs, directly affecting THC. Container Terminal No. 9 is an example. Its development was undertaken by three operators in 1998 under an agreement with the Hong Kong Government at a land price of \$343,400,000. These three operators have to undertake the site formation of 70 hectares of land to the east of Tsing Yi Island for the purpose of providing back-up lands and road networks. It was estimated at the time that the total investment of the project would be well over \$10 billion. This container terminal is expected to inaugurate in phases starting from 2004, but it is believed that it will be impossible to recover the costs in the near future. Container Terminal No. 8 is another example. Its operating right was awarded under a private agreement in 1991, and the operator had to pay some \$2 billion in regrant premium in addition to constructing such infrastructure facilities as highways and flyovers, and it thus had to make a total

investment of some \$7 billion. The operating right of Container Terminal No. 7 in Kwai Chung also involved an investment of \$3.94 billion, and the operator had to pay a further \$87.6 million or so in regrant premium.

All this tells us that the persistently high THC in Hong Kong are all the result of land prices, a historical factor in the final analysis. The construction and operation of a container terminal will require the long-term and huge investments of private-sector investors, and so for this reason the Government must maintain a sufficiently reasonable and stable port development strategy. The reliance on government land price subsidy as a means of providing more port facilities and lowering the charges is not a desirable option. Similarly, the use of government resources to reduce the commitment of prospective container terminal investors to the construction of the relevant infrastructure facilities is also a form of subsidy in disguise, something which runs counter to the long-standing tender policy of the Government. And, there is also one fact to be considered. Container Terminal No. 9 will not be fully completed until 2004, by which time, however, there will be six additional berthing places capable of handling an increased throughput of 2.6 million Twenty-foot Equivalent Units (TEUs). So, even by conservative estimation, no additional container terminal facilities will be required until close to 2010. Therefore, the proposal on increasing the supply of container terminal services in the near future to introduce more competition with a view to lowering the charges does not seem to make too much economic sense.

On the other hand, we may still seek to increase the competitiveness of Hong Kong container terminals by focusing on the provision of integrated ancillary transport facilities. In fact, the costs of container transportation are connected with many different aspects such as land and sea forwarding as well as customs clearance. I hope that the Government can conduct a full-scale study on all these aspects and review all the segments involved. I also hope that a fair, prudent and innovative strategy can be formulated for the future development of the local logistics industry, so that it can really become one of the important underpinnings of the economy of Hong Kong and make more contribution.

Lastly, I hope that the motion debate today can focus on commerce and industry instead of delivering any message to the outside world that the Government intends to intervene in the free market.

Madam President, I so submit.

**MR HUI CHEUNG-CHING** (in Cantonese): Madam President, THC are one of the major costs of the local import and export trade. The THC in Hong Kong on average are higher than those in the United States, Canada and Europe by more than 30%. For a container shipped to the United States, the handling charges in Hong Kong are 60% higher than those in Taiwan, two to three times those in Singapore and South Korea and even two to four times those in the Mainland. In every Session over the past few years, this topic was brought up for discussion in the Legislative Council, but every time, the Government simply listened but did nothing.

The separation of THC and shipping charges can be dated back to the end of 1990. Initially, shipping companies levied a THC of \$600 for each TEU, and the handling charge rode on an upward trend in the first years after its introduction. By now, the THC of a container shipped to either Europe or the United States is well over \$2,000. The main reason for the present level of THC is the boom of the shipping industry years back. In particular, there was a drastic increase in the imports and exports of the Mainland following its opening; the number of containers to and from Taiwan was especially enormous, leading to an excessive demand for cargo ships. Shipping companies were thus able to increase their charges under the guise of THC. On the part of consignors, at the time of booming business, they would not mind any increase in charges. The boom of the shipping industry in the mid-1990 was unprecedented. Ship owners made huge investments in ship building, and the supply of cargo ships thus went up incessantly. The time from placing an order of ship construction to completion was shortened from three years originally to less than a year.

But economic development is after all constrained by its own cyclical nature. Following a period of rapid expansion, and also because of increasingly keen competition and the downturn of the global shipping industry since the mid-1990s, there is now an excessive supply of ships, and with all the surplus tonnage, the revenue of shipping companies from shipping charges have gone down very significantly. Some three years ago, the shipment of a container from Hong Kong to Bangkok could cost \$350, but this has since dropped continuously to some \$200 or even \$100. In contrast, the THC for a TEU also from Hong Kong to Bangkok is \$1,800, which is indeed completely disproportionate.

The extremely low shipping charges simply cannot enable shipping companies to meet their expenses on berthing, loading/unloading and fuel. So, shipping companies and their agents have become increasingly dependent on THC. Therefore, even though Hong Kong container terminal operators have lowered the container handling charges imposed on shipping companies by an average of 20% to 25% over the past five years, the latter have still stood firm with THC in the same period. The burden is therefore shifted onto consignors and mid-stream operators in the end. According to estimation, local import/export traders have had to shoulder an extra expenditure of \$5 billion in the past five years. This has seriously hindered the development of Hong Kong into a logistics centre in Asia.

I appreciate that shipping companies are now facing a very difficult business situation. But are not import/export merchants having the same problem? I am of the view that since the handling charges paid by shipping companies to terminal operators have kept on dropping in the past few years, shipping companies should in turn lower the relevant charges as much as possible, even though they may not be able to immediately lower the THC payable by consignors. Since they are all in the same boat, they should accommodate one another under the principle of mutual accommodation and benefit, so as to tide over the difficulties together.

