

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 23 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 ERIC LI KA-CHEUNG, J.P.

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

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

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

THE HONOURABLE NG LEUNG-SING, J.P.

THE HONOURABLE MARGARET NG

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

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE BERNARD CHAN, J.P.

THE HONOURABLE CHAN KAM-LAM, J.P.

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

THE HONOURABLE 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 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 LI FUNG-YING, J.P.

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

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

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

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

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

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

THE HONOURABLE MA FUNG-KWOK, J.P.

MEMBERS ABSENT:

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

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE ABRAHAM SHEK LAI-HIM, 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

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

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

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

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

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>
Road Traffic (Construction and Maintenance of Vehicles) (Amendment) (No. 2) Regulation 2002	147/2002
Road Traffic (Safety Equipment) (Amendment) Regulation 2002	148/2002
Employees Retraining Ordinance (Amendment of Schedule 2) Notice 2002	149/2002
Airport Authority (Permitted Airport-related Activities) Order (L.N. 127 of 2002) (Commencement) Notice 2002.....	150/2002

Other Papers

- No. 6 — The Land Registry Trading Fund Hong Kong Annual Report 2001-02
- No. 7 — Report of changes to the approved Estimates of Expenditure approved during the first quarter of 2002-03 (Public Finance Ordinance : Section 8)
- No. 8 — Report by the Trustee of the Prisoners' Education Trust Fund for the period from 1 April 2001 to 31 March 2002
- No. 9 — Report on the Administration of the Immigration Service Welfare Fund prepared by the Director of Immigration Incorporated in accordance with Regulation 12(b) of the Immigration Service (Welfare Fund) Regulation
- No. 10 — Office of the Telecommunications Authority Trading Fund Report 2001-2002

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. First question.

Taking out Fire Insurance for Mortgaged Properties

1. **MR MA FUNG-KWOK** (in Cantonese): *Madam President, at present, banks stipulate in property mortgage loan agreements that the mortgagors must take out fire insurance for the property concerned. It is learnt that some banks require the insured amount to be equal to the initial loan value, instead of the cost of reinstating the property in the event of fire (reinstating cost), which is usually lower in amount; while some other banks charge mortgagors extra administration and valuation fees if they choose the reinstating cost as the insured amount. In this connection, will the Government inform this Council whether:*

- (a) *it knows the current number of fire insurance policies taken out for mortgaged properties, together with a breakdown by cases where the insured amount is equal respectively to the initial loan value, the reinstating cost or other amounts such as the market value of the properties, as well as the number of fire insurance policies in respect of which the insured amount is equal to the initial loan value and higher than the reinstating cost;*
- (b) *it has assessed if the amount which the banks charge mortgagors as extra administration and valuation fees for choosing the reinstating cost as the insured amount for fire risk is reasonable; if so, of the assessment results; and*
- (c) *it has assessed if the existing legislation and the Code of Banking Practice (the Code) are adequate to protect the rights of mortgagors in the choice of the insured amount when taking out fire insurance for their properties, if it is assessed to be adequate, of the justifications; and whether it will consider formulating measures to better protect consumers' rights in this regard; if so, of the details?*

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

- (a) Regarding the data requested in part (a) of the main question, we do not have the official statistics on the current number of fire insurance policies taken out for mortgaged properties. The Hong Kong Monetary Authority (HKMA) has therefore undertaken a quick survey of four major retail banks active in the residential mortgage loan business and these four banks accounted for 56% of the market share.

The four banks do not have readily available information which would give detailed breakdown of the number of policies into the categories as requested in the question. However, they did provide estimates on the proportion of their fire insurance policies with insured amount based on initial loan amount and reinstatement cost. The average proportion is that 54% of the policy is based on the loan amount and 46% on the reinstatement cost. These banks do not use other criteria, for example, the market value of the property for determining the amount to be insured.

Again the four banks do not have readily available information on the number of loan amount-based policies in respect of which the insured amount is higher than the reinstatement cost. But one surveyed bank estimated that the reinstatement cost is normally within 50% to 65% of the current market value of the property. Given that the average loan-to-value ratio of new residential mortgage loans drawn down in August 2002 was about 67%, the difference in the insured amount between the two plans (that is, the plan based on loan amount and the plan based on reinstatement cost) should generally not be too significant.

- (b) Let me now turn to part (b) of the main question. As I mentioned above, customers who take out fire insurance based on the reinstatement cost usually have to pay an annual valuation fee to an approved valuer. Customers can negotiate the fee with approved valuers of the bank. The amount that would typically be charged by an approved valuer of the bank would be about \$1,000. All of

the surveyed banks do not impose any other administrative fees in relation to reinstatement cost plans.

We have not assessed whether the amount of valuation fees is reasonable or not. However, the authorized institutions (AIs) are expected to be transparent about the fees and charges in relation to the products and services they offer so as to enable consumers to make their decision on an informed basis. In this connection, section 20.6 of the Code already requires that AIs should inform customers of any extra costs or fees involved in different options for determining fire insurance cover. We believe that customers have the necessary information to make a reasonable choice.

- (c) On part (c) of the main question. Under section 20.6 of the Code, AIs should:
- (i) ensure that the amount and nature of risks to be insured for properties should be reasonable;
 - (ii) provide customers with an option to choose whether the insured amount should be based on the loan value or the cost of reinstating the property; and
 - (iii) inform customers of any extra costs or fees involved (for example, annual valuation fees for the latter option).

Furthermore, section 20.3 of the Code requires that the coverage of the approved list of insurers of AIs should be sufficiently wide to allow customers to make a choice. The list should also include insurers which are not related to the institution.

We believe that these provisions are adequate to ensure sufficient choice by customers over the type of insurance policies and competition among insurers as well as sufficient transparency about the costs of services provided by AIs. The HKMA will continue to monitor the effectiveness of the operation of these provisions.

MR MA FUNG-KWOK (in Cantonese): *Madam President, as mentioned by the Government in part (a) of the main reply, the information provided by several banks shows that the difference in the insured amount between plans based respectively on loan amount and reinstatement cost should generally not be too significant. However, according to a survey, the fact is that the difference between the two figures is very great, and that the difference between the computed insurance premiums is also very substantial. Apart from referring to the data provided by banks, will the Government conduct any independent assessment before making a conclusion?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Thanks to Mr MA Fung-kwok for his supplementary question. Madam President, in this connection, the Government understands that banks think that it is simpler to require customers to take out insurance based on the loan amount, and that there is not much difference between a plan based on the loan amount and one based on the reinstatement cost. However, as I said earlier, customers do have a choice. They can choose either to take out an insurance policy based on the loan amount or to take out one based on the reinstatement cost. As far as I understand it, there is not much difference between the two. But the Government has no intention to formulate any policy in this respect.

PRESIDENT (in Cantonese): Mr MA Fung-kwok, has your supplementary question not been answered?

MR MA FUNG-KWOK (in Cantonese): *Madam President, I was saying that as indicated by some statistics, there was a difference of as much as 100% between the two. In view of this, why does the Government not consider taking follow-up actions to see whether the data provided by banks are really accurate? I hope the Government can respond to this.*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Thank you, Mr MA Fung-kwok. Madam President, the statistics provided by banks show that the reinstatement cost is generally within 50% to

65% of the prevalent market value of the property while the average loan-to-value ratio of building mortgage loans is about 67%. Therefore, the difference in the computed amounts is not very significant. However, since Mr MA Fung-kwok has made such a suggestion, I would ask the HKMA to look into the situation.

MR FRED LI (in Cantonese): *Madam President, it was said in the main reply that at present, banks do not set the insured amount on the basis of the market value of properties. Madam President, if we buy a car and choose to pay in instalments, then the annual insured amount will be determined on the basis of the latest prevalent market value of the car instead of the initial loan amount. Why should the insured amount for properties be determined on the basis of the initial loan amount? Why should a different rationale be applied? Is this unfair to consumers? Has the Government looked into this point?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, the question today is related to property mortgages. Insurance on property mortgages covers reinstatement cost of the land itself and that of the interior of properties. Therefore, it seems quite unreasonable to compare property mortgages with car loans.

MR HENRY WU (in Cantonese): *Madam President, it was mentioned in part (c) of the main reply that "section 20.3 of the Code requires that the coverage of the approved list of insurers of AIs should be sufficiently wide to allow customers to make a choice". However, in reality, banks do not provide customers with the relevant information. Will the Government inform this Council how the HKMA or the relevant authorities can ensure that banks will provide customers with such information upon policy renewal to facilitate their making of choice?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): I would like to thank Mr Henry WU for his supplementary question. Madam President, section 20.3 of the Code requires that "the coverage of the approved list of insurers of AIs should be sufficiently wide". And, as I

understand from the banking sector, if a customer wishes to take out an insurance policy but does not wish to do so with an insurer related to the bank, then the bank will provide the customer with a list for reference to let him know from which insurers he could take out an insurance policy.

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

MR HENRY WU (in Cantonese): *Madam President, my question was on how the relevant authorities could monitor the situation?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, the HKMA requires all banks to submit yearly reports to the HKMA on their compliance with the Code. Therefore, unlike what Mr Henry WU said, the HKMA will not question banks on each and every detail, but banks must comply with section 20.3 of the Code.

MR JAMES TIEN (in Cantonese): *Madam President, this question is about percentage. May I ask the Secretary how much the annual fire insurance premium will be, assuming that the initial loan amount is \$1 million? My concern is the difference involved. Is it several hundred dollars or several thousand dollars a year?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, fire insurance premium is generally at 0.1%.

MR NG LEUNG-SING (in Cantonese): *Madam President, because of the changes in the property market, many consumers may be concerned about insurance cover for mortgaged properties. Will the Administration consult the industry or the Consumer Council on fire insurance or related insurance cover for mortgaged properties and then conduct a review?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, the Consumer Council has actually done a lot in consumer education on this matter. It can certainly do more because, as Mr NG Leung-sing said, with the changes in the property market, property prices have fluctuated drastically in recent years. Therefore, I shall relay Mr NG Leung-sing's valuable opinion to the Consumer Council and the HKMA for consideration.

PRESIDENT (in Cantonese): Second question.

Claims on Traffic Accidents Involving Government Vehicles

2. **MR NG LEUNG-SING** (in Cantonese): *Madam President, under the Motor Vehicles Insurance (Third Party Risks) Ordinance, the Government is not required to insure its vehicles against third party risks. Regarding claims relating to traffic accidents involving government vehicles, will the Government inform this Council of:*

- (a) *the total amount of compensation for deaths and injuries paid to third parties in traffic accidents involving government vehicles, and the number of claims for third party deaths and injuries rejected by the Government as well as the reasons for rejection, in each of the past three years;*
- (b) *the justifications for stating, in its reply to a question raised in this Council in June 2000, that it was more cost-effective for the Government to take on directly the compensation liability arising from traffic accidents involving its vehicles than to pay premium for third party insurance; and*
- (c) *the arrangement for awarding compensation and ex gratia payments to third parties or their families for deaths and injuries caused by traffic accidents involving government vehicles driven by unauthorized persons; whether it has compared this arrangement to that for traffic accidents involving non-government vehicles driven by persons without the consent of the vehicle owners, and assessed if*

the arrangement in respect of government vehicles is fair to the victims concerned?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, the first part of the question seeks information on the total amount of compensation for deaths and injuries which the Government paid to third parties in traffic accidents involving government vehicles in each of the past three years. The respective figures for the compensation are as follows:

1999	\$19 million
2000	\$4.24 million
2001	\$4.81 million

Except for cases which are being processed, the Government has settled all claims for compensation in traffic accidents involving government vehicles.

The second part of the question requests the Government to explain the basis for stating, in response to a question raised by a Member in June 2000, that it was more cost-effective for the Government to take on directly the compensation liability arising from traffic accidents involving its vehicles than to pay premium for third party insurance. The Government arrived at that view after comparing the actual amount of compensation paid by the Government in relation to claims involving traffic accidents with the amount of premium that it would have to pay if it were to take out third party insurance from the private sector.

Specifically, the average amount of compensation paid by the Government to third parties (including compensation for personal injuries and property damages) in relation to traffic accident claims is on average \$10.3 million a year. On the basis of 6 922 vehicles of various types in the government fleet, the average compensation pay-out for each vehicle works out to be about \$1,500 a year. This is lower than the insurance premium for third party risks which would normally have to be paid to insurers. The Government recognizes that some discounts may be obtained from bulk purchase of third party insurance. Nonetheless, it should also be noted that almost half of the government fleet consists of vehicles for law enforcement and emergency purposes, such as police

cars and fire engines, and insurance premium for these vehicles would be relatively high.

Part (c) of the question asks what arrangements the Government has for awarding compensation and *ex gratia* payments to victims or their families for traffic accidents involving government vehicles driven by unauthorized persons, and whether such arrangements are fair to the victims as compared with those for traffic accidents involving non-government vehicles driven by unauthorized persons.

It is the Government's practice to bear the third party risks of its vehicles. When a government vehicle is involved in a traffic accident in the course of its normal official use, the Government would, as appropriate, compensate the victim according to the relevant law and after taking into account the circumstances of the case.

As for traffic accidents involving unauthorized use of government vehicles, the Government attaches equal importance to protecting the interests of the victims and would handle each case with due regard to the principle of reasonableness. As a matter of fact, unauthorized use of government vehicles is extremely rare. Except for one case adjudged by the High Court earlier this month, there have never been any similar incidents. Taking into account the practice of the insurance industry in similar circumstances, the Government has proposed to offer *ex gratia* payment to the victim. The Department of Justice is now following up the details. We are reviewing our arrangements and will devise a mechanism to better ensure that the Government's practice is commensurate with that of the insurance industry and that the victim will be given considerate and reasonable recompense should such incidents occur again.

MR NG LEUNG-SING (in Cantonese): *Madam President, may I extend my congratulations to the Government since it did not have to pay any enormous compensation during the past three years, though the average compensation amounted to over \$10 million. As far as I know, many Judges recently do award tremendous compensation for certain fatal and injury cases, which are extremely disproportionate to the insurance premium involved. The Secretary states in the last part of the main reply that for fatal and injury cases involving*

third parties caused by unauthorized use of government vehicles by government employees, the Government will take up the responsibility for compensation. Is this an appropriate approach from the perspective of public policy? If this compensation approach is to remain unchanged, will the public accept and agree that the compensation amount is fair?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, on the issue of fairness, just as I have said, our practice will certainly be commensurate with that of the insurance industry. In other words, victims of traffic accidents will be given considerate and reasonable compensation, irrespective of whether such accidents are caused by government or non-government vehicles.

As for insurance premium, the substantial increase in premium has posed a problem. Just now, Mr NG also referred to the reason for the increase. As many insurance companies became aware that they may have to pay out significant amounts of compensation to victims, they have to increase the premium charged. If we were to take out third party insurance, the premium charged may also be raised, so this may not be more economical to the Government. From the angle of public finance, we consider it cost-effective for the Government to take on direct the third party insurance liability for the time being.

MR JAMES TO (in Cantonese): *Madam President, the Government emphasized in its reply that such cases would be handled with due regard to the principle of reasonableness. Earlier this month, there was a court case which had dragged on for a long period of time, and the situation of the victim was very miserable. May I ask the Government, having learnt a lesson from the experience of that case, should there be similar incidents, it will handle them with due regard to the principle of reasonableness right at the beginning and offer sensible and reasonable ex gratia payment to victims without being questioned by Mr NG Leung-sing and triggering off a public outcry? In fact, such incidents have been rare, but the Government obstinately insisted in the Court that compensation were not warranted. May I ask the Secretary if this is a considerate and reasonable approach?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, since the incident is still being processed, I will not comment on individual cases. I would only point out that this incident is unprecedented over the years, and it was adjudged by the Court, at that point, that the Government had no liability in the incident. However, I have to reiterate that the Government will handle the case considerately and reasonably and will offer an appropriate amount of *ex gratia* payment to the victim.

MR ANDREW CHENG (in Cantonese): *Madam President, towards the end of the main reply, it is stated that victims will be given considerate and reasonable recompense, and the future practice of the Government may change. However, should there be accidents caused by unauthorized use of government vehicles by government drivers, then the Government will have to use public fund to pay out compensation to the victims first, and then recover the funds from the drivers involved. Should the Government establish a regulatory system? There are 6 922 government vehicles and many drivers, how can the Government monitor and ensure that there will not be unauthorized use of government vehicles which may subject pedestrians and other drivers to unnecessary injuries?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, the Government has in place a stringent set of rules on the management of the government fleet, thus unauthorized use of government vehicles is extremely rare. There has been only one such incident over the years. Therefore, I can assure Members that we have a very stringent system of managing the government fleet. Should there be accidents involving unauthorized use of government vehicles, just as I have said, we will handle the cases considerately and reasonably.

MR ANDREW CHENG (in Cantonese): *Madam President, the Secretary has not answered my question. I know such accidents rarely occur. And as Mr NG Leung-sing said earlier, fortunately, only a few cases did happen in the past and did not cause the Government enormous compensation. However, as the Government has some 6 900 vehicles and many drivers, such accidents may still occur. In the light of this incident, will the Secretary tighten the supervisory guidelines and measures on the use of government vehicles?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, as I mentioned earlier, we have in fact exercised very stringent supervision over the government fleet, thus such incidents rarely occur. I just wish to tell Mr Andrew CHENG, he does not have to feel excessively concerned about this issue.

MR MICHAEL MAK (in Cantonese): *Madam President, the Secretary stated in his reply that, taking into account of cost-effectiveness, the Government would not take out third party insurance from the private sector. However, if the third party insurance liability is borne by the Government direct, the degree of independence seems to be inadequate. How can a victim lodge an appeal in case he queries its independence? And how can the victim obtain appropriate and reasonable compensation?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, as I have mentioned earlier, should there be similar incidents, we will certainly refer to the practice of the insurance industry and provide compensation commensurate with that of the industry. As far as I know, the insurance industry has a compensation mechanism in place. Of course, should the victim feel aggrieved by the compensation offered, he could certainly take the case to the Court against the Government.