It is undeniable that the high THC are in part attributable to the costs of land grants and construction years back, and also to the staff costs in Hong Kong. Businessmen have to make profits after incurring operating costs, so it is not at all easy for the Government to interfere. However, there are still some issues which warrant the Government's attention:

1. The number of terminal operators is small, so they enjoy *de facto* monopoly and tend to operate with very low transparency. This is one of the major problems with the logistics industry. The Government must gather and publicize their cost structures and establish a monitoring mechanism, so as to enhance the transparency and justifiability of charges. In particular, steps must be taken to prevent liner conferences from charging consignors more than the THC;

2. Studies should be conducted in conjunction with shipping companies to explore whether it is possible to reduce the THC for routes which are more profitable (such as those going to Europe, the United States, the Middle East and South Africa), so as to enhance consignors' competitiveness. When there are more cargoes from consignors, the business of shipping companies will naturally improve; and
3. A comprehensive review of the port development strategy should be conducted, with a view to bringing in competition. The review should cover the construction of new terminals, the introduction of new operators and modification of the mechanism on terminal development rights, so as to prevent terminal operators and shipping companies from maintaining terminal charges at high levels. In fact, on average of more than 100 cargo ships now visit Hong Kong every day, but there are only 18 berthing places in the entire territory. Does this not indicate that there are not enough container terminals in Hong Kong?

THC do not only involve the levels of charges imposed by private enterprises, but will also affect the development direction of the whole logistics industry in respect of the costs of container terminals, their number, mode of operation and even the role of mid-stream operation. The Government is obligated to work out an ultimate solution to the problem of charges. Madam President, I so submit.

**MR ABRAHAM SHEK:** Madam President, Victoria Harbour is one of the greatest assets in the development and prosperity of Hong Kong. Hong Kong has been able to serve as a middleman for China's foreign trade to the world by providing a sea conduit for its export goods. Today, Hong Kong's Kwai Chung port is the world's No. 1 port.

Our port operators are best known for their high standard of efficiency, as the average turnaround time for container vessels is less than 10 hours, and not many ports in the world can match this performance. However, it must be admitted that our charges are the highest in the world: The cost of shipping from Hong Kong is almost double that of Shenzhen and three times that of Shanghai.

I agree that the terminal handling charges (THC) in Hong Kong is expensive, but I do not agree that persistent high charges is the fault of the terminal operators. In fact, by looking at the amount of handling charges alone and suggest that the terminal operators are earning unscrupulously high profit is vastly unfair and misleading. To see the whole picture, we must look into the existing fee structure.

Shipping lines, apart from freight, in theory charge shippers on a cost-recovery basis to cover their payments to terminal operators for container handling and other related charges such as storage. Brokerage firm CLSA has recently pointed out in its analysis report, "Port, airports and bureaucrats — Restructuring Hong Kong and Guangdong", that shippers claim they are charged twice the actual charges. Why is there a price difference between the service provider on the one end and the customer on the other? The shipping lines are reluctant to explain the cause. They refuse to disclose the details of the basis of their freight charge and the THC, and regard such commercial information as highly confidential. Clearly, the terminal operators are not, as many assume, the culprits behind the high price issue. In fact, the terminal operators have been bringing down the unit cost of container handling in the past decade, to as much as 50%. The charges collected by shipping lines, however, have not sufficiently reflected this downward trend, for they continue to charge the shippers the same amount as they have done before, without reflecting the reduction. Again, the shippers are rightfully concerned whether they are being overcharged. The shippers are quoted as saying that they accuse the shipping lines "for disguising their charges as a cost-recovery mechanism to increase revenue at the expense of the shippers in light of weak freight rates".

The THC have been the subject of a long-standing battle among the three parties, namely the terminal operators, the shipping lines and the shippers. As the Government points out, this is a commercial issue. The container terminal of Hong Kong is fully funded, owned and managed by the private sector. The port operators have to reflect the full commercial costs of the business. The present charges merely reflect the demand and supply situation and the bargaining powers of the parties concerned. The Government should respect the market mechanism and must not intervene in the commercial issue of the sector. The issue should be best resolved by the sector itself through working out a better mechanism for the determination of shipping charges.

The relatively high THC has not reduced Hong Kong's competitiveness as is evidenced from the continued growth in exports from Hong Kong over the past decades. The fact proves that price is a factor, but definitely not the only factor, affecting shippers' decision on where to ship their goods. Obviously, customers are prepared to pay a premium for Hong Kong's efficiency, but, for how long?

Having said that, Hong Kong still needs to lower the cost of operation and charges for container handling in the face of increasingly fierce competition from other ports in the Mainland, especially following China's accession to the World Trade Organization (WTO).

It is expected that the WTO agreement would stimulate China's cargo growth, but at the same time, it would speed up customs reforms in the Mainland, which would strengthen the competition of ports in the Pearl River Delta. Hong Kong also has to compete with Shanghai ports over goods manufactured in the fast industrializing central and western parts of the Mainland.

Hong Kong must not play a passive role and remain unresponsive to these outside changes. The port operators must constantly seek to improve their efficiency, lower their cost of operation and, when necessary, adjust their charges to maintain their leading edge in the market. The terminal operators, as I said earlier, have done their part over the years. However, the shipping lines have not. They must follow suit and reduce the THC, so as to improve the competitiveness of our port in Hong Kong.

The only role of the Government in the port business should be to ensure the timely provision of port-related infrastructure in the face of the WTO challenge. It must improve and further expand the present cross-border rail, road and sea networks to strengthen the links with the Mainland.

The Government has proposed, without offering a definite completion timetable, to build a new Port Rail Line connecting Lo Wu to Kwai Chung. I urge the Government to launch this infrastructure project as soon as possible. The Port Rail Line, when completed, will greatly facilitate the movement of goods between Hong Kong and the Pearl River Delta. The Government should also speed up its own customs reforms to improve the cross-border movement of container trucks.

Madam President, the economic boom in the Mainland has created strong competitors for our port. Hong Kong may no longer enjoy the nearly monopolistic benefits as the only middleman for China's foreign trade. However, I believe that Hong Kong can still remain as a leading port city as long as we keep up our efforts in upgrading facilities and improving service quality. Thank you.

**MR SIN CHUNG-KAI** (in Cantonese): Madam President, the high THC affect the competitiveness of Hong Kong and we have already lost some freight business to the Yantian Port in Shenzhen. If Hong Kong wishes to maintain its leading position in the Pearl River Delta, the Government should really seriously tackle the problem of THC.

The Democratic Party supports the motion of Mr Kenneth TING and agrees that the Government should strive to have those charges reduced to a reasonable level. But what means can we employ? Mr Kenneth TING has not explained them in detail. It is definitely good for a study to be made and I also want to gain a better understanding of the specific data. Secretary Stephen IP was best at the employment of open statements in dealing with the problem of excessively high vehicle fuel charges or fuel charges in the past; but employed too often, such a tactic would have no effect. The oil companies just briefly responded when they were interviewed by reporters and increased fuel prices and went ahead with what they intended to do afterwards. It is actually inadvisable for the Government to frequently instruct or call upon commercial companies to adjust their prices. In other words, open statement is not a desirable approach. The Democratic Party is of the view that the fundamental problem lies in the existence of monopolization in some industries and a lack of adequate free competition, therefore, giving rise to unreasonable levels of charges. Introducing adequate competition and allowing the self-adjustment of prices should solve the problem.

There are indications that the shipping industry in Hong Kong appears to have become an oligopoly controlled and distorted by the trade associations. Let us take a look at container terminals. There are only four container terminal operators in Hong Kong and the two large container terminal operators controlled by Hutchison Whampoa, China Merchant and Swire occupy leading positions in the market. The four operators have also formed the Hong Kong Container Terminal Operators Association. So, there are very big financial incentives for the associations to engage in acts of collaborative price fixing.

It appears on the surface that there is adequate competition in the container terminal industry because there are 14 mid-stream operators in Hong Kong, the Tuen Mun River Trade Terminal and competition from the Yantian Port in Shenzhen. However, nine of the 14 mid-stream operators have formed a mid-stream operator association. Hutchison Whampoa controls two of these operators, and Swire, China Merchant, and so on, control two others. In other words, the four large consortiums also control the pricing policy for mid-stream operation. Hutchison Whampoa has acquired control of the River Trade Terminal and a controlling interest in the Yantian Port Terminal. Since the freight industry of Hong Kong is actually controlled by a few large groups, people cannot help doubting if there is adequate competition. Even though the business of the local port is gradually lost to terminals in the Mainland, for individual large consortiums, the difference only lies in the transfer of money from its left pocket to the right. But this has injured the interest of Hong Kong.

Shipping companies are naturally victims of the monopolized operation of container terminals. However, almost 70% of the shipping companies have formed the Hong Kong Liner Shipping Association. The Association has issued guidelines on THC and transferred the costs onto the consignors by directly collecting THC from them. In fact, the transparency of the collection of THC by shipping companies is extremely low, and the portion of such charges that goes to container terminal operators or mid-stream operators has never been disclosed.

For example, the Hong Kong Container Terminal Operators Association has indicated that it has reduced THC on shipping companies by 20% to 25% on average in the past five years, but the THC collected by shipping companies had not decreased during the same period. As a result, local importers and exporters have had to pay billions of dollars of additional costs per annum. Where has the money gone?

Owing to the manipulation by the associations, the THC of Hong Kong are the highest in the world and consignors, being mainly small and medium enterprises, have poured out endless grievances. Therefore, Mr Kenneth TING has moved this motion. Of course, consignors are not to be outdone. More than 70 associations and groups have formed the Shippers Association of Hong Kong to work out a counter-measure together. The Hong Kong Mid-Stream Operators Association collected surcharges from the Shippers Association and

shipping companies not long ago, but the two associations were unwilling to yield. In the end, the Mid-Stream Operators Association took advantage of container truck drivers who were the most disadvantaged. While large associations took advantage of small associations and small associations took advantage of even smaller associations, the victims were container truck drivers who were the weakest and most vulnerable. The competitiveness of Hong Kong has also been crippled.

The Hong Kong Logistics Development Council has been established to vigorously develop the logistics industry in Hong Kong. The major task of the Logistics Development Council is to improve and enhance the efficiency of cross-boundary customs clearance, extend the hours of opening of border crossings and implement the co-location of customs and immigration clearance, which affect the cross-boundary container haulage costs. However, it has not considered the problem of high THC yet.

The Democratic Party holds that we must start with competition if we wish to effectively and fundamentally solve the problem of THC. We hope that the Government will actively consider the introduction of more competition besides considering the fair competition law that the Democratic Party has always advocated. For instance, it can consider increasing the number of container terminals to bring in more competitors.

In fact, although Hong Kong ranks first in the world, that is, our port handles the largest number of containers, if calculated on the basis of the number of berths and the coastline of our container terminal, Hong Kong has the smallest container terminal in the world by comparison. Hong Kong is lagging far behind Rotterdam and Hamburg in terms of coastline and the number of berths. From this perspective, there is still room for further development. We discussed whether Container Terminal No. 9 should be constructed in Hong Kong between 1995 and 1997 and it was held at that time that the terminal ought to be constructed before 1997, otherwise, our port capacity would not be able to meet the demand. Owing to the development of the Disney theme park on Lantau, an alternative site was later found for the container terminal proposed to be constructed on the Lantau Island. At present, the Government has allowed the companies concerned to construct Container Terminal No. 9 in Tsing Yi but the construction of Container Terminal No. 10 has been shelved. Certainly, the pressure on the throughput of the existing container terminals can be substantially relieved when Container Terminal No. 9 is completed in 2004 or

2005. Nevertheless, in the long run, we should consider whether container terminals would attain full capacity by 2010. Should we start considering site search for Container Terminal No. 10? Extending the coastline of Hong Kong and increasing the number of berths can reduce the overall costs in the long run. I believe the work should be done by the Port Development Board or Shipping Development Board, and also by Secretary Stephen IP. This is one of the tasks of an accountability official and I hope the Secretary can show Hong Kong people some fruits of his work. Thank you, Madam President.