MR ALBERT HO (in Cantonese): *Madam President, the Secretary indicated that the Government would bring its future policy on par with that of the insurance industry. At present, for cases which insurance protection has lapsed for various reasons but are still liable to compensation, the insurance industry has established an independent fund to settle such claims. I believe the Secretary may know about this. May I ask the Secretary, before the establishment of such a mechanism, what the Government will do in handling this incident or similar incidents that may unfortunately occur? Would it recompense the victims in the form of ex gratia payment? Or would it provide compensation as required by the law depending on the damages suffered by the victims? Before a mechanism is established, will the Government offer ex gratia payment or compensation? Will compensation be offered in consistency with the insurance industry practice?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, we will offer *ex gratia* payment, not compensation.

MISS MARGARET NG (in Cantonese): *Madam President, I recall that in scrutinizing the adaptation of certain legislation, this Council has considered whether the requirement of taking out third party insurance should be applied to the Government. The Government replied at that time that such a requirement shall not apply to the Government for third party insurance would only protect victims against the risk of not being able to receive compensation in the event that the vehicle involved in an accident is not covered by third party insurance. But now, we observe a major loophole here. In view of this, will the Government consider amending the relevant legislation to the effect that the requirement on taking out third part insurance will also apply to the Government, so as to be fair to the public?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, as I have just said, our current practice is to adopt a cost-effective approach while remaining responsible and accountable to the public. At present, should a government vehicle cause injuries to anyone, we will offer compensation to the victim as if the vehicle is covered by third party insurance, so there will not be a case that the public will be unfairly treated. Therefore, I see no reason for amendment to the relevant legislation. As I have mentioned earlier, we will modify the mechanism in future. Under the new mechanism, victims of any traffic accidents, be they involve government vehicles or non-government vehicles, will be offered compensation as provided by the current mechanism of the insurance industry. Thus, there should not be any difference.

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

MR HENRY WU (in Cantonese): *Madam President, the Secretary stated in the main reply that, according to the Government's estimate, the compensation the*

Government paid for claims involving vehicles not covered by third party insurance was less than the premium of taking out third party insurance. In explaining the reasons, he said that though there might be a discount for bulk purchase of third party insurance, the different types of vehicles in the government fleet might give rise to other problems. Will the Secretary inform us whether the Government has calculated the exact amount of savings so achieved?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, according to the figures stated in the main reply, the average amount of compensation paid by the Government is \$10 million a year. Based on the information provided by the insurance industry and other insured, we estimate that the premium for third party insurance will amount to \$18 million a year. However, such factors as the corresponding annual adjustment, variation in compensation policy of insurance companies and prevailing circumstances are not included. Therefore, the difference will be very significant.

PRESIDENT (in Cantonese): Third question.

Expenditure and Claims Relating to Airport Core Programme Projects

3. **MR ALBERT CHAN** (in Cantonese): *Madam President, regarding the expenditure and claims relating to the Airport Core Programme (ACP) projects, will the Government inform this Council:*

- (a) *of the total expenditure of the projects as at the end of last month and the difference between this figure and the estimated expenditure originally approved; where there is over-spending, of the organization(s) to shoulder the extra expenditure;*
- (b) *whether it is aware of the number and amounts of claims received by the Airport Authority (AA) in respect of the construction contracts of the projects, together with a breakdown by cases settled and not yet settled; among these cases, the number and amounts of claims pertaining to the Airport Station of the Airport Railway, and the*

difference between the actual expenditure for construction of the station and the estimated expenditure originally approved; where there is over-spending, of the reasons for that; and

- (c) *whether it knows the number of employees who used to be the management staff of the AA and involved in these projects and who now work in private organizations; and how the authorities ensure that the AA can fairly and reasonably deal with the claims made by the organizations in which these people now work?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, my answers to the three parts of the question raised by Mr Albert CHAN are as follows:

- (a) (i) In respect of the ACP projects, the Finance Committee had up to 30 September 2002 approved a total of \$49,644 million for government projects under the ACP on a net basis. The total expenditure for these projects as of 30 September 2002 was \$47,766 million, which is \$1,842 million less than the published estimated expenditure of \$49,608 million. There was no over-spending in respect of the government ACP projects as at the end of September 2002;
- (ii) the Finance Committee had approved an equity commitment of \$36,648 million for the Hong Kong International Airport at Chek Lap Kok. As at 30 September 2002, the AA had expended \$49,345 million on the New Airport projects, which is \$442 million less than the published estimated expenditure of \$49,787 million. Expenditure in excess of the approved equity commitment is funded by the AA's borrowing programme; and
- (iii) the Finance Committee has also approved an equity commitment of \$23,700 million for the Mass Transit Railway Corporation (MTRC) (now MTR Corporation Limited) to construct the Airport Railway. As at 30 September 2002, the MTRC had expended \$33,477 million, which is \$523

million less than the published estimated construction cost of \$34,000 million. Expenditure in excess of the approved equity commitment is funded by the MTRC's borrowing programme.

- (b) (i) The AA has received a total of 12 120 claims in respect of its construction contracts of the projects led by the AA. All but one of these had been resolved at a cost of \$5,620 million. For the remaining unresolved claim, the claim amount is \$22 million. A considerable number of these claims arose from variations to works, for which the contractors could make legitimate claims in accordance with the contract terms. This is a commonly accepted practice, since such variations are normally envisaged in works contracts.
 - (ii) Regarding the Airport Station of the Airport Railway, the MTRC has entrusted the AA under an agreement to design and construct the Airport Station and related facilities. These works were undertaken under 20 different construction contracts, which also included non-railway works. As the claims made under these contracts also cover non-railway works, the AA could not itemize the claims related solely to the Airport Station.
 - (iii) Under the entrustment agreement, the cost for constructing the Airport Station and related facilities is reimbursable to the AA by the MTRC. The AA has advised that the matter of determining the final reimbursable amount under the entrustment agreement by the MTRC is still being finalized.
- (c) Regarding part (c) of the question, according to the reply provided by the Economic Development and Labour Bureau, the AA does not keep track of the subsequent employment profile of its former employees and therefore has no record on the number of its former management staff who used to be involved in the construction projects of the airport and now work in private organizations. Nevertheless, in order to protect its position, the AA has, as a matter of standard practice, incorporated a confidentiality clause in its employment contracts to prevent employees from divulging all the confidential information related to the activities and business

affairs of the AA. The provision has no time limit and applies even after the employment contracts have been terminated. To ensure that claims are dealt with fairly and reasonably, the AA has also put in place suitable screening and assessment procedures for construction contracts to handle matters relating to the submission and assessment of claims arising from its construction works. In addition, the accounts of the AA, including information on claims, are subject to the scrutiny of independent auditors in accordance with the relevant provisions of the Airport Authority Ordinance. We believe that there are sufficient checks and balances to ensure that all claims are dealt with in a fair and reasonable manner. The fact that the amount of settlement for claims at \$5,620 million is significantly lower than the original claim amount of \$15,776 million is an indication that the mechanism for dealing with claims has been effective.

MR ALBERT CHAN (in Cantonese): *Madam President, the Secretary mentioned that the total amount of settlement for claims had dropped from \$15,776 million to \$5,620 million, which appeared to be a reasonable amount. However, \$5,620 million represents 11.2% of the total budget. This is a very substantial amount which should be a matter of our concern. On hearing the Secretary's reply to part (c) of the main question, I feel very surprised because the AA basically has settled all of the 12 120 claims. However, it is still negotiating with the MTRC over a dispute between both organizations. As far as I know, there are many disputed items related to the Airport Station. It makes us wonder whether the situation involves substantial over-spending caused by major blunders. However, information in this regard is completely hidden. Just as the Secretary said, the AA could not itemize the claims related solely to the Airport Station. There is absolutely no transparency in this regard. May I ask the Secretary how he can ensure that the expenditure concerned would not make taxpayers suffer from unnecessary loss of public funds, and that the expenditure and claims concerned were reasonable? Can the Secretary follow up these issues, and look into the claim and dispute between the AA and the MTRC?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Madam President, the early settlement of the over 10 000 claims

mentioned by Mr CHAN is due to the fact that they were related to projects undertaken by the (former) Works Bureau. Therefore, we have the initiative that enables us to strive to settle these claims expeditiously. As for the project entrustment agreement between the AA and the MTRC, which was mentioned by Mr CHAN, it was an agreement between the two parties. On the issue of how the claim dispute can be resolved, it is also a matter between them. We cannot solve the dispute for them, nor could we speak on their behalf. The responsibility of supervising the airport falls under the portfolio of the Economic Development and Labour Bureau. What I can reply now is, we are actively urging the two parties to conduct negotiations in the hope that the issue could be resolved expeditiously. Unfortunately, this is a private agreement about which we cannot seize the initiative.

DR RAYMOND HO (in Cantonese): *Madam President, the Secretary mentioned in part (b) of the main reply that the AA had settled the claims at a total cost of \$5,620 million. As far as I understand it, when the superstructure contract of the airport terminal as well as the electrical engineering contract first became effective, the AA openly said that it had paid a compensation of \$1,600 million for the superstructure contract, and over \$300 million for the electrical engineering contract. The compensations were made because both contracts had been affected by the works of an earlier site formation contract. May I ask whether this amount of \$1,900 million is already included in the \$5,620 million?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, regarding the figures requested by Dr HO, I am afraid I could not provide now. I have to clarify the situation with the Economic Development and Labour Bureau first before I can furnish a written reply to this supplementary question. (Appendix I)

MR LAU KONG-WAH (in Cantonese): *Madam President, the Secretary mentioned in part (c) of the main reply that, although a confidentiality clause had been incorporated in the relevant employment contract, the Secretary might not know the subsequent employment profile of the former management staff after they had left the AA. So conflict of interest might arise. If the Secretary is completely unable to control the situation, does it mean that the confidentiality clause is useless?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, in a society which upholds the rule of law, we all act in accordance with the spirit of contract. It is impossible for us to trace what everyone is doing. Of course, if any senior executive has done something constituting conflicts of interest, or has been discovered to have divulged confidential information, he will be sanctioned according to law. I hope in a community like Hong Kong, we do not have to track down and arrest people divulging confidential information all the time. Besides, this is an impossible task. However, the Bureau will pay attention to this issue.

MR JAMES TO (in Cantonese): *Madam President, I would like to follow up the issue of preventing the divulgence of confidential information. If a former officer-in-charge now works in a private organization which is a rival to the Government, he will not divulge confidential information in an obvious manner. However, as he had been an officer-in-charge in the past, he can tell the weaknesses of the Government from his own working experience. So this is already a case of conflict of interest. May I ask the Secretary whether he thinks it is necessary to raise the level of protection to what we call "fiduciary duty" — that is, a higher level. I do not know the Chinese translation of this term*

PRESIDENT (in Cantonese): Mr TO, both Chinese and English can be used in our meeting.

MR JAMES TO (in Cantonese): *For example, we can consider the issue with reference to the practice in the legal profession. If a lawyer does not want to place himself in a situation where there may be a conflict of interest, then he can raise the protection principle to a higher level. May I ask if the Government would consider this as a possible direction to take?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, we would seriously consider Mr TO's suggestion. I would pass this suggestion to the Economic Development and Labour Bureau for careful consideration. (Appendix II)

PRESIDENT (in Cantonese): This Council has spent more than 15 minutes on this question. This is the last supplementary question.

DR RAYMOND HO (in Cantonese): *Madam President, the ACP consisted of 10 core project contracts. Some of these projects were undertaken by the Environment, Transport and Works Bureau and others were undertaken by the AA. Will the Secretary inform this Council of the respective ratios of "total project expenditure to total compensation" of the two organizations?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Madam President, I only have the compensation figures with me now, but not those on project expenditures. Maybe I can answer the part of Dr HO's question on compensation first.

Regarding government ACP projects, there have been 6 148 claims, of which 5 679 have been settled. The total compensation paid is \$1,977 million, with 469 claims still being unsettled. As for the AA, there have been 12 120 claims, of which 12 119 have been settled. The total compensation paid is \$5,620 million, with only one claim being unsettled. As for the claim related to the Airport Railway, there is no information at the moment because all the figures are still being processed. There are 8 687 claims not yet settled, involving a total amount of

PRESIDENT (in Cantonese): Secretary, you may provide a written reply to this supplementary question.

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Madam President, I am sorry. The figure is a bit confusing. It should be \$3,399 million.

I shall provide a written reply to Dr HO's supplementary question.

PRESIDENT (in Cantonese): Dr HO, which part of your supplementary question has not been answered by the Secretary?

DR RAYMOND HO (in Cantonese): *Madam President, in fact I was only asking for several simple figures: what is the total amount of project expenditure on projects awarded by the Environment, Transport and Works Bureau? What is the total amount of compensation paid by the Bureau? With these figures, we can work out the ratio. The same can be done in respect of the AA. What is the total amount of project expenditure on projects awarded by it? What is the total amount of compensation paid by it? With these figures, we can calculate the ratio. I just wish to know the two ratios.*

PRESIDENT (in Cantonese): Secretary, can you give Dr HO a written reply?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Madam President, I shall answer Dr HO's question in detail in my written reply. (Appendix III)

PRESIDENT (in Cantonese): Fourth question.

Compliance with Code for Principal Officials Under the Accountability System

4. **MR CHEUNG MAN-KWONG** (in Cantonese): *Madam President, according to the Report of the Panel of Enquiry on Penny Stocks Incident, the Financial Services and the Treasury Bureau had received an Executive Summary and a Summary Table submitted respectively by the Hong Kong Exchanges and Clearing Limited (HKEx) and the Hong Kong Securities and Futures Commission (SFC), before the release of the Consultation Paper on Proposed Amendments to the Listing Rules Relating to Initial Listing and Continuing Listing Criteria and Cancellation of Listing Procedures (the Consultation Paper) on July 25 this year. However, the Secretary for Financial Services and the Treasury supplied wrong information to the Financial Secretary, resulting in the Financial Secretary advising the media on 29 July this year that the HKEx had not consulted the Government on the Consultation Paper before its release. When reading from his speaking note at the Special Meeting of the Legislative Council Panel on Financial Services held on 31 July this year, the Secretary for Financial Services and the Treasury also indicated that neither the HKEx nor the SFC had consulted*

him on the contents of the Consultation Paper and that he had not received the Consultation Paper before its release. In this connection, will the Government inform this Council:

- (a) whether it has looked into the above acts of the Secretary for Financial Services and the Treasury to see if they comply with the Code for Principal Officials under the Accountability System (the Code), particularly sections 1.2 and 2.11 thereof; and*
- (b) whether the Chief Executive has considered imposing penalties on principal officials for breaching the Code and stipulating the proper behaviour required of the principal officials in discharging duties in future; if so, of the details; if not, the reasons for that?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, as regards the three documents referred to by Mr CHEUNG Man-kwong, the Secretary for Financial Services and the Treasury, Mr Frederick MA, had provided detailed explanations at the meeting of the Legislative Council Panel on Financial Affairs on 16 September.

In respect of the first part of the question raised by Mr CHEUNG, I wish to make two points.

Firstly, during the retreat held on 27 and 28 July, the Financial Secretary and Mr MA concentrated on measures for dealing with the aftermath of the event and the approach for stabilizing the market. The issue of whether or not the relevant document had been received was not the focus of their discussions. Furthermore, prior to 31 July, Mr MA was not aware that the Bureau had received the Executive Summary of the HKEx consultation document. Thus, throughout the process Mr MA had acted in good faith to deal with the issue according to his understanding of the situation.

Secondly, at the meeting of the Panel on Financial Affairs on 31 July, Mr MA's priority first and foremost was to explain to Members in detail the measures which the Government, HKEx and SFC had taken to stabilize the market after the plunge of the penny stocks. When asked by Members about the documents, Mr MA gave an immediate account and confirmed that he had received the summary documents.

In the light of the background set out above, the Chief Executive considers that Mr MA has not breached the Code.

As for the second part of Mr CHEUNG's question, our response is that if a principal official were to breach the Code, the Chief Executive would take appropriate action having regard to the actual situation.

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, with respect to part (b) of the main question, the reply of the Government is that "if a principal official were to breach the Code, the Chief Executive would take appropriate action having regard to the actual situation." Madam President, this is simply no reply at all. Will the Government please inform this Council what it means by "appropriate action"? Is there any relevant mechanism for such action? And, how many forms of action are there? If an official has made a blunder, besides asking the official to make an apology, or to step down in serious cases, will the Chief Executive, depending on the severity of the blunder, issue some kind of warning, public warning or reprimand to discipline the official, in order to pacify the public outcry? Will the Government please state clearly what it means by taking appropriate action against an official having made a blunder? And, what forms of actions will it take, and how many forms of actions are there?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): *Madam President, Mr CHEUNG's supplementary is subtly similar to another question asked during our discussions on the accountability system several months ago, that is, the question concerning the manners in which the Government can deal with officials violating the Code. The Code is actually part of the Government's agreements with principal officials. Hence, a breach of the Code by a principal official may already constitute a violation of his or her agreement with the Government. In extreme cases, the principal official concerned may be required to resign.*

The making of an apology, on the other hand, may not necessarily be related to any breach of the Code, because the underlying spirit of the accountability system is precisely to require principal officials to face the masses, face the community. Sometimes, an incident may have nothing to do with the Code, but since it is within the portfolio of a certain official, and also since

members of the public are not happy about it, the official may still have to make an apology, even though he is not directly involved in the incident or responsible for the execution of the relevant policy. But between apology and resignation, are there any other ways to deal with individual incidents? We believe the Code already allows sufficient room for principal officials on the one hand and the Chief Executive on the other to make new adjustment having regard to the actual situation.