**DR LUI MING-WAH** (in Cantonese): Madam President, the container throughput of Hong Kong has rebounded and maintained sustained growth since April. It is estimated that there will be a growth of 5% this year at 18.69 million Twenty-foot Equivalent Units (TEUs), and Hong Kong will continue to rank the top in the world. However, given that our service charges are also the highest in the world, Hong Kong's status as the world's top container port is at stake. Coupled with the fact that this has pushed up the costs of imports and exports in Hong Kong, our competitiveness in the international market has thus been undermined. If the situation continues, it would indeed give cause for grave concern.

Container terminals in Hong Kong have long been a major container service hub in the region for their convenient locations, frequent shipping schedules and long-haul shipping routes, sound ancillary services, high efficiency in the handling of containers and adequate logistics support. The rapid growth in the container throughput of Hong Kong is attributed to the rapid economic growth as well as the increasingly busy import and export activities in southern China. According to the estimations of the Guangdong Provincial Planning Commission, judging from the trend of future economic development in the Pearl River Delta Region, the container throughput in the region will reach 40 million TEUs by 2020. With the cargoes from southern and southwestern China, Hong Kong still stand a chance of maintaining its status as the world's top container port in the next 20 years.

But behind this optimistic projection, we see yet another picture. First, with the gradual improvement of port facilities in the Mainland, the status of Hong Kong as an entreport is being challenged. According to studies conducted by Goldman Sachs Securities, 55% of export trade in the Mainland was handled

through the port of Hong Kong five years ago, but the figure has dropped to less than 35% this year.

Second, the THC of Hong Kong are very expensive. Take a 20-foot container or a TEU as an example. The THC of each such container are US\$270 at terminals in Hong Kong; those at ports in Shenzhen are about US\$140, whereas Shanghai charges only some US\$60. Besides, these charges in Hong Kong also double those of Taiwan, and are 1.5 times those of Singapore and three times those of Korea.

I agree that under the principle of respecting commercial operation, the Government should not force container terminal operators to reduce their service charges. But as a responsible government, it cannot lose sight of the objective reality that the level of charges has adversely affected the business environment of Hong Kong. I wish to point out that the majority of small and medium-sized enterprises (SMEs) in Hong Kong have, in recent years, suffered a great deal from a recession of the Hong Kong economy and the global economic downswing. Their competitiveness in the international market has continued to shrink and their marginal profits have dropped continuously, and it is impossible for them to continue to bear the exorbitant THC. If the Government allows this situation to persist, it will definitely add to the burden of local manufacturers and exporters and may lead to more downsizing and retrenchment, in which case employees and the community at large would be affected, not to mention the fact that the factories of Hong Kong businessmen in the Mainland may turn to mainland ports for the import and export of goods.

Indeed, the prevalence of a deflation for successive years has drastically brought down the operational costs of container terminal companies and therefore, there is room for a downward adjustment of their service charges. I hope that the container terminal companies can attach importance to the overall interest of the community and ride out the storm with the people together by making appropriate adjustment to their service charges. Earlier on the Government has expressed its concern to public transport operators on the high level of fares. I hope the Government can similarly extend its concern to cover the many SMEs and take the initiative to negotiate with container terminal companies on their charges.

Madam President, THC aside, the Government should also simplify the double customs clearance procedures for goods being transported to and from

Hong Kong and Shenzhen, with a view to improving the operational efficiency and enhancing the competitiveness of the logistics industry. Otherwise, this would have an adverse impact on our economic development in the long run. The Government must address this squarely.

Thank you.

**MS MIRIAM LAU** (in Cantonese): Madam President, the contention over the THC has persisted for a few years, and this is not the first time this issue is discussed in this Chamber. Despite repeated discussions, the problem remains unresolved. The reason is that THC are actually a complex issue involving a great many aspects.

THC are determined by the international liner conferences or "agreements" formed among shipping companies after discussion. The decision is binding on all members.

An indisputable reality is that the THC of Hong Kong are higher than those in other regions. According to the information of the Shippers' Association of Hong Kong, in August this year, the THC in Hong Kong were still the highest in Asia. Take a 40-foot container exported to the United States as an example. The THC for it are \$2,855 in Hong Kong; \$2,087 in Shenzhen; \$1,589 in Taiwan; and \$1,170 in Singapore.

As these THC determined by international organizations are binding, it is indeed difficult for Hong Kong to alter these charges unilaterally. Shipping companies dare not go against these charges as agreed by the international liner conferences. Some said that the shipping companies may just be unwilling to violate the agreement, not that they cannot do so. But to cite a shippers' jargon, nobody would dare to "pull down the block". Shipping companies are in fact the clients of container terminals and they certainly have no right to meddle in this. The shipping companies only have to pay for the THC and they can then bill their customers. But I think even if it is possible to adjust the THC, to what extent can they be adjusted? To what extent can they be adjusted downward? I think the rate of adjustment can be very limited.

As we all know, container terminals in Hong Kong are different from those in the region or even outside the region. On the one hand, all container

terminals in Hong Kong are built and managed by private companies that made the requisite investments. Terminal operators are not given any government subsidies at all. If we look at Shenzhen, we will find that container terminal investors in Shenzhen basically have to shoulder the terminal construction cost only, without having to pay for a high land premium. So, if we are thinking to compete with Shenzhen in terms of pricing and set charges at a level lower than that in Shenzhen, I would not consider this a wise move to make. It is because if Hong Kong can lower the charges, Shenzhen can also lower theirs to an even greater extent. Hong Kong would anyhow be put in a disadvantageous position.