MR SZETO WAH (in Cantonese): *Madam President, section 2.11 of the Code provides that principal officials shall give accurate and truthful information to the Legislative Council and correct any error at the earliest opportunity. According to the Report, on 26 July, the Secretary for Financial Services and the Treasury was already aware that the SFC had submitted a summary table to him, and in the morning of 31 July, he also came to know that the HKEx had submitted an Executive Summary to the Financial Services and the Treasury Bureau prior to the release of the Consultation Paper. However, in the afternoon of 31 July, at the meeting of the Legislative Council Panel on Financial Affairs, he still said at the beginning of his speaking note that he had not received the Consultation Paper before its release by the HKEx. He failed to give a truthful account of the order of events which he was aware of. When questioned by Legislative Council Members, the Secretary for Financial Services and the Treasury still insisted that he had not received the Consultation Paper, simply saying that it was not until some time afterward that he came to know of the HKEx's submission of an Executive Summary to the Bureau before the release of the Consultation Paper, and that he was not aware of this as there were piles of documents.*

The Code requires principal officials to correct any error at the earliest opportunity, but the Secretary for Financial Services and the Treasury did not give a clear account of the order of events when he spoke on the incident. In this connection, does the Government think that this can be accepted as conduct of accountability to the Legislative Council? If Members had not kept on asking, would the Secretary for Financial Services and the Treasury have allowed the error in his speaking note to go unrectified?

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): *Madam President, the speaking note of the Secretary for Financial Services and the Treasury at the meeting of the Legislative Council Panel on Financial Affairs on*

31 July focuses on three areas: first, the role and responsibility of the Government in the three-tier structure; second, how best the Government, the SFC and the HKEx could stabilize the situation following the plummeting of penny stocks; and third, the lesson to be drawn from the incident.

When questioned by Members whether he had received any internal memorandum, Secretary Frederick MA immediately clarified that the Bureau had received a brief summary. But the fact is that before 31 July, Secretary Frederick MA himself was not aware of the Bureau's receipt of this brief summary. Therefore, Secretary Frederick MA definitely had no intention of misleading the Legislative Council and making any misleading comments.

DR YEUNG SUM (in Cantonese): *Madam President, part (2) of section 1.2 of the Code provides that principal officials shall be dedicated to their duties and be responsible to the SAR Government. But according to the Report, following all the press coverage of the proposed cancellation of listing procedures, Secretary Frederick MA did not take any follow-up actions, nor did he immediately check the papers and documents on his desk. The proposal was reported by the press on 22 July, but according to Secretary Frederick MA, it was not until 28 July that he saw the document concerned for the first time. Does the Government think that this can be called dedication to one's duties? And, will it recommend other officials to follow this example?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, thanks to Dr YEUNG for his supplementary question. Actually, following the incident, Secretary Frederick MA and the Financial Secretary already hastened to discuss how best to deal with it in the retreat at that time, as witnessed by colleagues present at the retreat.

As regards the handling of the incident, what is most important is that a press conference was called after the weekend, and members of the public were informed that the proposal, that is, the proposal on penny stocks contained in Section C of the Consultation Paper, had been withdrawn for the time being. The stock market subsequently calmed down. Therefore, as a principal official, he did take steps to deal with the incident. Whether Secretary Frederick MA had read the Consultation Paper was not directly relevant to the occurrence of the

penny stocks incident. We require principal officials to be dedicated to their respective portfolios, and as far as this incident is concerned, Secretary Frederick MA has fully discharged his duties.

MR SIN CHUNG-KAI (in Cantonese): *Madam President, may I ask the Secretary whether the Chief Executive has set up any mechanism whereby members of the public or the Legislative Council can lodge their complaints? In case a principal official breaches the Code, is there any complaint mechanism for members of the public? And, how does such a complaint mechanism function?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, under the Basic Law, the SAR Government shall be accountable to the Legislative Council. All the bills and budgets proposed by us will require the support of Members and the legislature before they can be implemented. Besides, this Chamber is in fact the best venue to put questions to the Government, for every week, our colleagues will come here to take Members' questions. We very much welcome the Legislative Council and members of the public to continue to monitor the work of the Government and the performance of principal officials. This is precisely the most important segment of the open and free society called Hong Kong.

PRESIDENT (in Cantonese): Mr SIN Chung-kai, has your supplementary question not been answered?

MR SIN CHUNG-KAI (in Cantonese): *Madam President, I hope the Secretary can clarify whether there is any mechanism at all.*

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

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, that we are required to take questions from this representative assembly and subject to its monitoring is already some kind of mechanism. Mr

CHEUNG Man-kwok, for example, has followed up this incident very actively. As the first step, he wrote to the Chief Executive, and the relevant departments have given their replies. As the second step, he has asked a question in this legislature.

MR SIN CHUNG-KAI (in Cantonese): *Madam President, I am sorry.....*

PRESIDENT (in Cantonese): Mr SIN Chung-kai, has any part of your question not been answered yet?

MR SIN CHUNG-KAI (in Cantonese): *Madam President, when they suspect that an official has violated the Code, Legislative Council Members may follow up the case through this channel. But how can members of the public lodge a complaint? My supplementary question covered both members of the public and the Legislative Council.*

PRESIDENT (in Cantonese): Secretary, do you still have any other points to add?

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, actually, members of the public frequently write to the Chief Executive and principal officials to voice their opinions. Besides, there are many other channels in Hong Kong, and many different organizations are also monitoring the operation of the Government.

MR JAMES TO (in Cantonese): *Madam President, if what Secretary Stephen LAM said in his reply just now were correct, then the situation now would be even more absurd — I mean, in the sense that the Secretary concerned actually read the Consultation Paper for the first time only after he had got it back from the Financial Secretary. May I ask Secretary Stephen LAM whether this was really the case? If yes, was the Secretary concerned really dedicated to his duties? May I ask Secretary Stephen LAM what he thinks about this?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, Members are all very clear about the causes of this incident and when it occurred. After the Consultation Paper had been released on Thursday, the stock market started to fluctuate drastically on Friday, and then the stock market closed for Saturday and Sunday. During this period, Secretary Frederick MA and the Financial Secretary held active discussions with the sector, the HKEx and the SFC on ways to deal with the incident. The most important task was to restore stability to the stock market, and this was done on the subsequent Monday.

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

MR JAMES TO (in Cantonese): *Madam President, Secretary Stephen LAM has not answered my question. Is it true that Secretary Frederick MA had never read the Consultation Paper until he got it back?*

PRESIDENT (in Cantonese): Mr James TO, you only need to state directly the part of your supplementary question which the Secretary has not answered.

MR JAMES TO (in Cantonese): *Madam President, my question was on whether or not this had really been the case. Can the Secretary confirm whether this was really the case?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, I think I am not in a position to answer any question on things like who read which document at what particular juncture of time, the reason being that the Panel of Enquiry has completed a detailed report on the Penny Stocks Incident and has drawn conclusions on its causes and the issue of accountability.

MR JAMES TO (in Cantonese): *Madam President, if Secretary Stephen LAM is not the right person to answer my question, I wonder if you should rule that the*

Government should appoint the right Secretary to account to us the real order of events. If the Government is not prepared to do so, what is the point of appointing an irrelevant Secretary to answer Mr CHEUNG Man-kwong's question?

PRESIDENT (in Cantonese): Mr James TO, in accordance with the Rules of Procedure, during the Question Time, Members are supposed to ask questions and government officials to answer them. If a Member is not satisfied with the reply of the government official concerned, he may follow up the question through other channels. Since other Members are waiting in the line to ask their supplementary questions during the Question Time, we cannot possibly permit a Member to keep on asking follow-up questions.

Mr TO, if you are not satisfied with the reply of any Secretary, you may pursue through other channels.

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, may I give a reply?

PRESIDENT (in Cantonese): Secretary, you may do so.

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, since Mr James TO has asked me so many times, I may as well add a point here. Secretary Frederick MA once said that he only saw the Consultation Paper for the first time when he went to the SFC on 28 July.

DR RAYMOND HO (in Cantonese): *Madam President, in his reply to Dr YEUNG Sum's supplementary question, the Secretary said that the Government would require principal officials to be more dedicated to their respective portfolios. The use of the word "dedicated" in fact implies that the officials concerned were not dedicated enough in this particular incident. That being the case, what lesson has the Government drawn from the Penny Stocks Incident or the stock crash? And, in what respects does it think it can raise efficiency?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, what I actually meant was that both the Financial Secretary and Secretary Frederick MA had already been very dedicated in handling this particular incident, and the Financial Secretary even swiftly appointed a Panel of Enquiry vested with the tasks of writing a report and conducting the studies required. Besides, he has also appointed a working group to examine the existing three-tier framework. I believe positive recommendations will come out of this working group.

PRESIDENT (in Cantonese): This Council has spent more than 16 minutes on this question. We shall now proceed to the fifth question.

Consultation Arrangement for Legislative Proposal to Implement Article 23 of Basic Law

5. **MR ALBERT HO** (in Cantonese): *Madam President, since 1996, the Government has published five White Bills on various legislative proposals, to enable the public to express their views on the provisions of the various bills. In this connection, will the Government inform this Council of:*

- (a) *the criteria adopted in deciding whether or not to publish a White Bill for public consultation;*
- (b) *the reasons for deciding not to publish a White Bill on the legislation for implementing Article 23 of the Basic Law; and*
- (c) *the reasons for planning to conclude the legislative process for the implementation of Article 23 of the Basic Law by July next year?*

SECRETARY FOR SECURITY (in Cantonese): Madam President,

- (a) There are no hard and fast rules governing the decision to publish a White or Blue Bill. Decisions are made by individual bureau, in consultation with the Department of Justice. Generally speaking, a bureau would publish a White Bill for public consultation if the bill

in question is technically complex, or where the bureau is not yet ready to formulate its legislative proposals without canvassing views on a draft bill.

- (b) The Administration decided not to publish a White Bill because of its view that a consultation paper could serve the purpose of seeking views on the proposals in principle to implement Article 23 of the Basic Law. In the light of the views expressed on the proposals, for example, concerns about the ways press freedom or academic freedom might be affected, the Administration would revise its proposals before finalizing its drafting instructions and producing a bill.
- (c) In view of the importance of protecting national security, it is the Administration's plan to introduce a bill into the Legislative Council early next year, tentatively in February. The Administration hopes that the bill could be enacted by the summer recess, but the time required for completing scrutiny of the bill is ultimately a matter for the legislature.

MR ALBERT HO (in Cantonese): *Madam President, as far as the legislation for implementing Article 23 of the Basic Law is concerned, one may say that its importance, complexity and contentious nature have exceeded the White Bills published in the past on various legislative proposals for public consultation. So far the Government is still flatly refusing to publish a White Bill for public consultation, the rationale is indeed incomprehensible. Is it really just like what Secretary for Justice Elsie LEUNG has said, that she was concerned that people might take to the streets and demonstrate due to the lengthy legislative process, which would eventually undermine social stability? Or is it because a certain kind of understanding has been reached between the SAR Government and the Central Government insofar as the timetable for the legislative process is concerned that the legislative process should be completed within this year, that the matter should come to a speedy conclusion before complications arise? Regardless of the reasons, has the Government ever considered that its decision may affect the people's confidence in the high degree of autonomy, freedom of speech or other fundamental freedoms?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I agree with the point of view of Mr Albert HO. The making of local legislation for implementing Article 23 of the Basic Law to protect national security is an important task; for this reason, the relevant legislative proposals are very important. In respect of our legislative proposals or the nature of the bill, they are essentially different from the White Bills published on various legislative proposals for public consultation in recent years. The White Bills published on various legislative proposals for public consultation in recent years shared one common point, that is, they involved many technical details and technical complexity. For example, the White Bill on the Securities and Futures Bill comprised over 1 000 pages, which covered 10 schedules and 400-odd clauses. The Organized and Serious Crimes Ordinance dealt with by the then Security Branch in early '90s was another example. At that time, the legislative proposals on the Organized and Serious Crimes Ordinance were novel to Hong Kong, which comprised a number of innovative concepts. For example, the Ordinance was made applicable to crimes committed before it was enacted, that is, the provisions took retrospective effect. Therefore it might trace back, assess and confiscate proceeds of crime acquired before the date the Ordinance came into force; it was also made to impose heavier punishment and sanction repeated offences. Generally speaking, since the relevant bill involved considerable technical complexity, therefore the authorities considered that it was necessary to publish a White Bill for public consultation.

Moreover, notwithstanding some White Bills on certain legislative proposals were published for public consultation, since the relevant Policy Bureau considered they comprised excessive technical details or the opinions canvassed were so very much divergent that no consensus could be reached. As a result, though White Bills were published, no timetable was set for the publication of Blue Bills. The Sale Descriptions of Uncompleted Residential Properties Bill was a good example. Certainly, perhaps the market factor was taken into account as far as this bill was concerned, consequently, the authorities were unable to decide whether the relevant bill should be introduced. So those proposals are different from our legislative proposals for the implementation of Article 23 of the Basic Law.

This time around, the objective of our legislative proposals is to protect national security. Along with the issuance of the relevant consultation paper,

we had explained that the proposals did not involve anything new at all. In fact, the crimes of treason, sedition, theft of state secrets and the activities conducted by certain political organizations are already regulated under existing legislation, such as the Societies Ordinance, Crimes Ordinance and Official Secrets Ordinance, therefore they are not exactly new. We consider the bill to be tabled before the Legislative Council for discussion in future is fundamentally not a new bill at all. It will only make a few changes to certain existing legislation, therefore it is not that complex technically. For that reason, we consider the present approach adequate. After public consultation on the basic principles of the legislative proposals is carried out and views from different sectors are received, we will make modifications, if necessary, and have it gazetted.

PRESIDENT (in Cantonese): Members, since 10 Members are waiting for their turns to ask supplementaries, Members should make their supplementaries as concise as possible, so as to enable a few more Members to raise their supplementaries.

MS CYD HO (in Cantonese): *Madam President, the Secretary mentioned in part (c) of the main reply that the Administration was planning to introduce a bill into the Legislative Council early next year, tentatively in February, notwithstanding the consultation period would only end by 24 December. Although one can say that we still have two month's time, there is still much work to do, including the sorting out of views received and drafting of the text of the bill. Will it be too hasty as far as time is concerned, or is it because the Government already has some rough drafting instructions up its sleeves, only that they are being kept undisclosed for the time being? If so, what is the reason?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, although Mr Andrew WONG is not in the Chamber now, I still have to say that I did answer a similar question in the past, and my reply is still the same: We do not have a bill for the time being, but the conception of drafting instructions is ongoing. Colleagues of the Security Bureau have been working closely with colleagues of the Department of Justice all along. We are confident that we can conclude the drafting process after we have considered views received from

various sectors after the consultation period is over. However, I have also mentioned just now that to introduce a bill into the Legislative Council for First Reading and to gazette it in next February was only the Administration's plan.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, the Secretary mentioned in part (a) of her main reply that "there are no hard and fast rules governing the decision to publish a White or Blue Bill". To be exact, the Government may act irrespective of past practice. Just now the Secretary kept on explaining that the White Bills published on various legislative proposals for public consultation in recent years had shared a commonality. But as the legislation for implementing Article 23 of the Basic Law is a significant issue, it could not be dealt with immediately as soon as the SAR Government was established, and it can only be dealt with at this time. Given this, why must the Secretary look at the issue with the same pattern or mindset of the past? Why can she not break away from the scope or rules of the past and publish a White Bill for public consultation?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I have actually answered that question before. I explained earlier that other Policy Bureaux, including the then Security Branch, predecessor of the Security Bureau, had attempted to conduct public consultation on certain legislative proposals by way of publishing a White Bill, since the bill in question comprised complex technical or procedural details and the Branch could only formulate its legislative proposals after canvassing views of the relevant sector. However, since Article 23 of the Basic Law is unique in that it deals with the protection of national security, we are therefore only making amendments to various offences that are covered by existing legislation. In addition, since our legislative proposals are merely proposals in principle, we therefore consider our primary task to be seeking views on the proposals in principle and make adjustments if necessary, before drafting a bill which covers all of the relevant details for better understanding by the public. Then we will introduce the bill into the Legislative Council. We consider that approach adequate.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, the Secretary was only repeating an earlier reply. My supplementary is: Why can she not break away from that scope?*

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

SECRETARY FOR SECURITY (in Cantonese): Madam President, I do not think it is a matter of breaking away the scope or not, because when each Policy Bureau deals with a bill or certain legislative proposals, it must consider the manner which best fits the circumstances. As far as this issue is concerned, the Security Bureau considers that the approach of issuing a consultation paper to seek public views on the legislative proposals before introducing a bill into the Legislative Council suffices.

MS EMILY LAU (in Cantonese): *Madam President, as to the Organized and Serious Crimes Ordinance mentioned by the Secretary in the main reply, it was enacted by the colonial government. It took three years and two months from publishing the White Bill to enacting the bill in October 1994. Madam President, you moved a motion debate on the issue at about end 1991. The Secretary said the legislation involved extreme technical complexity or novel issues. However, the subversion offence now in question and many other concepts under discussion are also technical, for even the Secretary has said that taxi drivers or salespersons do not know how these issues should be discussed, therefore many people would consider them technically complex and new. For that reason, may I ask the Secretary whether the Administration can give us some more time just as the colonial government did, and not to set next July as the deadline for the bill, in order to allow both the well-educated and the less erudite to have adequate time to discuss the issue? Given that the Secretary has said that the timing of completing scrutiny of the bill is ultimately a matter for the legislature, can the issue be dealt with in a more open-minded manner?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, with regard to the Organized and Serious Crimes Ordinance, the then Security Branch did not issue a consultation paper, instead, it only published a White Bill in 1991. Therefore, the relevant bureau will only choose either to publish a consultation paper or a White Bill. During the consultation period, the then Security Branch received 27 submissions which mainly came from professional bodies. As to why that legislation was enacted only in 1994, it was because the then Legislative Council had spent a lot of time in the scrutiny process. I have the information

at hand concerning the number of proposals dealt with at that time, but I will not repeat them here. This shows that the time spent on the legislative process is not correlated to the length of the consultation period, but the question lies only in how long the Legislative Council will take to scrutinize it. Just now I also mentioned that we might introduce relevant bills in future to amend the existing legislation for the implementation of Article 23 of the Basic Law. Although it is the intention of the Government to have the bill enacted by next year's summer recess, the time required for completing scrutiny of the bill is still a matter for the legislature.