Although the THC in Hong Kong are higher than those in Shenzhen, I hope the consignors can understand that Hong Kong has managed to remain competitive in recent years because the trucking cost has been adjusted downwards in recent years, and this has substantially narrowed the gap between Hong Kong and Shenzhen in terms of the transportation cost. For example, according to the Hong Kong Port Cargo Forecasts 2000-01, the cost of transporting a 40-foot container by container truck from Dongguan to Kwai Chung Container Terminal has been reduced from more than HK\$5,000 in 1995 to the present level of HK\$4,000. If the THC and other charges are also factored in, the total transportation cost payable by the consignor and the consignee are only US\$150 more than shipping via Shenzhen. We must not lose sight of the fact that although the THC in Hong Kong are more expensive than those in Shenzhen, the transportation cost in Shenzhen is higher than that in Hong Kong. So, if we add everything up, the cost differential between Hong Kong and Shenzhen is not very big indeed. As far as I understand it, the trucking cost for bringing a 40-foot container from Dongguan to Kwai Chung Container Terminal has further come down to around \$3,500 recently. In other words, the cost differential between the two places has been further narrowed down.

If land transportation is still considered expensive and not a preferred option, then there is also the choice of sea transport. For cargoes in the western part of the Pearl River Delta Region, the actual transportation cost by barge to Hong Kong for export is lower than exporting the goods via Shenzhen. According to the Hong Kong Port Cargo Forecasts 2000-01, the cost of bringing a 40-foot container from Zhuhai to Hong Kong by barge for export to the United States is US\$260 less than the cost of transporting it to the Yantian Port in Shenzhen by container truck.

Therefore, apart from continuously paying attention to the THC, we should also focus on the promotion of sea transport. Consignors can promote this less expensive means of transportation to overseas buyers. As for land transportation, as the Chief Executive has said recently, to maintain our advantages in logistics, the Administration will actively work to reduce the operational cost of the logistics industry and particularly, steps will be taken to ease the congestion of cross-boundary traffic at Lo Wu and Lok Ma Chau in order to facilitate smoother cargo and passenger flows. I welcome this move by the Government. But the fact is that the operational cost of the industry can be reduced by a very limited extent. If the Government wishes to reduce substantially the land transportation cost, it must provide adequate and easily accessible back-up sites so that the trucks can make a few trips more. Also, it must seriously implement arrangements to allow trucks to cross the border at night so that the resources of the trucks can be fully utilized.

As I said at the outset, the THC are a very complex commercial issue that cannot be resolved by any of the affected parties alone. Nor can it be resolved by the Hong Kong Government alone. That said, we cannot allow ourselves to be entangled in this issue permanently. We must find a solution to it. Therefore, I hope that the Government can act as a co-ordinator to facilitate negotiations among all relevant parties in order to find ways to adjust the THC to a level acceptable to all. Meanwhile, the Government must adopt more strategies and measures to consolidate the strengths of Hong Kong, so that even though the THC in Hong Kong may be on the high side, buyers will still find us attractive and will be willing to transport their goods from the Mainland to Hong Kong for export.

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

**DR RAYMOND HO** (in Cantonese): Madam President, the Hong Kong economy has been on the decline since the financial turmoil of 1997. The occasional punctuations of growth during the period have been short-lived. Economic conditions deteriorated in the wake of the September 11 attack. Trades and industries are all racking their brains to find living space. To this end, cutting costs is their major means of survival. Recently, there are people in the trade who think that the high handling charges at the container terminals and high costs are eroding their competitive edge as well as that of Hong Kong. As this has a bearing on the Hong Kong economy, these people are demanding

that THC be reduced. Their request is understandable, even though I believe there exists some sort of automatic adjustment mechanism in each trade and industry to adjust itself to competition and needs in the market.

In fact, the success of any company would hinge not merely on costs alone, but also on other factors, for example, the originality of the products, the quality of the employees and the management, their relationship with the clients, and so on. The role played by the Government is also very important, such as the maintenance of a stable political climate, a clear-cut economic policy, good business environment and sound infrastructure, and so on. It is true that infrastructure facilities can promote the development of container terminals, as well as the transportation, logistics and import and export industries.

Likewise, if THC are too high, they will definitely undermine our competitive edge and in the long run produce an adverse impact on Hong Kong. What the Government should do is to conduct extensive consultations, collect more information, and study in what ways will THC affect the development of the container industry in Hong Kong, with a view to enabling such charges to be adjusted to an acceptable level. This is really a pressing task. In the past and with great efforts made, Hong Kong managed to surpass New York, Rotterdam and Singapore and became the busiest container port in the world. We should value this leading position. For this reason, I hope the Government would play a vital role in maintaining our edge.

Madam President, I so submit. Thank you.

**MR CHAN KAM-LAM** (in Cantonese): Madam President, container terminals in Hong Kong are together renowned as one of the most efficient port in the world. But they are also criticized as the port where charges are among the highest in the world. To ascertain whether the THC of Hong Kong are excessively high, the most direct and objective way is to draw a comparison with our major competitors in the region, namely, Singapore, Shenzhen and Taiwan. For a 40-foot container to be exported to Europe or Australia, the THC in Hong Kong cost US\$355 last year, which were about 1.5 times those of Shenzhen, Taiwan and Singapore. Under the present economic conditions, exporters have to be extremely prudent in spending one single cent on freight transport. To maintain Hong Kong's position as the freight transport centre in the region, we

must endeavour to maintain our services at a standard higher than that of others, rather than maintaining their charges at a level higher than that of others.

Indeed, our competitors in the region are already aware of the development in the market. They understand that business does not come easy and in order to survive, they must work hard to keep their clients by price and service, and at the same time seize the market share of neighbouring ports. Competition in the port business in the region has become increasingly keen. Evergreen Marine Corp. of Taiwan announced earlier their complete withdrawal from the port of Singapore to the port of Malaysia, saying that while the Malaysian port has yet reached mature development, the THC there were just one third or even half of those in Singapore. Besides, Maersk Sealand also relocated their cargo exports to Malaysia a year or so ago due to the high charges in Singapore. Having lost two major clients, the PSA Corporation Limited of Singapore finally had to give up its principle of not lowering their charges by, among other things, offering a 50% discount for the handling of empty containers and a 10% rebate on the THC. This shows that the port business must show flexibility in pricing in order to adapt to the present competition environment. Otherwise, it would be very difficult to compete in the market however good the quality of the port services is and however effective the services are.

The withdrawal of Evergreen Marine Corp. from the port of Singapore is a result of Singapore having been oblivious to the threats from its neighbours. This incident is precisely a warning to Hong Kong, reminding us that the port of Hong Kong is facing threats similar to those faced by Singapore. Despite a 8% growth in Hong Kong's port cargo throughput in the second quarter, the neighbouring Shenzhen ports recorded a growth of over 50% in the first half of the year, with their container throughput even exceeding the handling capacity originally estimated. This shows that ports in Shenzhen are growing at a really fast speed. Many exporters and importers have also said frankly that a lower level of charges is the main reason why they have switched to Shenzhen ports. Based on the experience of Singapore, if Hong Kong still does not lower its THC to keep its clients before the Shenzhen ports can catch up in terms of operational efficiency, and if remedies are made only after the major clients are gone, then we would need to make a lot more effort to pull them back to us. Singapore is precisely a good example.

To enhance the competitiveness of container terminals in Hong Kong, we should analyse our existing strengths and weaknesses. The port of Hong Kong has all along been renowned for its high quality, high efficiency and high degree of flexibility. The Government of the Hong Kong Special Administrative Region (SAR) must make the utmost effort to maintain these strengths which are the key to success and at the same time provide support in its policies by, for example, providing more berths at container terminals based on the forecast on future demand to promote the development of the container terminal industry. Shenzhen plans to increase the number of berths from 10 at present to 32 in the next 10 years and increase their handling capacity from 3.2 million TEUs to 10.9 million TEUs. This has fully demonstrated the support provided by the Central Government for the development of the port industry in Shenzhen. But let us take a look at Hong Kong. Container Terminal No. 9 to be commissioned next year will provide six new berths and increase the handling capacity from 11.4 million TEUs to 14 million TEUs by 2004. But other than this, we may have to wait until 2010 to have two additional berths. It appears that Hong Kong is not as resolute as Shenzhen in its promotional efforts to take the container industry forward. The SAR Government should adopt a more active attitude to boost the confidence of the industry and encourage investment.

Other than the need to adjust THC, the land transport network also requires improvement as a matter of urgency. We must bear in mind that the development of logistics requires co-ordination of sea, land and air transport. Failure of any sector to operate smoothly would affect the other two sectors; and among the three sectors, sea and land are particularly closely related. Congestion of cross-boundary container trucks at Lok Ma Chau and Man Kam To has long been a knot that has yet been untied. It has directly reduced the cargo handling capacity at land crossings and handicapped the operational efficiency of the logistics industry as a whole. Therefore, in order to actively develop the logistics industry, it is imperative for Hong Kong to improve the road networks and minimize the clearance time required for container trucks travelling between Hong Kong and Shenzhen. On clearance arrangements, the SAR Government should implement round-the-clock operation at border checkpoints and liaise with the Shenzhen authorities on issues relating to immigration and customs clearance. It should seriously study the relevant proposals, so as to allow laden container trucks to cross the border at night when necessary, without having to wait until the next day to complete the clearance procedures. This can effectively reduce the workload at control points during daytime. I heard the other day that the two clearance procedures would be conducted as one at control points in Hong Kong, which means the customs and

immigration procedures would be conducted at the same time rather than separately, and this can save some time indeed. In the long term, the SAR Government must seriously consider the need for a third control point in the light of considerable increase in the throughput of cross-boundary container trucks in future.

Madam President, I so submit.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, I do not know much about ports, shipping and the logistics industry, but I believe even people outside the sector should be concerned about whether this industry, which vitally affects our economy, can develop in a healthy manner.

In any case, it is undeniable that the THC of our port are the highest in the Asian region, as many colleagues have just pointed out. In comparison with our major competitors in the region such as Singapore, our THC are more than double those of Singapore. They are also more than thrice those of South Korea, another dragon among the Four Little Dragons in Asia.

As far as I have noticed, when the SAR Government recently responded to the problem of high THC of Hong Kong, it said that the levels of charges of the container terminals in Hong Kong and Shenzhen were narrowing. Nevertheless, the fact that the THC of Shenzhen are the second highest in the Asian region, second only to Hong Kong, precisely reflects that the levels of charges in Hong Kong and Shenzhen are unreasonably high. In fact, the THC of Shanghai, also in China, are only one third of those of Shenzhen. Evidently, there is something wrong with the charges of Shenzhen.

I am not sure about the opinion of the SAR Government. Does it think that it is fine for Hong Kong and Shenzhen to lift the levels of charges together so long as the levels of THC of Hong Kong and Shenzhen in the vicinity are more or less the same? Of course, the trend for the direct export of cargoes in the Pearl River Delta Region from the port in Shenzhen instead of via Hong Kong will be slowed down by lifting the level of THC of Shenzhen as well. Nevertheless, lifting the THC of the adjacent regions will only undermine the competitiveness of Hong Kong in the long run and there will evidently be more negative than positive effects on the long-term economic development of Hong Kong and the entire Pearl River Delta.

Quite a number of colleagues have just expressed different views on the causes of the persistently high THC of Hong Kong. In any case, I wish to ask a few questions about this fact. Has the container terminal industry been monopolized? Has there been violation of the principle of fair competition? There has all along been considerable controversy in the community over these questions.