MS AUDREY EU (in Cantonese): *Madam President, in part (b) of the main reply, it was stated that the Administration had decided not to publish a White Bill on the proposals to implement Article 23 of the Basic Law. However, I believe the Secretary has heard different voices in society, including the voices of public figures and people from various sectors, and I do see that taxi drivers, legal professionals and press commentaries have been urging the Administration to publish a White Bill. May I ask the Secretary, upon the expiry of the consultation period on 24 December, what harm it will do if the Administration allows the public to discuss the issue for two or three more months by means of publishing a bill for public consultation, regardless of its colour? Can the Secretary tell us why is it not possible?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, what Ms Audrey EU has said is true. In the past three to four weeks, some organizations and individuals requested the Administration to publish a White Bill for public consultation, but there was also opposition. For instance, Heung Yee Kuk has expressed categorical opposition. Furthermore, we have also received opposing views from some organizations and individuals, many of them expressing the hope that the implementation of Article 23 of the Basic Law can be expedited because it has been already five years after the reunification and the time is ripe for it. So we have received many different views. In respect of the question of Ms Audrey EU on what harm it will do if more time is given for consultation, we consider there is nothing wrong with it. However, the main rationale behind the request for the publishing of a White Bill is that some people wish to examine the details of the legislation. In that case, by the time the relevant bill is gazetted next year, although it would be a Blue Bill, such details

would also be provided. If the public still consider that there are too many unsolved or complicated issues and the Legislative Council should be given more time for discussion, arrangement can still be made by then.

MR CHAN KAM-LAM (in Cantonese): *Madam President, it has been five years since the reunification, as far as the implementation of Article 23 of the Basic Law is concerned, it has already been undesirable for the matter to have been delayed for five years. The Secretary has explained the issue of publishing a White or Blue Bill clearly in part (a) of the main reply, and earlier, the Secretary and the Secretary for Justice have also written to organizations to explain the rationale behind publishing a Blue Bill. However, our radio stations always sing a different tune on the issue, which could be called negative indoctrination, and it is detrimental to the consultation work.....*

PRESIDENT (in Cantonese): Mr CHAN, please raise your supplementary direct.

MR CHAN KAM-LAM (in Cantonese): *Madam President, will the Government take the initiative and make some publicity efforts to explain the reasons why it would publish a Blue Bill instead of a White Bill?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, the Administration will conduct as much publicity and explanation as possible. In fact, people have responded very positively to the public consultation on the legislative proposals to implement Article 23 of the Basic Law. I have said earlier that when the White Bill on the Organized and Serious Crimes Ordinance was published for public consultation, only a few dozens of submissions were received. However, up to now, we have already received 130 submissions and dispatched some 30 000-odd consultation papers (including both Chinese and English versions) though the consultation period has begun for only one month. At the request of various organizations, colleagues of the Security Bureau and Department of Justice have participated in 30 talks and forums and attended 30 radio programmes to discuss the relevant issues. In the coming months, we will explain to all quarters the content of Article 23, our legislative proposals and the reasons for choosing to publish a Blue Bill. In fact, irrespective of whether a

White Bill or Blue Bill is published, the same purpose will be served. If the public are concerned about the contents and wish to see the details, a Blue Bill may also provide the necessary details.

PRESIDENT (in Cantonese): We have spent over 17 minutes on this question. I will allow one last supplementary question from Members.

MISS CHOY SO-YUK (in Cantonese): *Madam President, the Secretary said that she and her colleagues have attended 30 forums in the past month, and I know that many local bodies have hosted this kind of consultation forums. May I ask the Secretary if statistics have been compiled on government officials who have attended such consultation forums during the past month? What is the number of participating officials? How many officials are expected to attend such meetings in the next two months?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, colleagues of the Security Bureau and Department of Justice have participated in at least 30 consultation forums and attended more than 30 radio and television interviews, that is, twice a day on average. In future, we will keep on participating in these activities.

PRESIDENT (in Cantonese): Sixth question.

Mainland/Hong Kong Closer Economic Partnership Arrangement

6. **MR SIN CHUNG-KAI** (in Cantonese): *Madam President, regarding the establishment of the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) being discussed by the Government of the Hong Kong Special Administrative Region (SAR) and the Central Government, will the Government inform this Council:*

- (a) *of the result of the public consultation on the CEPA conducted in February this year and the timetable for the announcement of the result; whether it will issue a more detailed consultation paper to the*

public so as to explain its policies in this aspect and enhance public involvement in the discussion;

- (b) of the progress of the discussion on establishing the Arrangement; in the process of the discussion, whether it will strive for the relaxation of restrictions on the importation of Hong Kong films into the Mainland and on the investments in telecommunications services by Hong Kong businessmen in the Mainland; and*
- (c) whether it has plans to form a Greater China Free Trade Area with Macao and Taiwan at the same time, or discuss with other Asian countries or regional trade organizations such as Association of South-East Asian Nations, for drawing up similar free trade agreements (FTAs); if so, of the details; if not, the reasons for that?*

FINANCIAL SECRETARY (in Cantonese): Madam President, late last year, the Central People's Government agreed in principle on the proposal of the SAR Government as to the establishment of some form of a free trade area. Soon afterwards, the Mainland/Hong Kong CEPA consultations were launched. The two sides agreed that the CEPA consultations should comply with relevant World Trade Organization (WTO) rules and the "one country, two systems" principle, and that it should be mutually beneficial, taking into account the trends of economic developments in the two places. My replies to the three parts of the main question are as follows:

- (a) The Government has always placed importance on the views of the public and the business sector on its major trade policies and measures. During February to March 2002, the Government conducted a comprehensive public consultation on the coverage of the proposed CEPA. The then Commerce and Industry Bureau (that is, the present Commerce, Industry and Technology Bureau), Trade and Industry Department and relevant bureaux sought the views of respective business sectors, commerce and industrial organizations as well as professional bodies on the proposal. Individuals and organizations were also invited to put forward their views and comments.

During the consultation period, the Government received over 100 written submissions from the public, commerce and industrial organizations, professional bodies as well as the academia. All submissions supported the early establishment of the CEPA as well as the proposed coverage of the arrangement and the principles of consultations. Some commerce and industrial organizations and professional bodies also put forward sector-specific proposals. The Government will fully consider all the views and proposals collected, and reflect them as appropriate in the various proposals to be made in our consultations with the Mainland.

To avoid any adverse effect on the ongoing consultations, the Government will not publicize the results of the consultations in detail. Views of the relevant sectors will be further solicited as and when appropriate.

- (b) The CEPA consultations are progressing steadily. The proposed arrangement will cover three areas: trade in goods, trade in services, and trade and investment facilitation. On trade in goods, both sides agreed to aim to reduce or eliminate tariffs and non-tariff measures, and to work out an appropriate set of origin rules. On trade in services, direct sectoral experts exchanges and consultations have progressively been launched. As regards trade and investment facilitation, work mainly focused on defining the scope of co-operation.

Through the proposed CEPA, the Government aims to seek for Hong Kong more market access into the Mainland, while ensuring that the arrangement is complementary to the economic endowments of the two places and mutually beneficial, and consistent with rules of the WTO. Since the consultations are now underway, it is not appropriate for the Government to disclose the details of the consultations.

- (c) The Government has in principle an open mind on Hong Kong establishing FTAs or similar co-operation arrangements with our trading partners. We now focus ourselves on the ongoing consultations with the Mainland and New Zealand on respectively

the CEPA and the Hong Kong/New Zealand Closer Economic Partnership Agreement, as well as the new round of WTO multilateral trade negotiations. As such, the Government has no plan at present to engage in FTA talks with other Asian economies, countries or regional trade organizations.

MR SIN CHUNG-KAI (in Cantonese): *Madam President, I would like to follow up part (b) of the main reply. The Financial Secretary mentioned that the CEPA consultations were progressing steadily. Then on basis of this steady progress, can the Secretary anticipate when an agreement can be reached? If the agreement is to be reached by stages, then when will the first stage of the agreement be reached?*

FINANCIAL SECRETARY (in Cantonese): Madam President, I have said on a number of occasions that the issues involved in the proposed CEPA are wide-ranging and extremely complicated. In this regard, the SAR Government and the mainland authorities are working in close liaison with each other. An expert team has also been set up to discuss individual subjects. Given the extensive and complicated coverage of the consultations, the number of items, and the involvement of numerous departments and units on the Mainland, it is inappropriate to expect a consensus be reached shortly. We have not drawn up a timetable at this stage. I can only say that senior officials and officials at the working level on both sides will continue to maintain close contact and continue to hold discussions and exchange ideas on the CEPA.

MR HUI CHEUNG-CHING (in Cantonese): *Madam President, the Financial Secretary said in part (b) of the main reply that the CEPA consultations were progressing steadily. We know that the consultations were conducted in the approach of "tackling the difficult part first". Will the Financial Secretary tell us what poses the biggest obstacle at present?*

FINANCIAL SECRETARY (in Cantonese): Madam President, one of our principles is "to tackle the easy part first", not "to tackle the difficult part first".....

PRESIDENT (in Cantonese): Mr HUI Cheung-ching, please let the Financial Secretary reply first. I will let you ask your follow-up later. Please sit down first. *(Laughter)*

Financial Secretary, please go on.

FINANCIAL SECRETARY (in Cantonese): Madam President, as I have said, the coverage of the consultations is extensive and complicated, and numerous units are involved. As Members should all know, our discussions must be in compliance with the rules of the WTO, and one of the rules is the coverage should be as extensive as possible. We cannot announce and implement every discussion item immediately when the discussion is over. We must endeavour to cover as many areas as possible, and we can make any relevant announcement and enforce any decision only after the discussions are concluded.

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

MR HUI CHEUNG-CHING (in Cantonese): *Madam President, the Financial Secretary has answered my supplementary. However, I would like to make some clarification. When I last attended a meeting organized by the Trade and Industry Department, someone suggested that things should be dealt with by "tackling the difficult part first"; but I thought "the easy part should be tackled first". So what the Financial Secretary has said is right.*

PRESIDENT (in Cantonese): Mr HUI, please sit down.

MR JAMES TIEN (in Cantonese): *Madam President, the Financial Secretary said, when answering the supplementary asked by Mr SIN Chung-kai, that the timetable could not be disclosed. However, owing to China's accession to the WTO, the CEPA is set to materialize in three or five years according to the terms of the WTO. Even though a timetable has not been drawn up for the CEPA, we cannot afford to wait three or five years until all countries in the world have*

concluded their negotiations, before striking an agreement upon the CEPA. By then, there will be nothing special about the CEPA. Although the Secretary cannot provide us with a timetable, I trust he must have some planning. Will it be next year or the year after next? If we have to wait three or five years after the Mainland has functioned smoothly as a member of the WTO, Hong Kong will not be any different from the rest of the world, will it?

FINANCIAL SECRETARY (in Cantonese): Madam President, I was trying to say we had not drawn up a timetable. It is not true that we cannot disclose a timetable to Members. But regarding the accession of our country to the WTO, as Mr James TIEN remarked earlier, a certain timetable will definitely be drawn up, though it may vary from industry to industry. The SAR Government and various units of the Central Government are in fact fully aware of the timetable. We are also well aware that if the CEPA is to be helpful to the economy of Hong Kong, it has to be sealed and implemented before the timetable drawn up by our country and the WTO is finalized. Both sides are aware of this. We will strive to do our utmost to bring the greatest benefits to Hong Kong.

MISS CHOY SO-YUK (in Cantonese): *Madam President, the Secretary mentioned in the main reply that if an agreement can be reached, the complementary economic endowments of both sides and the mutual benefits will produce desirable results. However, he also said that he is not in a position to disclose the specific details. May I ask the Government if it has made initial evaluations on such issues as economic benefits and boosting employment opportunities, and whether a major breakthrough is forthcoming so that we can have higher expectations? Will the Secretary please tell us if any initial evaluations have been made?*

FINANCIAL SECRETARY (in Cantonese): Madam President, it is very difficult to make an evaluation because it depends very much on the outcome of the discussions. Therefore, it may not be appropriate to conduct a general evaluation at this point. Nevertheless, concerning the fostering of closer economic ties with the Mainland, in addition to the CEPA under discussion at the

moment, the SAR Government is in fact taking forward many other initiatives. For example, significant progress has been achieved in the past year in facilitating the boundary clearance of passengers and goods. According to the relevant figures released recently, there has been an increase in the speed and volume of passengers and goods passing through checkpoints. I believe Members are also aware of this. It might not be necessary to cover these achievements in the consultations on the CEPA. As a matter of fact, while we have taken practical action to promote the economic integration and development of Hong Kong and the Mainland, the benefits Hong Kong economy will enjoy will depend on the outcome of the discussions on the CEPA. Therefore, we cannot carry out specific study in this regard. Moreover, it will be meaningless for a study to be carried out at this moment.

MR JAMES TO (in Cantonese): *Madam President, I would like to follow up Mr James TIEN's supplementary. Although the Secretary cannot disclose the specifics of the consultations, is it possible for him to provide information on some of the current progress to enable the public to come up with proper and reasonable expectations? Of course, it will be perfect if things eventually turn out to be that good. However, it will not be too good if the community has all along been believing that everything will be fine after an agreement is reached in a year or two, and eventually there is a drastic political rebound. May I ask the Financial Secretary if it is possible for him to give us an appropriate evaluation according to the current progress?*

FINANCIAL SECRETARY (in Cantonese): *Madam President, it is perhaps still not at all appropriate to talk about appropriate progress or a timetable at this moment. (Laughter)*

MS EMILY LAU (in Cantonese): *Madam President, my supplementary may not be appropriate, but still I would raise it.*

The Financial Secretary mentioned earlier that some foreign governments and chambers of commerce, and even some units on the Mainland have strong

views on the CEPA. Can the Secretary successfully persuade them to withdraw their opposition?

FINANCIAL SECRETARY (in Cantonese): Madam President, I think different people may have different views on the CEPA under discussion at the moment. Ms Emily LAU said that chambers of commerce and companies in overseas countries have some views, and so does the Mainland. In fact, there is a marked difference in their views. Foreign governments and chambers of commerce are most concerned about whether the companies or enterprises established in Hong Kong with investment from their enterprises or nationals can enjoy the benefits of the CEPA. This involves a number of issues, such as rules of the WTO and the definition of "Hong Kong companies". These issues are very complicated and are definitely very important too. Experts from the SAR and the Mainland are looking into different proposals in the hope of finding a suitable one as soon as possible. We have also told foreign companies on various occasions that Hong Kong firmly believes in the principle of a level playing field. Apart from taking care of local companies, we will also provide assistance to companies set up in Hong Kong by foreign countries. Consideration will be given on a non-discriminatory basis. We do appreciate the concerns of these chambers of commerce and companies. We are examining the issue at the moment.

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

MS EMILY LAU (in Cantonese): *Madam President, the Financial Secretary has not replied the part concerning the views of relevant units on the Mainland.*

FINANCIAL SECRETARY (in Cantonese): Madam President, in fact the mainland units hold diverse views because the CEPA involves a wide array of trades and industries. This is also why I do not know what units and views Ms LAU referred to. As far as I know, while some mainland units have expressed support, some are concerned that after the CEPA is finalized, foreign companies

will make use of the SAR as the "backdoor" to enter the Mainland. Owing to the complexity of the matter and the number of diverse views, the SAR Government and relevant units on the Mainland are examining the matter actively in the hope of finding an appropriate solution.

PRESIDENT (in Cantonese): This Council has spent more than 15 minutes on this question. This is the last supplementary.

DR RAYMOND HO (in Cantonese): *Madam President, the Financial Secretary said in part (c) of the main reply that there is ongoing consultation with New Zealand on the Hong Kong/New Zealand Closer Economic Partnership Agreement alongside our consultations on the CEPA with the Mainland. Why are we doing this? Was New Zealand chosen after the public were consulted in detail? Will the level playing field mentioned by the Secretary earlier be affected?*

FINANCIAL SECRETARY (in Cantonese): Madam President, I believe Members are all aware that the negotiations on the Hong Kong/New Zealand Closer Economic Partnership Agreement began earlier than our discussions with the Mainland on the CEPA. In fact, regardless of which trading partner Hong Kong wants to negotiate trade agreements with, we will consider if there is a need for the two places to further enter into economic and trade agreements. On the other hand, the wish of both parties must be taken into consideration. This is because even if Hong Kong wants to talk, the other party does not necessarily want to do so. Talks can be held only when both parties have the intention to do so. I believe Members are all aware that the Hong Kong Government has never held any talks on bilateral agreements before. Most talks were related to multilateral agreements, particularly under the arrangement of the WTO. It was only in recent years that Hong Kong began to demonstrate its willingness to hold talks on bilateral agreements. As such, we consider it better to choose a partner we can talk to more easily. We had already chosen New Zealand before we started our discussions with the Mainland.

PRESIDENT (in Cantonese): Dr Raymond HO, has your supplementary not been answered?

DR RAYMOND HO (in Cantonese): *Madam President, the Financial Secretary has not fully answered my supplementary. Has the Government consulted the public openly before choosing New Zealand as its target for consultations?*

FINANCIAL SECRETARY (in Cantonese): *Madam President, as far as I know, the answer is negative.*

WRITTEN ANSWERS TO QUESTIONS

Converting HOS Flats for Other Uses

7. **MR FREDERICK FUNG** (in Chinese): *Madam President, it is learnt that the Government is considering converting some of the Home Ownership Scheme (HOS) flats for other uses. In this connection, will the Government inform this Council:*

- (a) *when a decision on the uses of these HOS flats will be made;*
- (b) *whether it will consider converting these HOS flats into public rental housing units; if so, of the number of such flats; if not, the reasons for that; and*
- (c) *whether it will consider offering these HOS flats as compensation to homeowners affected by urban renewal projects; if not, of the reasons for that?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Chinese):
Madam President,

- (a) The Government and the Hong Kong Housing Authority (HA) are now actively considering and exploring different practicable and effective options to dispose of surplus HOS flats. We have not reached any final decision at this stage.
- (b) Over the past three years, the HA has decided to transfer about 40 000 surplus HOS flats to public rental housing. The average

waiting time for public rental housing has been significantly reduced. The target of reducing the average waiting time to an average of three years by the end of 2003 has already been achieved in May this year. Nevertheless, transfer of surplus HOS flats to rental housing is still one of the options being considered.