At present, the major group operating container terminals in Hong Kong has concurrently participated in China-Hong Kong terminal and river trade terminal services as well as the port business in Shenzhen. Last year, the group made profits of approximately \$5.8 billion from port and related services, but if calculated on the basis of the rate of profits, the money-making ability of port and related services is still the highest among all the businesses of the group.

Of course, making high profits does not necessarily mean monopolization but if this industry which significantly affects our economy is not regulated by any fair competition law, I believe we can hardly account for this to the public and the international community.

We support making a fair competition law and we think legislation for regulating THC and monitoring by a relevant authority is necessary. Moreover, there should be expeditious downward adjustment of such charges to reduce the operating costs of shippers and enhance the competitiveness of Hong Kong. The current situation is undesirable. At present, prices remain high as a result of monopolization and enterprises are forced to take advantage of the wages of wage earners. While those who monopolize make generous profits, the disadvantaged have to endure the pain. The Government has all along been concerned about the competitiveness of Hong Kong, but monopolization is actually a hard fact that will affect the competitiveness of Hong Kong. The Government should not willingly act like an ostrich just because it fears offending the large consortiums, showing total disregard for the overall economic development of Hong Kong. An ostrich policy is not the best solution and is actually unacceptable. I urge the Government to face the reality and expeditiously deal with these strange phenomena that affect the competitiveness of various trades and industries in Hong Kong.

Madam President, I so submit.

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

(No Member responded)

**SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR** (in Cantonese): To start with, Madam President, I would like to thank Mr Kenneth TING and those Members who have spoken on the THC issue for their valuable opinions.

I believe Members will agree that the issue is very complicated, after listening to the speeches delivered by Members earlier. This is because Members representing different interests have expressed a variety of views on the issue. While some Members asked for more government intervention, many urged the Government to do less and respect market force, and not to intervene in the market.

The THC issue has been repeatedly discussed in meetings of the Panel on Economic Services. I believe Members are aware that, over the past several years, consultation has been held between the Government, liner conferences, and consignors, with a view to enhancing the transparency of the determination of THC, and improving consultation with consignors on the determination of THC by shipping companies. At the meeting held by the Panel on Economic Services in May 1999, Members were briefed on the results of consultation between the Government and the Hong Kong Liner Shipping Association, the Hong Kong Shippers' Council and container terminal operators. The Hong Kong Liner Shipping Association agreed at the time to freeze the THC level for one year. Today, the THC level remains the same as it was four years ago, and no increase has been made ever since.

The Panel on Economic Services was repeatedly briefed on the progress in this area over the past three years. For instance, the Hong Kong Liner Shipping Association agreed to extend the notification period for adjustment to THC from 30 days to 45 days, and further to 60 days subsequently. Furthermore, the Association agreed to submit the cost components of the THC to the Hong Kong Shippers' Council. Last year, Members were briefed on the *modus operandi* of Hong Kong container terminals, port facilities, and the situation of competition. I am not going to elaborate on this since a number of Members have done it earlier.

Stable shipping services are of paramount importance to global trade. Shipping companies operating key trading routes will therefore set up liner conferences or similar rate discussion agreement organizations to determine the freight rates and THC. The practice of jointly determining the freight rates and THC by shipping companies was originally intended to stabilize the global shipping market and prevent freight rates from fluctuating excessively for global trade will be jeopardized as a result.

At present, major liner conferences and rate discussion agreement organizations include the Far Eastern Freight Conference, the Transpacific Stabilisation Agreement, and the Intra-Asia Discussion Agreement. The main difference between these two major types of organizations is that the freight rates and THC determined by liner conferences are theoretically binding on their members, while the rate discussion agreement organizations merely advise on the freight rates and THC. Individual members may, with reference to the proposed freight rates and THC, determine the actual charges with their clients.

I would like to point out that approximately 45% of shipping companies are not members of the liner conferences or rate discussion agreement organizations. In determining freight rates, these companies will often make reference to the charges determined or proposed by the liner conferences or rate discussion agreement organizations. Yet, to a certain extent, competition still exists between liner conference members and non-members.

Theoretically, the freight rates and THC determined by liner conferences are binding. Owing to keen competition in the international shipping markets, however, the actual freight rates and THC payable by consignors are often determined after bargaining between consignors and shipping companies. The actual charges basically reflect supply and demand, as well as the bargaining power of the two parties. The THC were levied in 1990 and have since been raised year-on-year until 1998.

Exorbitant THC will certainly have a certain degree of influence on the competitive edge of our ports. However, we must note that there are other transportation costs, apart from the THC. Let me quote a 40-foot container to be exported from Dongguan to the west coast of the United States via Kwai Chung port as an example. The THC thus incurred only represent 10.6% of the overall cost. Actually, the THC represent only a small fraction, approximately 0.9%, of the total export value of containers. Compared with our neighbouring

ports, such as the ports in Shenzhen, the THC plus land transport charges levied in Hong Kong are indeed high. However, as pointed out by Ms Miriam LAU earlier, cheaper alternatives are available. For instance, goods from the west bank of the Pearl River Delta can be shipped to Hong Kong by barge for export. The cost-effectiveness thus yielded will be higher than having the goods shipped to the Yantian port, Shenzhen on land. In brief, there are always alternatives.

The first and foremost task of the Government is to further enhance the competitive edge of the Hong Kong port. A series of measures are now under consideration. They include expanding the cargo handling capacity of land crossings, extending the operation hours for cross-boundary clearance, improving the customs and immigration procedures, and so on. In the long run, Container Terminal No. 9, now under construction, and the proposed Shenzhen Western Corridor can help enhance the competitive edge of Hong Kong port. I would like to point out that, upon the completion of the six berths at Container Terminal No. 9 in a couple of years, the territory will be able to store 2.6 million additional TEUs. A study, scheduled to be completed next year, is now being undertaken on the necessity to construct Container Terminal No. 10. I believe Mr SIN Chung-kai will agree that we are quite aggressive. In addition, Hong Kong still enjoys an edge with respect to certain non-cost factors. Such edges as being a free port, simple, speedy and reliable customs clearance procedures, and more frequent sailings are important factors to be considered by consignors when choosing Hong Kong as the place for loading/unloading their cargoes.