- (c) Using some of the surplus HOS flats to facilitate the implementation of the urban renewal programme is also one of the options being explored. The Government and the HA are now examining the feasibility of this option with the organizations concerned.

Air Quality in Tung Chung

8. **MR ALBERT CHAN** (in Chinese): *Madam President, it has been reported that the records of the Air Pollution Index (API) as measured by the ambient air quality monitoring stations in Tung Chung had been broken twice during the period from the end of August to the beginning of September this year. It was alleged that the pollutants might have originated from the Pearl River Delta Region. In this connection, will the Government inform this council:*

- (a) *whether it has studied the reasons for the serious air pollution in the area; if so, of the findings; if not, the reasons for that;*
- (b) *of the specific measures to completely solve the air pollution problem in the area; if so, of the details; if not, the reasons for that; and*
- (c) *how it ensures that the health of long-term dwellers in the area will not be harmed by air pollution?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS
(in Chinese): Madam President,

- (a) The high API readings recorded at the Tung Chung air monitoring station in August and September this year were due to high concentrations of ozone formed and accumulated in the Pearl River Delta Region and Hong Kong when we were under the influence of

tropical cyclones with hot and sunny weather, and almost stagnant wind.

Ozone is not emitted directly from pollution sources. It is formed as a result of photochemical reaction between nitrogen oxides and volatile organic compounds under sunlight and high temperature. When we are under the influence of a tropical cyclone, the wind can become so stagnant that it is unable to disperse the nitrogen oxides and volatile organic compounds in the air as effectively as under normal weather conditions. As a result, ozone will be formed quickly when sunlight is strongest around noon and its concentrations can rise within a short period of time. However, as sunlight weakens in the late afternoon, the concentrations of ozone can fall also quickly. Therefore, high API caused by high concentrations of ozone will normally last for one to a few hours only. In the few high API incidents at Tung Chung in August and September this year, the longest duration of the API continuing to exceed the 100 level was five hours.

- (b) Ozone is a regional air pollution issue. To tackle the ozone problem, we have to reduce the emissions of nitrogen oxides and volatile organic compounds in the Pearl River Delta Region. In this connection, the Hong Kong Special Administrative Region Government and the Guangdong Provincial Government have reached a consensus to reduce, on a best endeavour basis, by 2010 the emissions of the four major pollutants in the air, including nitrogen oxides and volatile organic compounds, to such levels as will enable Guangdong and Hong Kong to meet their current Air Quality Objectives. Achieving the emission reduction targets will improve the problem of ozone and the regional air quality generally.

The two Governments have agreed to consider in detail the enhanced control measures recommended in the report of a joint study on regional air quality completed earlier this year and, having regard to their feasibility, implement a series of additional measures with the objective of achieving the agreed emission reduction targets by 2010. An expert group has been set up under the Hong Kong-Guangdong Joint Working Group on Sustainable Development and Environmental Protection to take this forward.

- (c) The problem of air pollution is one that the whole of Hong Kong is facing. When compared with air monitoring stations in other districts in Hong Kong, the average API readings recorded at the Tung Chung air monitoring station are among the lowest. In any case, the Government is determined to improve Hong Kong's air quality to better protect public health through the joint effort with Guangdong as well as our current programme to reduce emissions from motor vehicles.

To help people to take precautionary measures during days of high API, the Environmental Protection Department reports API readings recorded at its air monitoring stations around the clock and provides precautionary measures for members of the public through its website, telephone hotline and the media. The precautionary measures are set out at Annex.

Annex

Suggested Precautionary Measures at Different Levels of API

<i>API Descriptor</i>	<i>Health Implications</i>	<i>Precautionary Measures</i>	
		<i>General API</i>	<i>Roadside API</i>
Severe (201 to 500)	People with heart or respiratory illnesses ¹ may experience significant aggravation of their symptoms and there may be also widespread symptoms in the healthy population. These include eye irritation, wheezing, coughing, phlegm and sore throat.	The general public are advised to reduce physical exertion and outdoor activities.	The general public are advised to avoid prolonged stay in areas with heavy traffic. If it is necessary to stay in streets or roads with heavy traffic, they are advised to reduce physical exertion as far as possible.
Very High (101 to 200)	People with heart or respiratory illnesses may notice mild aggravation of their health conditions. Generally healthy individuals may also notice some discomfort.	Persons with heart or respiratory illnesses are advised to reduce physical exertion and outdoor activities.	Persons with heart or respiratory illnesses are advised to avoid prolonged stay in areas with heavy traffic. If it is necessary to stay in streets or roads with heavy traffic, they are

<i>API Descriptor</i>	<i>Health Implications</i>	<i>Precautionary Measures</i>	
		<i>General API</i>	<i>Roadside API</i>
			advised to reduce physical exertion as far as possible.
High (51 to 100)	Very few people, if any, may notice immediate health effects. Long-term effects may, however, be observed if you are exposed to such levels for a long time.	No immediate response action is suggested. Long-term effects may, however, be observed if exposed at this level persistently for months or years.	
Medium (26 to 50)	None expected for the general population.	No response action is required.	
Low (0 to 25)	None expected.	No response action is required.	

Note: As the health effects on individuals may vary, you should seek advice from a medical doctor if you are in doubt or feel uncomfortable.

¹ Heart or respiratory illnesses — such as coronary heart and cardiovascular diseases, asthma, chronic bronchitis and chronic obstructive airways diseases.

Effective Quantity of Water Required in Supply Tank for Fire Fighting

9. **MISS CHAN YUEN-HAN** (in Chinese): *Madam President, under section 5.24 of the Code Of Practice For Minimum Fire Service Installations And Equipment, the minimum effective quantity of water required to be available in the supply tank for fire fighting is classified into four levels according to the floor area (gross) factor of the largest floor of the building in which the supply tank is located. In this connection, will the Government inform this Council:*

- (a) *of the respective numbers of supply tanks in domestic, commercial and composite buildings in Hong Kong at present, broken down by these four levels,*
- (b) *of the criteria for defining these four levels; whether they are related to the Performance Pledge of the Fire Services Department (FSD)*

that building fire calls should be responded to within six minutes in built-up areas; and

- (c) *whether it will consider adopting the structure and space of the building in which the supply tank is located as the criteria for determining the minimum effective quantity of water required to be available; if not, of the reasons for that?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) According to section 5.24 of the Code of Practice for Minimum Fire Service Installations and Equipment, the four levels of minimum effective quantity of water required to be available in the supply tank for fire hydrant/hose reel systems are as follows:

<i>Floor area (gross)</i>	<i>Water storage required</i>
Not exceeding 230 sq m	9 000 litres
Over 230 sq m but not exceeding 460 sq m	18 000 litres
Over 460 sq m but not exceeding 920 sq m	27 000 litres
Over 920 sq m	36 000 litres

The FSD does not maintain a statistic of the numbers of different levels of supply tanks provided in all of the buildings in Hong Kong.

- (b) The supply tank is to provide a building with *in situ* water supply for ready use by firemen when they arrive at the fire scene, enabling them to spring into fire-fighting action immediately. It would also provide a buffer period for the firemen, while carrying out fire-fighting, to secure access to street hydrants or other sources of water supply for prolonged operations. The different levels of supply tank capacity requirements stipulated in the Code of Practice for Minimum Fire Service Installations and Equipment have been drawn up by the FSD taking into account its past experience of

fire-fighting, the number of fire-fighting jets and length of buffer period required for buildings with different floor areas and its consultations with the trade and other government departments (including the Hong Kong Institute of Architects, Hong Kong Institute of Engineers, Hong Kong Federation of Insurers, Buildings Department and Architectural Services Department). In place since 1966, the requirements have proven to be sound and effective. For example, for a fire covering an area of about 230 sq m, at least two jets, each consuming about 450 litres of water per minute, are required to cover the scene, prevent the fire from spreading and put it out as quickly as possible. In that case, a standard supply tank with a water storage of 9 000 litres can support the jet operation for about 10 minutes. As for a fire covering an area of over 230 sq m, more jets are required, and in turn a larger supply tank in order to maintain a reasonable buffer period.

Response time refers to the total amount of time it takes for the firemen to arrive at the scene after the Fire Services Communication Centre received a fire/emergency call. Having considered the building density and other factors in different districts across the territory and assessed the fire risks involved, the FSD has designated five graded target response times ranging from six to 23 minutes. The requirement of the capacity of supply tanks is subject to the operational needs of firemen after arriving at the scene and it bears no relationship with the target response time.

- (c) Under section 16(1)(b) of the Buildings Ordinance, the building plans of development projects must be approved by the FSD to ensure that new buildings will be provided with fire service installations and equipment as required. Based on the structural and spatial conditions of the building, the architect will design the fire hydrant/hose reel system (including the relevant supply tank) in compliance with the relevant requirements of the FSD. The FSD will consider alternative improvised measures proposed by developers taking into account the scale and fire risk of individual development projects, provided that fire safety is not compromised. For instance, considerations will be given to providing a hose reel system and exempting the fire hydrant requirement in a low density residential building of four storeys. In that case, a supply tank with a capacity of 2 000 litres only would be required.

As regards old commercial buildings built before 1987, the Fire Safety (Commercial Premises) Ordinance (Cap. 502) provides for the upgrading of fire service installations. In implementing the legislation, the FSD has been undertaking a flexible and pragmatic approach in handling cases where owners encounter difficulties in complying with the requirements. Owners will be given sufficient flexibility as far as it is safe and the circumstances permit. For example, if an authorized person or a registered engineer confirms that the rooftop of the building concerned cannot support a standard supply tank due to structural or spatial problems, and that no alternative place is available for the installation, the FSD will consider accepting a supply tank of a smaller capacity. The Fire Safety (Buildings) Ordinance (Cap. 572) passed in July this year seeks to upgrade the fire service installations of old composite buildings and domestic buildings built before 1987. After the commencement of the Ordinance, the FSD will also undertake a flexible and pragmatic approach in implementation. With reference to past experience, the FSD will exercise discretion in relaxing the requirement of supply tank capacity having regard to the structural and spatial constraints of the building concerned.

Employers Defaulting in Payment of Wages to Employees

10. **MR LEUNG YIU-CHUNG** (in Chinese): *Madam President, will the Government inform this Council:*

- (a) *of the number of cases in which employers defaulted in payment of wages to their employees, as well as the number of employees and the amount of wages involved, in each of the past three years;*
- (b) *among the cases in (a) above, of the number of those involving the construction industry, as well as the number of employees and the amount of wages involved; and*
- (c) *whether the relevant legislation will be amended to enhance the protection for employees; if so, of the details; if not, the reasons for that?*

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

- (a) Statistics concerning the number of cases caused by non-payment of wages handled by the Labour Department and the number of employees involved are as follows:

- (i) Labour disputes (cases involving more than 20 employees)

<i>Year</i>	<i>No. of cases</i>	<i>No. of employees involved</i>
1999	14	698
2000	12	338
2001	7	205

- (ii) Claims (cases involving 20 or less employees)

<i>Year</i>	<i>No. of cases</i>	<i>No. of employees involved</i>
1999	6 982	Record not available
2000	7 501	Record not available
2001	8 381	16 812

The Labour Department has no record of the amounts claimed in these cases.

- (b) Of the 33 labour disputes mentioned above, seven belonged to the construction industry. A total of 201 employees were involved. The Labour Department has not kept statistics on the amount claimed.

Regarding the 22 864 claims mentioned above, the Labour Department has not kept statistics on the industry breakdown. Nonetheless, among the 8 381 claims in 2001, 2 094 claims and 8 279 employees were involved in vicarious liability of payment of wages. This type of cases only exists in the construction industry.

- (c) Under the Employment Ordinance, wages shall become due on the expiry of the last day of the wage period. An employer should pay

wages to an employee as soon as practicable but in any case not later than seven days after the end of the wage period. An employer who fails to pay wages to an employee when it becomes due is liable to prosecution and, upon conviction, to a fine of \$200,000 and to imprisonment for one year. Apart from that, an employer is also required to pay interest on the outstanding amount of wages to the employee.

Under the Employment Ordinance, a principal contractor in the construction industry is liable for the first two months' unpaid wages of an employee who is employed by its subcontractor. The wages paid by the principal contractor shall be a debt due by the subcontractor to the principal contractor. The debt may be recovered through civil claims proceedings.

The current provisions in the Employment Ordinance already provide appropriate and adequate protection for employees. The Labour Department attaches great importance to cases of non-payment of wages. Employees being owed wages should contact the Department as soon as possible for assistance. The Department makes every endeavour to assist employees in recovering their wages. The Department will also continue to step up enforcement action to protect the rights and benefits of employees. Against this background, the Government does not see the need to amend the law to enhance the protection for employees at this stage. That said, the Government will keep labour legislation under constant review to ensure that it meets the needs of our society.

Enforcement of Stipulation About Turning on Obligatory Headlamps

11. **MR FRED LI** (in Chinese): *Madam President, under the Road Traffic (Traffic Control) (Amendment) Regulation 2002, drivers of motor vehicles must turn on the obligatory headlamps (or commonly known as "main headlamps") during the hours of darkness or in poor visibility conditions. Although the Regulation has come into operation since 1 July this year, I notice that a lot of drivers still fail to comply with the stipulation. In this connection, will the Government inform this Council of:*

- (a) *the respective numbers of warnings given and prosecutions instituted by the enforcement departments since the implementation of the Regulation, in respect of contraventions of the above stipulation by motorists; and*
- (b) *the details of the authorities' efforts in promoting public awareness of the new Regulation; and whether it has reviewed the effectiveness of such efforts; if it has, of the outcome?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, according to the Road Traffic (Traffic Control) Regulations (the Regulations), drivers of all motor vehicles must turn on their headlamps during the hours of darkness or in poor visibility conditions while driving. During the period between 1 July and 30 September 2002, 735 prosecutions were taken out against drivers who had failed to comply with the requirement. The police do not maintain statistics on the number of warnings administered to drivers by individual offences.

The Administration has launched a series of publicity activities to inform the general public, road users and the transport trade of the new requirements stipulated in the amended Regulations. A press release was issued in end March 2002 when the Regulations were gazetted and submitted to the Legislative Council for negative vetting. A press briefing was held by the Transport Department (TD) on 27 June 2002 before the implementation of the Regulations to remind the general public of the new requirements.

Since mid-May 2002, television and radio Announcements of Public Interest have been frequently broadcast on 13 Chinese and English television channels and 12 radio channels in Cantonese, Putonghua and English. The TD has produced and distributed 1 500 posters and 140 000 leaflets to the transport trade and the general public through public transport operators, trade associations, District Offices, Vehicle Licensing Offices and housing estate management offices. The relevant information has also been uploaded to the homepage of the TD. In addition, the TD has briefed and reminded the transport trade of the new requirements at their regular meetings. Feedback from the trade was generally positive with a high level of awareness of the requirements. The Administration will continue to monitor the situation and carry out sustained publicity to ensure public awareness of the requirements.

Ground floor Shops Displaying Building Numbers

12. **DR RAYMOND HO** (in Chinese): *Madam President, at present, quite a number of ground floor shops do not have building numbers displayed on the premises, making it difficult for tourists to locate the shops they intend to visit. In this connection, will the Government inform this Council:*

- (a) *whether building numbers are properly displayed at existing ground floor shop premises in tourist areas;*
- (b) *of the plans to ensure that all operators of ground floor shops will properly display building numbers at prominent positions of the shop premises; and*
- (c) *whether it plans to standardize specifications for the display of building numbers to facilitate tourists in locating shops; if so, of the details; if not, the reasons for that?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Chinese):
Madam President,

- (a) The Rating and Valuation Department (R&VD) is responsible for allocating building numbers and ensuring that the relevant numbers are properly displayed. According to observations made by the Department, in general, most ground floor shops, including ground floor shops in tourist areas, have their building numbers properly displayed. As regards the small number of non-compliance cases, the building numbers are often removed or damaged during the course of renovation.
- (b) To ensure that building numbers are properly displayed at all new buildings, the R&VD will allocate building numbers to new buildings within one month after their completion. After notifying owners and developers of the relevant building numbers, the Department will monitor work progress until the building numbers have been properly displayed. According to the records of the Department, virtually all new buildings have complied with this requirement. There is only a small number of non-compliance cases which involve streets that have not yet been named.

As regards existing buildings, the R&VD launches a building numbering campaign once every two or three years to ensure the proper display of building numbers by owners. During the last campaign carried out in December 2000, the Department sent out letters to owners/occupiers of all ground floor units and owners' corporations to remind them of the need to display building numbers properly. Sample surveys were carried out after the campaign. The results showed that about 85% of the buildings inspected had their building numbers properly displayed.

To deal with the non-compliance cases, the R&VD would issue warning letters to remind the owners/occupiers concerned of the importance of properly displaying building numbers. Furthermore, when the Department becomes aware that a property has been let or is undergoing renovation work, it would issue a letter to the owners/occupiers concerned to remind them to properly display their building numbers after the completion of such works. Appropriate follow-up action will also be taken by the Department.

- (c) With regard to the specifications of building numbers, the Government has prescribed a set of requirements. The building number should be located above or at the side of the entrance to the premises, and should not be obscured. The recommended minimum height and width for a number are 50 mm and 40 mm respectively. The colour of the number or number plate should contrast clearly with its background. We believe that these requirements are adequate.

Students of Driving Schools Having Shorter Queuing Time for Driving Tests

13. **MS EMILY LAU** (in Chinese): *Madam President, I have received complaints that students of government-designated driving schools (driving schools) have a shorter queuing time than those of private driving instructors for driving tests arranged by the Administration and, as a result, many people choose to learn driving at driving schools. In this connection, will the executive authorities inform this Council:*

- (a) *whether they know how the number of students of driving schools compares to that of private driving instructors for the past three years, and whether the number of students of private driving*

instructors is on a downward trend; please give the relevant figures in detail;

- (b) of the current difference between the queuing times of the two types of students on average; and whether they have assessed if the difference in queuing time is the cause of more people choosing to learn driving at driving schools and hence a gradual decline in the market share of private driving instructors;*
- (c) whether they have assessed if the difference in queuing time will result in driving schools monopolizing the driver training market and constitute violation of the principle of fair competition; if so, of the assessment results; and*
- (d) whether the relevant authority will consider uniformizing the queuing times for both types of students?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, in 1999, the Administration conducted a review on driver training policy and concluded that a "two-pronged" approach should continue to be adopted. On the one hand, off-street driver training is provided through the establishment of driving schools. On the other hand, a sufficient supply of private driving instructors will be maintained for on-street driver training. Learner drivers are free to make their own choices on the type of driver training according to their needs.

Records of the Transport Department showed that the total number of learner drivers in the past three years was 146 080 in 1999, 147 620 in 2000 and 147 880 in 2001. During this period, the proportion of learner drivers who enrolled with driving schools and private driving instructors remained steady. In 1999, 32% of the learner drivers were enrolled with driving schools whilst 68% with private driving instructors. The market share of driving schools and private driving instructors in 2000 and 2001 was identical, being 35% and 65% respectively.

To reduce obstruction to vehicular traffic on public roads and inconvenience to road users, it is current policy to promote off-street driver training. Under this policy, the Transport Department requires the driving schools to invest in training facilities and to provide an off-street training

compound for their students to practise Part B of the road test (that is, manoeuvre, parking, and three-point turns in a narrow road and stop/start on a slope). In addition, the Transport Department monitors the operation of the schools, including the content of the training courses, the teaching facilities and the quality of instruction, to ensure that learner drivers receive well-organized and systematic training. Students of driving schools are required to complete a training course of at least 36 lessons before they can proceed to take the driving test. In view of the requirements imposed on the schools and their students, the Transport Department stations driving test examiners at the schools to conduct driving tests for the students. Such an arrangement allows a shorter waiting time than for non-school students.

Currently, the waiting time for road tests for learner drivers from driving schools and those who received training from private driving instructors is on average about 68 days and 86 days respectively. Given that the market share of private driving instructors remains predominately and consistently greater than that of driving schools (a ratio of 65% to 35%), there is no question of the driver training market being monopolized by driving schools. We consider the existing arrangements for driver training and driving test appointments to be working well and will continue to monitor the situation closely.

Territory-wide Exercises Conducted by Housing Authority to Relieve Overcrowding

14. **MR FREDERICK FUNG** (in Chinese): *Madam President, regarding the two territory-wide exercises conducted by the Housing Authority to relieve overcrowding from 2001 up to now, will the Government inform this Council of:*

- (a) the number of flats provided for transfer in each of the above exercises, broken down by their locations as follows: in urban areas, extended urban areas, the New Territories and the islands, as well as the number of new ones among those flats;*
- (b) the respective numbers of families which applied for transfer and which were successfully transferred in each exercise, broken down by locations as in (a); and*
- (c) the number of families which were successfully transferred in each exercise, broken down by the average living area per person as*

follows: below 4.5 sq m, between 4.5 sq m and 5.5 sq m, and above 5.5 sq m?

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Chinese):
Madam President, since introduction of the "Territory-wide Over-crowding Relief Scheme" in 2001, the Housing Authority has conducted three transfer exercises. A total of 9 170 public housing flats had been set aside for selection by over-crowded households, of which 6 570 were new flats. In the three transfer exercises, the Housing Department received 7 480 applications from eligible households and 3 310 households had transferred to bigger flats of their choice. Detailed statistics are set out at the Annex.

Annex

Territory-wide Over-crowding Relief Scheme
Number of Flats Provided and Applications Received

(a) Number of public housing flats provided in the three transfer exercises under the Territory-wide Over-crowding Relief Scheme

<i>Transfer Exercises</i>		<i>Location</i>			<i>Total</i>
		<i>Urban areas</i>	<i>Extended urban areas</i>	<i>New Territories and Islands</i>	
First Exercise (June 2001)	Existing flats	200	400	200	800
	New flats	450	430	320	1 200
	Subtotal	650	830	520	2 000
Second Exercise (December 2001)	Existing flats	330	330	270	930
	New flats	1 790	460	970	3 220
	Subtotal	2 210	790	1 240	4 150
Third Exercise (May 2002)	Existing flats	250	240	380	870
	New flats	340	940	870	2 150
	Subtotal	590	1 180	1 250	3 020
	Total	3 360	2 800	3 010	9 170

(b) Number of applications and transfers under the Territory-wide Over-crowding Relief Scheme

First Exercise (June 2001)

	<i>No. of applications</i>		<i>No. of households transferred</i>	
	<i>Average living area</i>	<i>Average living area</i>	<i>Average living area</i>	<i>Average living area</i>
	<i>Per person below</i>	<i>per person between</i>	<i>per person below</i>	<i>per person between</i>
	<i>4.5 sq m</i>	<i>4.5 sq m and</i>	<i>4.5 sq m</i>	<i>4.5 sq m and</i>
		<i>5.5 sq m</i>	<i>5.5 sq m</i>	
Urban	470	870	330	130
Extended urban	340	540	220	110
New Territories and Islands	300	320	160	50
Subtotal		2 840		1 000

Second Exercise (December 2001)

	<i>No. of applications</i>		<i>No. of households transferred</i>	
	<i>Average living area</i>	<i>Average living area</i>	<i>Average living area</i>	<i>Average living area</i>
	<i>Per person below</i>	<i>per person between</i>	<i>per person below</i>	<i>per person between</i>
	<i>4.5 sq m</i>	<i>4.5 sq m and</i>	<i>4.5 sq m</i>	<i>4.5 sq m and</i>
		<i>5.5 sq m</i>	<i>5.5 sq m</i>	
Urban	470	730	300	400
Extended urban	350	450	220	110
New Territories and Islands	260	270	90	80
Subtotal		2 530		1 200

Third Exercise (May 2002)

	<i>No. of applications</i>		<i>No. of households transferred</i>	
	<i>Average living area</i>	<i>Average living area</i>	<i>Average living area</i>	<i>Average living area</i>
	<i>Per person below</i>	<i>per person between</i>	<i>per person below</i>	<i>per person between</i>
	<i>4.5 sq m</i>	<i>4.5 sq m and</i>	<i>4.5 sq m</i>	<i>4.5 sq m and</i>
		<i>5.5 sq m</i>	<i>5.5 sq m</i>	
Urban	220	510	100	190
Extended urban	340	590	360	240

	<i>No. of applications</i>		<i>No. of households transferred</i>	
	<i>Average living area</i>	<i>Average living area</i>	<i>Average living area</i>	<i>Average living area</i>
	<i>Per person below</i>	<i>per person between</i>	<i>per person below</i>	<i>per person between</i>
	<i>4.5 sq m</i>	<i>4.5 sq m and</i>	<i>4.5 sq m</i>	<i>4.5 sq m and</i>
		<i>5.5 sq m</i>	<i>5.5 sq m</i>	
New Territories and Islands	230	220	130	90
Subtotal	2 110		1 110	
Total	7 480		3 310	

Note: Households with an average living area exceeding 5.5 sq m per person are not eligible for over-crowding relief and are hence not covered under the "Territory-wide Over-crowding Relief Scheme".

Chinese Language Proficiency of Students in Hong Kong

15. **DR RAYMOND HO** (in Chinese): *Madam President, members of the public have expressed concerns that the Chinese language proficiency, in particular the Chinese writing skill, of secondary school leavers, matriculants and even university graduates has been declining in recent years. In this connection, will the Government inform this Council whether it knows:*

- (a) *the average number of Chinese essays that students taking Chinese subjects at various levels of secondary and matriculation education are required to complete each year, and if the Education Department has issued relevant guidelines to schools;*
- (b) *the respective average scores attained by candidates in the Chinese Language essay-writing papers in the Hong Kong Certificate of Education Examination and the Chinese Language and Culture essay-writing papers in the Hong Kong Advanced Level Examination, in each of the past three years; and*
- (c) *the specific measures taken by universities to enhance the Chinese language proficiency of their students?*

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

- (a) According to the curriculum requirements set out in the nineties, secondary students are required to work on 12 to 14 pieces of writing exercises each year while matriculation students have to work on a total of 17 pieces in two years. These writing exercises include composition, practical writing, and so on. Following the curriculum reform, the Education Department has issued guidelines to schools on quality requirements on top of quantity. Schools may flexibly adjust the quantity of writing exercises according to these guidelines.

In addition, the Curriculum Development Council has developed a new curriculum guide for Chinese Language which was implemented by schools in September 2002, starting from Secondary One. This guide sets out clear learning targets and concrete learning objectives for writing, taking both quality and quantity into consideration. Students are provided with more writing opportunities through more balanced, diversified and quality activities such as project learning, creative writing, cross-subject learning, and life-wide learning. There is no requirement on the number of writing exercises, so as to allow room for the teachers to exercise their flexibility and professional autonomy. Teachers may design more different types of writing activities and decide on the most appropriate quantity according to their schools' situation and the learning needs of the students. On the basis of traditional composition exercises, different writing types are added to the new curriculum, which would help students develop their creativity and communication skills. It is believed that following the implementation of the new curriculum, both the quality and quantity of students' writing will be gradually enhanced.

- (b) In each of the past three years, the respective average scores attained by candidates in Chinese language composition papers in the Hong Kong Certificate of Education Examination and Hong Kong Advanced Level Examination are as follows:

<i>Examination</i>	<i>Year</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
Hong Kong Certificate of Education Examination "Chinese Language"	47.5	47.7	47.4
Hong Kong Advanced Level Examination Advanced Supplementary Level "Chinese Language and Culture"	48.0	50.8	49.5

- (c) The eight higher education institutions funded by the University Grants Committee (UGC) has been taking measures to enhance the Chinese language proficiency of their students. The UGC has been providing additional funding support for these programmes through a Language Enhancement Grant since 1991.

Among the wide variety of language enhancement programmes, some are offered to all students compulsorily to form a basis for more advanced learning and some are designed for specific disciplines to cater for the needs of different professions. There are also courses in Chinese writing and speaking skills to equip students for their future careers, as well as a range of workshops and summer courses to provide them with more flexible and innovative environments to brush up their Chinese. Details of such programmes are set out at Annex.

Annex

CityU

The Department of Chinese, Translation and Linguistics (CTL) of the CityU offers core and elective Chinese language courses and Putonghua courses to the students in various undergraduate and graduate programmes. Some courses,

such as Chinese communication skills, are also offered as elective courses to the students in other departments. In the 2001-02 academic year, more than 20 courses on Chinese language and Putonghua were offered by the CTL.

HKBU

The Language Centre of the HKBU offers courses in Chinese language and Putonghua to improve the students' Chinese writing and speaking skills and to equip them with the necessary communication skills for their studies and future careers. In the 2001-02 academic year, the relevant courses were provided to over 1 800 students from various disciplines.

LU

LU, through its Language Institute, provides language training throughout the University, offering course in, *inter alia*, Putonghua and written Chinese. It also organizes extracurricular activities to promote interest and foster excellence in language ability. A number of practical Chinese language courses have been provided to enhance students' linguistic ability, and to equip them with knowledge of office and business Chinese writing, and so on. All students, regardless of their majors, are required to take such courses.

CUHK

CUHK offers language programmes through a "four-tier structure" to enhance students' Chinese language proficiency. The first tier is a compulsory programme in Cantonese and Putonghua for first-year undergraduate students, which forms a basis for more advanced Chinese language courses. The second tier is a Faculty Language Enhancement Programme, under which students are required to take Chinese language courses as specified in individual curricula. The third tier is elective Chinese language courses, which are open to students from all disciplines. The fourth tier is "non-formal" language enhancement activities offered by the four Colleges.

HKIEd

Since 1997, HKIEd has implemented an institution-wide Enhancement Programme focusing on the development of Cantonese and Putonghua and writing skills in Chinese language with the aim of enhancing Chinese language proficiency and cultivating interest in Chinese culture through core modules and a range of language activities. The Institute also organizes workshops for students on various Chinese language topics, such as modern fiction and practical classroom language, and operates an open access language learning facility.

PolyU

PolyU provides mandatory Chinese language courses (for example, College Chinese and Elementary Putonghua) to enhance students' ability to write and speak in Chinese. In the 2001-02 academic year, mandatory Chinese courses were offered to over 7 000 students. The University also provides an elective Chinese Language Enhancement Programme. Courses under the Programme are pitched at different levels to cater for the different needs of students, from fundamental language skills training to literature appreciation and creative writing.

HKUST

HKUST provides general and discipline-specific Putonghua courses and also classes to enhance writing skills in Chinese language for students from specific disciplines. The University will continue to develop more new courses in the integrated use of the four language skills in Chinese language, namely, listening, speaking, reading and writing.

HKU

HKU provides 30 courses under the Chinese Language Enhancement Programme of the Department of Chinese for students from all the 10 faculties of the University. The Programme includes a number of summer courses to enable students to brush up their Chinese language skills in a more flexible mode.

A series of workshops have also been introduced to provide students with an interactive and innovative environment to learn the Chinese language.

Note:

- CityU : City University of Hong Kong
HKBU : Hong Kong Baptist University
LU : Lingnan University
CUHK : The Chinese University of Hong Kong
HKIEd : The Hong Kong Institute of Education
PolyU : The Hong Kong Polytechnic University
HKUST : The Hong Kong University of Science and Technology
HKU : The University of Hong Kong

Protection of Rights and Interests of Consumers in Contracts for Supply of Goods

16. **MS EMILY LAU** (in Chinese): *Madam President, the stipulation in existing legislation, which imposes on the suppliers of goods certain implied statutory undertakings in respect of the goods they supply, is applicable only to contracts of sale. In its Report on Contract for the Supply of Goods published in February this year, the Law Reform Commission (LRC) recommends legislative amendments to extend the ambit of the stipulation to cover other types of contracts for the supply of goods, such as contracts of hire, hire purchase agreements and contracts for work and materials. It has been reported that the Administration does not intend to adopt the recommendation. In this connection, will the executive authorities inform this Council:*

- (a) *of the reasons for the Administration's not intending to adopt the recommendation;*
- (b) *whether they have assessed the impact of implementing the above recommendation on the operating costs of businesses and on litigations involving consumers' rights and interests; and*
- (c) *whether they have assessed if existing legislation is effective in protecting the rights and interests of consumers entering into the three types of contracts for the supply of goods mentioned above; if an assessment has been made, of the outcome?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Chinese): Madam President, in considering legislative proposals to protect consumers, the Government prudently and rigorously considers the following issues:

- (i) whether the legislation is necessary and the most appropriate approach to tackle the problem;
- (ii) whether by legislating, it will bring about the desired effect;
- (iii) the question of implementation, including whether it could be effectively enforced, other issues such as the corresponding staffing and other resources requirements;
- (iv) the impacts on relevant parties, including businesses and consumers; and
- (v) the effects on the interest of the community at large.

My reply to the three parts of the question is as follows:

- (a) We are carefully examining the LRC's recommendation to enact legislation. We have yet to come to a view.
- (b) We are assessing the implications of the LRC's legislative proposals. In assessing the impact of the proposals on business costs, we are seeking the views of organizations and companies which may be directly affected by the proposals. These include the Deposit Taking Companies Association, the Direct Selling Association of Hong Kong, Hong Kong and Kowloon Furniture and Shop Fittings Merchants Association, Hong Kong Retail Management Association, the Hong Kong Small and Medium Business Association and Hong Kong Small and Medium Enterprises General Association, and the various car rental companies. We will analyse the views expressed when they are received.

We are also examining the impact of the LRC proposals on legal action by consumers to protect their rights and interests.

- (c) Various legislative provisions are in place to protect the rights and interests of consumers, including those relating to contracts of hire, hire purchase agreements and contracts for work and materials as recommended by the LRC. These provisions include:
- (i) the Supply of Services (Implied Terms) Ordinance (Cap. 457), which carries implied provisions such as a supplier of service is obliged to carry out the service with reasonable care and skill and within reasonable time;
 - (ii) the Trade Descriptions Ordinance (Cap. 362), which prohibits false trade descriptions, false marks and misstatements in respect of goods, provided in the course of trade;
 - (iii) the Unconscionable Contracts Ordinance (Cap. 458), which empowers the Courts to give relief in contracts for sale or provision of service found to be unconscionable, and the use of undue influence on or unfair tactics against the consumer are relevant considerations by the Court on the reasonableness of the contract; and
 - (iv) the Control of Exemption Clauses Ordinance (Cap. 71), which limits the extent to which civil liability for breach of contract, or for negligence or other breach of duty, can be avoided by means of contract terms.

In addition to specific provisions in various Ordinances, the common law also affords protection to consumers in the three types of contracts at issue. We are also examining whether the LRC's recommendations might afford more effective protection to consumers' rights and interest.