With each crane being capable of handling 33 containers per hour on average, Hong Kong container terminals are more efficient when compared with container terminals elsewhere. They are also extremely flexible in handling container shipment. In cases of urgent delivery, containers can be loaded on board as long as they reach the container terminal three hours before the departure of the ship. Hong Kong's efficient and flexible operation allows both consignors and shipping companies to achieve the "just in time" target.

As an international shipping hub, there are 80 or so international liner companies in Hong Kong, where approximately 400 container lines depart weekly to more than 500 destinations in the world. Hong Kong also acts as the gateway to the Mainland, providing regular connecting services with all coastal ports on the Mainland. Every day, more than 12 000 TEUs of goods are hauled between Hong Kong and the Mainland by sea, and 12 000 or so container trucks travel between the two places.

As regards the feasibility of regulating the THC by means of regulation, we must first understand that levying the THC proposed by the liner conferences and rate discussion agreement organizations is an international practice, despite the fact that some economies have had their own competition legislation. Such competition laws were mentioned by Members earlier on in the debate. However, the THC are not directly regulated by such law. Even in the United States, agreements reached on the THC are not governed by the country's competition law. The present mechanism for determining the THC is based on the international practice. It is strictly a commercial matter between consignors and shipping companies. The Government does not consider legislation an appropriate way of dealing with the matter. Concerning the controversies over this matter, I believe Members are well aware that Hong Kong container terminals are wholly built, owned and managed by the private sector. Neither has the Government directly or indirectly made investment nor taken part in management. This is a far cry from the practice in other places. For these reasons, we cannot draw a direct comparison between the costs of operating port business in Hong Kong and those in places elsewhere in the world.

As an intermediary, the Economic Development and Labour Bureau has always endeavoured to induce the relevant parties to seek solutions through dialogue, enhance the transparency of the charge determination process through consultation, and to improve the market's consultative mechanism. I hope Members share my view that it is inappropriate for the Government to intervene in international commercial business arrangements. In our opinion, the market should be allowed to operate freely before the best competition environment can be created and maintained. The Government should not determine, on behalf of the market, the so-called reasonable THC. Likewise, we will not, on behalf of the market, determine air cargo charges, shipping charges or the prices agreed between consignors and buyers on individual commercial transactions.

The Hong Kong Shippers' Council has, in the light of the claims made by the container terminal operators that the THC have been lowered, written to various liner conferences and asked them to lower the THC. I fully appreciate Members' wish that the THC can be adjusted downward. Like Honourable Members, I hope our port can be more competitive. We will pay close attention to the developments of the matter and help arrange meetings for the representatives of the relevant organizations.

Under the principle of respecting market force — a lot of Members made the same request to the Government earlier too — I hope we can, through strengthening communication and consultation, identify a solution acceptable to all parties with respect to the THC issue. I also hope we can find out who should be blamed for the persistently high THC through similar meetings with shipping companies and terminal operators. It is unfair that a Member accused the Government of watching indifferently. Although I have not had dinner, I can still not swallow this "dead cat" (*laughter*). Under the arrangements made by my colleagues and me, a number of meetings have been held to allow all relevant parties to sit down and discuss. Actually, the discussions have helped enhance transparency and strengthen the exchange of information. I hope we can exchange our ideas more often in future. I will also be pleased to continue to serve as the link and play the role of a co-ordinator, with a view to identifying solutions to the problem through the holding of more meetings.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr Kenneth TING, you may now reply. You still have four minutes.

**MR KENNETH TING** (in Cantonese): Madam President, although this topic has been debated in this Chamber for many times, I believe more and more Honourable Members would agree that the THC are really too expensive.

Some people may say that matters concerning the THC are really a commercial decision between consignors and shipping companies and so it would not be appropriate for the Government and the Legislative Council to intervene. But I must point out that this argument is really trying to confuse and mislead the public as well as Honourable Members. If Members have a friend who is in the import and export business, please ask him whether there is a company which can bargain with the shipping company on the level of THC. Has any shipping company lowered the THC paid by factories in Hong Kong? I must point out that no room at all for bargaining is given to Hong Kong factory owners who enter into an agreement with the shipping companies, for the THC are compulsory. We are compelled to pay the most expensive THC to the shipping companies. If we fail to pay the THC, we cannot unload our goods and we would not be able to get any purchase orders. In other words, the THC are not

a commercial decision. As factory owners in Hong Kong do not have any bargaining power and that what the SAR Government has done has been only minimal, the shipping companies just set their charges unilaterally. The SAR Government should therefore stop standing aloof and justify itself by presenting some unrealistic arguments in this matter of the THC because the level charged is really unreasonable.

Madam President, the THC in Hong Kong are the most expensive in the world and this is an indisputable fact. In the face of a high jobless rate of 7.6% and the huge deficit of some \$60 billion for this year as predicted, the Federation of Hong Kong Industries is of the view that the Government should resort to promoting the development of trade and industries in order to ease the unemployment and the deficit problems. The THC should be revised downwards. There is a proverb in English which says, "If there is a will, there is a way." The Government should not say on the one hand that the business environment should be improved and that our competitive edge should be enhanced, while on the other it is dodging the issue of the THC. I hope the Government would listen to the views presented by the Federation of Hong Kong Industries as well as those of Honourable colleagues and take immediate action to tackle the THC problem. Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Kenneth TING 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 passed.

**NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday 23 October 2002.

*Adjourned accordingly at eleven minutes to Ten o'clock.*