Adjustment of Provisional Tax Payable by Civil Servants with Reduced Salaries

17. **MR CHAN KWOK-KEUNG** (in Chinese): *Madam President, it has been reported that although the salaries of civil servants have been reduced as from 1 October this year, the Inland Revenue Department (IRD) points out that according to the Inland Revenue Ordinance (Cap. 112), (the Ordinance)*

employees who have their salaries reduced have to pay their provisional salaries tax for the current year of assessment by reference to the net chargeable amount and rates specified for the preceding year of assessment; thus, the amount of provisional salaries tax payable by civil servants who have their salaries reduced cannot be lowered. Moreover, a person is qualified for a holding over of payment of provisional salaries tax if the net chargeable income during the year of assessment of the person assessed to provisional salaries tax is, or is likely to be, less than 90% of the net chargeable income for the year preceding the year of assessment. As the rate of salary reduction for civil servants on this occasion is less than 10%, civil servants are not qualified for the said hold over. In this connection, will the Government inform this Council:

- (a) whether the authorities are empowered by the existing legislation to exercise discretion in dealing with applications for reduction in the amount of provisional salaries tax and for holding over of payment of provisional salaries tax; if so, of the details; and*
- (b) whether it will review the existing legislation to enable more employees who have their salaries reduced to be qualified for holding over of payment of their provisional salaries tax?*

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

- (a) Section 63C of the Ordinance provides that provisional salaries tax for a taxpayer for a year of assessment should be assessed by reference to the taxpayer's income for the preceding year of assessment. Section 63E of the Ordinance stipulates that at any time 28 days before the provisional salaries tax is due, taxpayers may lodge an application for holding over all or part of the provisional salaries tax on any of following grounds:
 - (i) The taxpayer has become entitled to an allowance, which was not given in the notice for payment of provisional tax.
 - (ii) The net chargeable income (income less allowances and deductions) of the taxpayer for the year of assessment for which provisional tax was charged is, or is likely to be, less than 90% of the net chargeable income for the preceding year

or of the estimated sum in respect of which the person is liable to pay provisional tax (the "90% rule").

- (iii) The taxpayer has ceased, or will before the end of the year of assessment for which provisional tax was charged cease, to derive income chargeable to salaries tax.
- (iv) The taxpayer has objected to his/her salaries tax assessment for the year preceding the year of assessment for which provisional tax was charged.

The Commissioner of Inland Revenue is obliged to assess hold over applications in accordance with the above rules and conditions.

This year's civil service pay reduction which took effect from 1 October 2002 will only affect civil servants' income in the latter half of the current year of assessment (that is, 2002-03). As the magnitude of adjustment ranges from 1.58% to 4.42%, for most civil servant taxpayers their net chargeable incomes for 2002-03 are unlikely to be less than 90% of their net chargeable incomes for 2001-02. As such, in most of the cases, civil servant taxpayers do not meet the "90% rule" condition for applying for hold over. In certain cases where the tax allowances and deductions claimed by civil servant taxpayers constitute a large ratio to their assessable incomes, their adjusted net chargeable incomes after the pay cut may fall by more than 10%. In these latter cases, the taxpayers will be entitled to apply for hold over of the payment of part of their provisional salaries tax.

- (b) The "90% rule" relating to hold over of provisional tax has been in force for many years. It has proved to be effective, having properly struck a balance between relieving the immediate tax burden of taxpayers and avoiding excessive administrative pressure on the IRD. We consider that this rule should be maintained.

Radiation Levels of Vegetables

18. **MR LAU KONG-WAH** (in Chinese): *Madam President, it has been reported that laboratory tests on the radiation levels of samples of local and*

imported vegetables are regularly conducted by the Hong Kong Observatory, and the latest test results show that there are indications of an increase in such radiation levels in recent years. In this connection, will the Government inform this Council:

- (a) whether, in respect of the increase in the radiation levels of vegetables, it has made inquiries with vegetable farmers or conducted site inspections; if so, of the details;*
- (b) whether it has studied the factors contributing to the increase in the radiation levels of vegetables; if so, of the results; and*
- (c) whether it has studied the possible measures to reduce the radiation levels of vegetables, such as enhancing the education on farming practices for farmers?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Chinese):
Madam President, the Hong Kong Observatory recorded changes above detectable level only in potassium-40 from vegetable samples. These variations in the levels of potassium-40 in samples of vegetables are within the range of normal background fluctuations due to the normal fluctuations of potassium concentration in food produce.

Potassium-40 is not an indicator radionuclide for the monitoring of the level of radioactivity in food. It is a naturally occurring isotope of potassium. The purpose of measuring potassium-40 is to ensure the consistency of the Hong Kong Observatory's environmental monitoring programme and the reliability of the measurements of other radionuclides.

The proportion of potassium-40 in potassium is constant and not related to any man-made activities. Both plants and human bodies are capable of maintaining a homeostatic balance of the amount of potassium and hence the proportion of potassium-40 therein. According to the Report of the General Assembly of the United Nations Scientific Committee on the Effect of Atomic Radiation (2000), the radiation dose from potassium-40 to human is stable and independent of food diets.

For the radioactivity level in food produces, the Food and Environmental Hygiene Department has been monitoring the levels of caesium-134, caesium-137 and iodine-131 which are internationally commonly employed indicators to measure man-made radioactivity in food including vegetables. The radiation testing results of food, including vegetables, have all along remained below the prescribed safety limit in the standard set out by Codex Alimentarius Commission.

Since potassium-40 is a naturally occurring isotope not amenable to interventions, investigative actions such as site inspections or inquiries with farmers are neither necessary nor helpful in explaining the recently observed phenomenon. Furthermore, it is not possible to take any action to reduce or increase the level of potassium-40 naturally present in the environment.

Television Broadcast on Buses

19. **MR LAU CHIN-SHEK** (in Chinese): *Madam President, regarding the impact on passengers of the broadcasting of television programmes on buses by franchised bus companies, will the Government inform this Council:*

- (a) *of the number of complaints received from passengers about such broadcasting and the specific contents of these complaints in each of the past two years;*
- (b) *whether it has conducted surveys to see if such broadcasting has had negative impact on passengers;*
- (c) *given that Regulation 46(1)(n)(i) of the Road Traffic (Public Service Vehicles) Regulations (Cap. 374, sub. leg.) provides that a passenger on a public bus shall not, when in or on the vehicle, use or operate to the annoyance of any other person any noisy instrument such as radio, and so on, of the justifications for allowing franchised bus companies to broadcast television programmes; and*
- (d) *whether consideration has been given to the inclusion of clauses regulating such broadcasting in public bus service franchise agreements in future to protect the interests of passengers?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, the number of complaints received by the Transport Complaints Unit on audio-visual broadcasting on buses since its introduction in November 2000 is as follows:

November 2000 to October 2001 : 320

November 2001 to September 2002 : 401

Although the total number of complaints has increased, the number of complaints received per 100 buses installed with the broadcasting facilities has dropped from 2.86 in November 2000 (when the service just started) to 1.75 in September 2002. Most of the complaints were about the broadcasting volume.

The Transport Department (TD) has commissioned an independent consultant to conduct regular surveys since 2001 to monitor passenger feedback on bus services including audio-visual broadcasting on buses. The survey findings show that, on average, the service was considered "acceptable" by the majority of the respondents (70%) and "not acceptable" by 15% of the respondents, with the remaining 15% taking a neutral stand.

Regulation 46(1)(n)(i) of the Road Traffic (Public Services Vehicles) Regulations regulates the general conduct of passengers on public services vehicles other than franchised buses. The services of a franchised bus operator is regulated under the Public Bus Services Ordinance (Cap. 230) and its franchise. The provision of audio-visual broadcasting service on buses is an initiative introduced by the bus operators to provide infotainment programmes to passengers. The broadcasting facilities are also used as a platform for research into the feasibility of introducing the Global Positioning System which would facilitate better fleet management and the provision of real-time information to passengers. The TD has taken into account these factors in considering the initiative of the bus operators.

With a view to balancing the interests of different groups of passengers, the TD has worked with the bus operators to develop arrangements to regulate the broadcasting volume. As a result, the following arrangements have been put in place:

- (i) the volume of broadcasting is reduced to a level close to that of the ambient noise of a bus;

- (ii) compressor is used to ensure that the variations in pitch are within a narrow range; and
- (iii) a quiet zone is designated on the left side of the lower deck of the bus where the speakers are turned off.

The bus operators have also started recently to introduce further improvement by relocating the quiet zone to the back portion of the lower deck and allowing only one speaker to be turned on at the lower deck.

Since there are increasing number of buses equipped with broadcasting facilities, and taking into account public views, we are prepared to introduce a clause in new bus franchises to enable the TD to better regulate the installation of such facilities on buses. We have already included a new clause to this effect in the new franchises for Citybus Limited (Franchise for Airport and North Lantau Bus Network), Long Win Bus Company Limited and New World First Bus Services Limited respectively which will take effect when the current franchises of these three bus operators expire in mid-2003.

Clearance of Unauthorized Rooftop Structures

20. **MR LAU KONG-WAH** (in Chinese): *Madam President, regarding the clearance of unauthorized rooftop structures (URS) and rehousing of the tenants concerned, will the Government inform this Council:*

- (a) *of the progress and timetable of clearance of URS;*
- (b) *of the current percentage of URS with potential fire hazards in the total number of such structures;*
- (c) *whether it has studied how to expedite the clearance of URS so as to minimize fire hazards;*
- (d) *of the respective numbers of such tenants who have and those who have not been allocated public rental housing (PRH) units in each of the past three years; and the reasons for not allocating PRH units to some of the tenants; and*

- (e) *whether, in view of the current social and economic climate, it will review the eligibility criteria for allocating PRH units to such tenants?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Chinese):
Madam President,

- (a) It is the Government's policy to accord priority to tackling URS with potential fire hazards. In single-staircase buildings, roofs serve as fire refuges. Therefore, URS constitute potential fire hazards as they may obstruct the escape routes. According to the results of a territory-wide survey of all private buildings in Hong Kong by the Fire Services Department in 1998, there were about 4 600 single-staircase buildings with URS.

To eliminate such fire hazards in this kind of buildings, the Buildings Department (BD) intends to clear all URS in single-staircase buildings. From January 1999 to August 2002, the BD already cleared the URS on about 1 000 single-staircase buildings. The URS on the remaining 3 600 single staircase buildings will be cleared by phases. The whole exercise is expected to be completed by 2007.

As regards other URS, we will promptly demolish unauthorized building works which pose immediate danger or are newly-erected.

- (b) We have not collected statistics of URS on other buildings. Hence, we are not able to provide the percentage of URS with potential fire hazards in the total number of URS.
- (c) In April 2001, the Government implemented the "Comprehensive Strategy for Building Safety and Timely Maintenance" which includes, *inter alia*, expediting the clearance of URS with potential fire hazards. The target is to systematically clear those URS by 2007. To prevent the problem from proliferation, newly erected URS will be removed promptly.
- (d) In the past three years, a total of 2 074 families occupying rooftop structures were affected by the BD's enforcement actions. Of

these, 353 families were rehoused to public rental flats. The reasons for not rehousing the remaining 1 721 families to public rental flats are as follows:

- (i) some of the families did not meet the occupancy requirement of having lived in their rooftop structures from 1982. Though not eligible for PRH, these families were rehoused to Interim Housing while waiting for their turn for PRH. This arrangement ensures that no one will be rendered homeless as a result of the Government's enforcement actions while maintaining fairness in the allocation of PRH through the Waiting List;
- (ii) some families had opted to purchase flats under the Home Ownership Scheme or the Home Purchase Loan Scheme, or had opted for cash allowances in lieu of PRH;
- (iii) the incomes or assets of some families had exceeded the prevailing means eligibility limits for public housing and hence were not in need of subsidized housing;
- (iv) some families possessed domestic property and were hence ineligible for public housing;
- (v) some families were already registered tenants of PRH; or
- (vi) some families had alternative accommodation or had moved out voluntarily upon the BD's enforcement action.

A breakdown of the rehousing arrangements for the 2 074 affected families is set out at the Annex.

- (e) The current eligibility criteria for PRH are set with a view to ensuring rational allocation of public housing resources to those in genuine need, especially those households with limited means. Residents of rooftop structures are encouraged to apply for PRH through the Waiting List. The average waiting time is currently less than three years. Upon clearance, residents of rooftop structures who have already registered on the Waiting List will be

allocated a public rental flat if their turn on the Waiting List is expected to mature within the next 12 months. They will also enjoy an upgrading of the choice of districts, that is, those applying for PRH in the New Territories can be allocated flats in the extended urban area, while those applying for PRH in the extended urban area can be offered flats in the urban area.

The Housing Authority reviews the eligibility criteria for PRH from time to time taking into consideration all relevant factors including current economic situation. Those not meeting the rehousing eligibility criteria but are beset with special social and medical problems are rehoused to PRH on the recommendation of the Director of Social Welfare.

Annex

Rehousing Arrangements for Families Occupying Rooftop Structures affected by the BD's Enforcement Action

<i>Rehousing Arrangements</i>	<i>2000-01</i>	<i>2001-02</i>	<i>2002-03 (up to 30 September 2002)</i>	<i>Total</i>
Number of households rehoused to PRH	115	161	77	353
Number of Interim Housing households who had been given other rehousing arrangements	153	174	134	461
Participation in subsidized home ownership scheme, or receipt of cash allowance in lieu of PRH	28	36	13	77
Number of households not given rehousing arrangements	381	449	353	1 183
Total	677	820	577	2 074

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions. Two motions with no legislative effect. I have accepted the recommendations of the House Committee as to the time limits on speeches for motion debates. As Members are very familiar with the time limits on speeches, I will not repeat them here. I just wish to remind Members that I am obliged to direct any Member speaking in excess of the specified time to discontinue.

PRESIDENT (in Cantonese): First motion: "Local Agenda 21" and sustainable development.

"LOCAL AGENDA 21" AND SUSTAINABLE DEVELOPMENT

MISS CHOY SO-YUK (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed.

The development history of the West is made up of chapters and chapters of the history of man conquering nature. Many immortals who are crowned with eternal glory and have won universal praise share one thing in common. They were unswervingly resolute in pursuit of their convictions, firmly believing that man could definitely triumph over nature. With an unyielding spirit, they stood up to nature and overcome one obstacle after another. Ultimately, they succeeded to immensely expand the territory of their countries or successively open up barren land, earning tributes and acclaims from all over the world. However, this approach of development which is premised on resistance to nature has been challenged in the past decades, particularly as we now understand that the reserves of natural resources are, after all, exhaustible. If we continue with all such expansion and pillage to the neglect of the consequences, we would only be drawing ourselves nearer to the doomsday. By then, how could mankind get over it? Added to this is the fact that over a very long period, human beings have neglected the durability of the earth, knowing only to wantonly pursue development to the detriment of the environment. As a result, we have begun to taste the bitter fruits. Drawing lessons from past experiences and after introspection, human beings finally realize that the correct way of development is to learn how to co-exist with nature in harmony and to treasure all kinds of resources. The idea of sustainable development, therefore, emerged against this backdrop.

What does sustainable development mean? The definition varies in different places, but the fundamental concept is largely the same despite minor differences. It stresses the need for us to change the past practice of infinitely extorting resources from Mother Nature for our own enjoyment, and requires us to first take account of the durability of Mother Nature and her ability to recover before taking any actions, so as to ensure that the resources to be enjoyed by our descendants and future generations will not be damaged by our behaviour today.

The international community has long attached importance to the concept of sustainable development. Particularly, after the discussions at the United Nations Conference on the Human Environment held in Stockholm, Sweden in 1972, this issue was also discussed at such important world conferences as the United Nations Conference on Environment and Development held in Rio de Janeiro, Brasil in 1992 and the World Summit on Sustainable Development in Johannesburg, South Africa in August this year.

At the Conference held in Rio de Janeiro in 1992, the participating States endorsed a Rio de Janeiro Declaration, stressing international co-operation in pursuit of sustainable development. The "Agenda 21" was also endorsed at the Conference, which is the most important document on the implementation of sustainable development.

Hong Kong has always positioned itself as an international city. This, in essence, certainly does not only mean having a world-class financial system and economy. We must also catch up with the international standards in respect of other social beliefs, such as promoting the idea of sustainable development.

Madam President, in all fairness, it is not true that the Government of the Hong Kong Special Administrative Region (SAR) has done nothing to follow up this issue. But the problem is that all initiatives have only been piecemeal, and the progress is but sluggish. A more comprehensive package of objectives, outlines and implementation proposals is lacking.

As early as in 1996, the Hong Kong Government already commissioned a consultancy study on sustainable development suitable for Hong Kong. In the 1999 policy address the Chief Executive also announced the establishment of the Council for Sustainable Development to take sustainable development forward. In the year before last, the Government was even willing to conduct sustainability assessment of its major policies and programmes based on eight

guiding principles and 39 indicators. The eight guiding principles are: economy, health and hygiene, natural resources, society and infrastructure, biodiversity, leisure and cultural vibrancy, environmental quality and mobility. Last year, the Sustainable Development Unit led by the Chief Secretary for Administration was launched into formal operation to supervise and monitor efforts within the Government in pursuit of sustainable development.

On the surface, good progress has been made indeed. But the thrust of the problem is that the establishment of the Council for Sustainable Development to monitor and implement the relevant initiatives has yet been materialized. This has, of course, aroused public anxiety. But if this situation persists, with no decision on its establishment or otherwise is made, it would be inevitable for the people to doubt the sincerity of the Government in promoting sustainable development.

Sustainable development covers a wide range of issues and penetrates into every policy level. The Democratic Alliance for Betterment of Hong Kong (DAB) considers that to enable the Council for Sustainable Development to really bring its role of monitoring and implementation into effective play, the Council must have sufficient resources and powers, that is, it must be a "tiger with teeth". Otherwise, if it has responsibilities but not the powers, the so-called monitoring function would eventually degenerate into another instance of red tape that exists in form only, something that is not worth keeping and yet not bad enough to be disposed of.

Furthermore, the so-called sustainability assessment is merely an internal document of the SAR Government, which has never been made available for public inspection. Only when it is necessary to seek approval for certain policies that the responsible departments will submit it together with the policy papers to the Executive Council for reference. Since these policy-making departments are certainly keen to get a green light for their policies and as no avenue is available for effective monitoring by the public, how can we ensure that this sort of assessment report is not compiled behind closed doors and perfunctorily as a mere formality? This is indeed worthy of Members' attention.

On the other hand, even if the Council for Sustainable Development is established, it does not mean that Hong Kong would be put on the right track in this area of development. After all, the Council is only hardware. To truly

give effect to sustainable development, the Government must formulate a comprehensive package of supporting software in the light of the objective circumstances. As for the so-called software, it refers to the formulation of a "Local Agenda 21" and action plans suitable for Hong Kong.

In fact, many countries and cities in the world, including China, have drawn up their own "Local Agenda 21" that suits their respective conditions on the basis of the broad principles entrenched in "Agenda 21". In this regard, the progress of the SAR Government is obviously lagging behind. For instance, in 1993, Seattle set 40 indicators for the assessment of sustainable development. These indicators, which are premised on such principles as vision, acceptability and predictability, cover aspects like environment, population, resources, economy, culture and society. China has also come a long way in this issue. At present, over three quarters of provinces, autonomous regions and municipalities directly under the Central Government in China have set up organizations for the purpose of "Local Agenda 21". Over half of the provinces, autonomous regions and municipalities directly under the Central Government have formulated or are in the course of formulating a "Local Agenda 21" or action plans. Besides, 40 state experimental zones and 60-odd provincial experimental zones have been set up in 25 provinces, municipalities and autonomous regions all over China.

Madam President, sustainable development involves a host of wide-ranging issues and needs a long time of implementation before results can be seen. To draw up an agenda suitable for Hong Kong, the authorities can make reference to the 10 areas for priority consideration previously set out by the Canadian Chamber of Commerce and the Hong Kong Council for Social Service to maintain sustainable development in Hong Kong. They include civil liberties/human rights, conservation policy/biodiversity, corporate responsibilities in society, education, economic basis/competition, green economy, integral planning, integration with the Mainland, social organizations/civil society, sustainable demographic changes, and so on.

I will now briefly state my views on the resources of the earth, and I hope Honourable Members can later put forward proposals in respect of different policies.

The 10 major environmental problems faced by the earth now are global warming, ozone depletion, decrease in biodiversity, spread of acid rain, drastic

diminishing of forests, desertization of land, shortage of resources, serious pollution of the water environment, rampant air pollution and damages by solid wastes. Moreover, in the local perspective, I think the Government should expeditiously formulate energy and conservation policies and at the same time draw up effective measures to tackle the various pollution problems in Hong Kong, and these issues should warrant urgent attention by the Government. The DAB proposes that the Government must achieve the target of renewable energy accounting for not less than 5% of the total local electricity consumption by 2010. Furthermore, incentives can be provided through emission trading to urge Hong Kong and the nearby regions to set ceilings for the total emission of pollutants. This is also a means that merits consideration for purposes of promoting cleaner renewable energy and controlling pollution. As renewable energy and emission trading will be debated in the meetings in the next two weeks, please allow me to express my views on these two areas in the next two weeks. As regards conservation policy, I moved a motion for debate last year and gave a detailed account of the proposals of the DAB.

Alleviating the problems of waste, refuse, acid rain and serious pollution of the water environment is an imminent challenge to the Government. The DAB has already proposed concrete measures on these problems earlier. Due to the time constraint, I am not going to repeat them here.

Sustainable development involves all strata of society and is inextricably linked with our daily life. It has profound and far-reaching effects and absolutely cannot be implemented smoothly solely with the goodwill of one single person or with the words of one single leader. Universal participation is the key. Only with universal participation will we stand a chance to succeed. Therefore, it really requires "collusion between the officials and the people". And in formulating the "Local Agenda 21", emphasis should be laid on the concerted efforts of all social strata to facilitate extensive participation from the Government, the private sector, non-governmental organizations, social groups and the public, and on the conduct of in-depth discussions. Only in this way can we draw up a set of indicators that can reflect the local characteristics and formulate action strategies in pursuit of these indicators.

How best we can incorporate the concept of sustainable development into government policies, corporate operations, consumption pattern and our daily life is an important task before us in the future. I hope Honourable colleagues can support this motion. I also hope the Government can expedite the

promotion of sustainable development in Hong Kong and formulate the "Local Agenda 21" as soon as possible. All sectors of the community and the Government must join hands and strive for sustainable development in Hong Kong.

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

Miss CHOY So-yuk moved the following motion: (Translation)

"That this Council urges the Government to actively respond to the spirit of the Earth Summits convened by the United Nations on sustainable development in 1992 and 2002 and to expeditiously implement the relevant agreements on sustainable development, including formulating and implementing strategies for sustainable development, a "Local Agenda 21" and action plans; to this end, the Government should set up the Council for Sustainable Development as soon as possible, commence dialogues with different sectors of society, including non-governmental organizations, District Councils, local groups and private organizations, so as to work out a package of specific strategies, agendas, goals and timetables that suit local circumstances, provide sufficient resources, devise a mechanism for public participation, implement action plans, and to report to the public regularly on the progress and achievements of its work."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss CHOY So-yuk be passed.

DR RAYMOND HO (in Cantonese): Madam President, in response to the community's growing interest in sustainable development strategies, debates were held in this Council to discuss relevant issues. In consideration of sustainable development, I proposed a motion on renewable energy in early 2001 to urge the Government to expeditiously take measures to speed up its pace in introducing and developing renewable energy. Although the motion was supported and passed by Honourable colleagues, the Government has yet to respond actively by formulating specific policies.

I still recall the Chief Executive, Mr TUNG Chee-hwa, set out the principles for implementing sustainable development in his policy address in

1999. A brief account was also given on three key points, namely institutional framework, shared commitment, and environmental protection industry. Upon the publication of the policy address, the "Principle of Sustainable Development" contained therein was welcome by members of the community, on witnessing the worsening environment. It was generally felt that the Government had eventually responded to public concern for environmental issues and noted the importance of sustainable development.

It is true that the Government has subsequently taken some follow-up actions and formulated related measures. For instance, a consultancy report, entitled "Study on sustainable development for the 21st century" and commissioned by the Planning Department, was completed in August 2000. In his reply to a question raised by an Honourable colleague with respect to sustainable development in this Council two weeks ago, the Chief Secretary for Administration, Mr Donald TSANG, indicated that the Sustainable Development Unit had been set up to monitor Policy Bureaux and departments to ensure that the sustainability principle would be incorporated into the formulation of new major policies by bureaux and departments. Such progress is indeed encouraging.

Nonetheless, no specific plans have been formulated with respect to the direction of implementing sustainable development strategies and relevant actions. Moreover, we must note that one of the key elements in implementing sustainable development is community and public participation. Although the plan to set up the Council for Sustainable Development was revealed by the Chief Executive in the 1999 policy address, the idea has not yet been realized.

Even the Chief Secretary for Administration was unable to say categorically when the Council will be set up in his reply to a related question in this Council two weeks ago. He only indicated that he hoped an announcement could be made shortly regarding the formal establishment of the Council for Sustainable Development.

In fact, Honourable colleagues may still remember that a question was raised by me in October 2001 with respect to the setting up of the Council for Sustainable Development. If I remember it correctly, it was the Chief Secretary for Administration who, on behalf of the Government, responded to my question. This is the reply he gave me: "The Council will be set up by the end of the year (2001) as originally anticipated".

Now that one year has lapsed, it remains uncertain as to when the Council for Sustainable Development will be set up. The timetable proposed by the Chief Secretary for Administration last year for the setting up of the Council has still not been put into implementation. I hope it is because the Government needs to consider the positioning and functions of the Council under the new accountability system, not because the Government has reservations or it is trying to hold back.

Madam President, in implementing sustainable development strategies, the Government should seriously formulate a direction for implementing the relevant strategies and action plans. At the same time, a powerful advisory organ that strives to strengthen communication and co-operation with stakeholders and the community should be set up, so that Hong Kong can continue with its development under the principle of sustainable development. With these remarks, I support the motion. Thank you, Madam President.

MS EMILY LAU (in Cantonese): Madam President, I rise to speak in full support of Miss CHOY So-yuk's motion, and I very much hope that the executive authorities can really take some actions to prove to the people of Hong Kong and the international community that Hong Kong is determined to pursue sustainable development.

As Miss CHOY So-yuk has just pointed out, sustainable development, which covers practically all government departments, is indeed a very complex concept. I believe both Miss CHOY and the Chief Secretary for Administration will agree very much that actually not many people in Hong Kong can grasp what this concept is all about. People who hear this concept may perhaps realize that it is something good, like "motherly love and apple pies". But this concept is really far more complex than "motherly love and apple pies". Therefore, I hope that the executive authorities can make use of its influences and resources to deliver the message not only to all government departments but also to people's minds.

I am sure the Chief Secretary for Administration will also agree that in the course of pursuing sustainable development, we will also need to tell the people that the Government of Hong Kong also aspires very much to prosperity and stability, besides making the best use of resources in this generation and also allowing the next generation to continue to have the resources, as he said in reply

to an oral question in this Council two weeks ago. Naturally, in the process, we also need a healthy, clean and comfortable environment, one which can offer a comfortable home to the people of Hong Kong, and which can hopefully attract foreigners to invest and live here. I hope to deliver these messages to the people in a way straightforward enough to arouse their interest and urge them to work jointly for the cause.

Madam President, though I may sound repetitious, I must point out once again that sustainable development should not be limited to economic, social and environmental issues, but should also be applied to politics. The Chief Secretary for Administration may also admit this point, but he may not think that it should be accorded the highest priority. As pointed out by Miss CHOY So-yuk earlier on, the Hong Kong Canadian Chamber of Commerce and the Hong Kong Council of Social Service have jointly held a workshop in which 10 priorities for sustainability were set out. As mentioned by Miss CHOY, the first of these priorities is related to civil liberties and human rights. It can thus be said that democracy, human rights, liberties and the rule of law all form the basis of sustainable development. And, in its discussion about sustainable development and other issues of international concern, the United Nations also pointed out that human rights and the people's power to elect their own governments are all fundamental rights. I hope that the Chief Secretary for Administration will not evade these issues, and he should examine all these issues in discussions on sustainable development.

Madam President, I still wish to raise another point, one which was also raised by Dr Raymond HO. The Chief Executive proposed the setting up of a Council for Sustainable Development in the 1999 policy address, and when replying to questions two weeks ago, the Chief Secretary for Administration said that the formal title and terms of reference of such a Council would soon be announced. May I ask why it has taken three whole years to achieve just this much? The Chief Secretary for Administration perhaps did not have enough time to give his reply last time. I hope that later at this meeting, he can explain to us why the Council has not yet been set up after the passage of three years. Is it because civil servants have been unable to propose any titles to the Chief Executive? Or, have they already done so, only that the Chief Executive himself has been indecisive? Or, is it because of any divergent views about the terms of reference of the Council? The Chief Executive said at that time that the Council would be directly accountable to him. Some in the community — basically green organizations, for they are very concerned about this matter —

now also speculate that the Council may be responsible to the Chief Secretary for Administration. To whom the Council is to be accountable is not actually a matter of so much importance. But we do think that if the Chief Executive says something now but seeks to deny having said so a few years later (as in the case of the "85 000" housing target), people will certainly be at a loss as to what they should do.

The Chief Secretary for Administration may later find many Members talking about these issues, because I believe that they are the great concerns of Members. When will the Council be set up? Or, is the Chief Secretary for Administration going to give us a surprise and announce the setting up of the Council in his remarks later on? We always hope that the Government can make its major announcements in this Chamber, which is why we hope that the Chief Secretary for Administration can make the announcement here today. But even if the Government can make the announcement here today, I am sure that many people will still be concerned about the more important issue of whether or not the Council will really include representative figures in the community and others who are concerned about these matters. We often say that such places are always limited in number. So, how are we going to select candidates acceptable to all as appropriate and representative enough to serve as members of the Council, without at the same time making the Council too large in size? What functions will the Council perform in the future? Besides, what will be its relationship with the Sustainable Development Unit? Even if the Chief Secretary for Administration cannot answer all these questions today, I think he must do so as soon as possible.

Madam President, with respect to the Sustainable Development Unit, the Chief Secretary for Administration said last time that starting from April this year, if any government departments wish to put forward their views to the policy committees under the Chief Secretary for Administration or to the Executive Council, they must first submit their views to the Sustainable Development Unit for an assessment of whether the proposals will produce any marked and long-lasting effects on the economic, environmental and social conditions of Hong Kong (I hope that the effects on our political system can be included in the future). I have, however, been approached by many green organizations and people who question whether the findings of these assessments should be publicized. Miss CHOY So-yuk asked a supplementary question on this at that time, and the Chief Secretary for Administration simply answered that while the assessment findings could be made available to Members, they must at

the same time be submitted to the Executive Council for examination. To read Executive Council documents is not actually our purpose here. We only hope that the Chief Secretary for Administration can state clearly later on whether the findings of the sustainability assessments conducted since April can be released immediately to all the Hong Kong people and Members of the Legislative Council. I think this is very important.

Madam President, lastly, I wish to talk about the guiding principles for the Sustainable Development Unit in assessing government measures and proposals. There is something missing from these principles: public consultation. If this is not considered an important principle, I really do not know what to say, because the core concept of sustainable development is precisely public participation. I hope that the Chief Secretary for Administration can tell us whether there is sufficient public consultation and input for every project.

With these remarks, I support the motion.

MR CHAN KWOK-KEUNG (in Cantonese): Madam President, on hearing the term "sustainable development", Members may have the wrong impression that it is just a macro concept, the implementation of which is thus the sole responsibility of the Government. In fact, the scope of sustainable development can be extremely wide. From government policies and infrastructure projects to the modes of operation of enterprises, and also to people's consumption patterns and styles of living, the concept of sustainable development can be applied. Therefore, the integration of this concept into all segments of society is a matter of the utmost importance.

According to the Government's plan, a Sustainable Development Unit has been set up to, with the aid of computers, assess the impact of government policies on sustainable development. Besides, government officials will also be trained on the concept of sustainable development. In the commercial sector, enterprises have come to realize that the maintenance of stable social development and a quality living environment are consistent with their long-term interests. That is why over the past decade, many enterprises have participated directly in social service and environmental protection, and have even set up funds to finance the relevant activities held by non-governmental organizations. All this shows that the first step in the promotion of sustainable development has already been taken, both inside the Government and in the commercial sector.

However, there is still the more formidable task of integrating the concept of sustainable development into the daily life of people. Despite its economic downturn in recent years, Hong Kong is still an affluent city with an abundance of materials. If people are properly guided, they can be further upgraded in terms of spiritual civilization and environmental awareness. But if they are not, they will easily form consumption patterns running counter to sustainable development, focusing only on packaging and fashionable trends — using goods with a short cycle of use in brief. Just look at a refuse collection point, and we will see not only all kinds of used packaging materials, but also pieces of home furniture, clothes and electrical appliances which can still be used. As a result of such a squandering culture, manufacturers will only produce goods with beautiful packaging but a short cycle of use. And, they will also keep on changing product models, thus leading to a vicious cycle marked by huge quantities of abandoned goods. What is more worrying is that the environmental awareness of the people of Hong Kong is rather low. The recovery rate of household waste is below 10%, and the Government has not put in place any sound policy on waste recovery, thus making waste disposal a pressing headache in Hong Kong. Worse still, we simply cannot see any specific measures on the part of the Government to educate the people and reverse such an unsustainable consumption pattern. This is really very disappointing.

Over the past few years, the Government has been criticized for failing to incorporate environmentalism into the formal education system and make people "bring environmentalism back home". Environmental awareness can of course be instilled through formal education, but informal exposure in daily life can be a much more effective means of heightening such an awareness. Many schools and non-governmental organizations have been organizing various environmental activities every now and then, but due to resources and time constraints, these activities often have to be halted well before the message can be firmly imparted at all. Therefore, if the Government wishes to give any boost to sustainable development, it must provide support in terms of finance, publicity design and co-operation with non-governmental organizations.

Madam President, the promotion of local culture and nationalism also plays an indispensable role in the implementation of sustainable development. We should also attach importance to this, and should not disregard its significance. Since Hong Kong was once under colonial rule for more than 100 years, the interaction between Chinese and Western cultures has become its

unique characteristic. In recent years, with the emerging popularity of Japanese and Korean cultures, the role of Hong Kong as a cultural melting pot has become especially obvious. However, the massive invasion of foreign culture, together with the consumer and cultural products thus brought along in the process, has made us worried that traditional Chinese culture may gradually fade out. We hence hope that the Government can make more efforts to promote traditional Chinese culture, so that the cultures and arts of different countries in the world can all flourish in Hong Kong and bring out the best of one another.

Cultural promotion is one thing, but as Chinese, we must say that we are disappointed at the long-standing neglect of nationalism in the civic education of Hong Kong. During the colonial era, the British Hong Kong Government suppressed all kinds of nationalistic education, with the result that people had very little affection for, or even rejected, their Motherland and their own race. But after the reunification, the Government still refuses to take any active steps to promote nationalistic education and increase people's national identification. This is even more unreasonable. Actually, in all countries, nationalistic education is regarded as part of education as a whole. Just try to recall how people celebrated our country's successful bidding for the hosting of Olympics 2008 and the admission of our national soccer team to the World Cup Finals, and how all the people in the United States joined hands to combat terrorism after the September 11 incident. All this can show us the huge power of nationalistic feelings as a force of social cohesion. I hope that the SAR Government can stop having empty talks about social cohesion, but take concrete measures that can achieve the social cohesion necessary for building up Hong Kong and the country.

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

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

MR IP KWOK-HIM (in Cantonese): Madam Deputy, land use planning and infrastructure development can be described as the best touchstone of sustainable development. In Hong Kong especially, where there is a scarcity of land resources, urbanization with the limited supply of land will inevitably involve the preservation of the natural environment and cultural heritage and other like

issues. Since the implementation of the Environmental Impact Assessment Ordinance in 1998, the infrastructure planning of Hong Kong has entered a new era, and I believe the days of haphazard development and reclamation will not come again so easily. However, this has also caused controversies such as those over the Lok Ma Chau Spur Line and the Lantau North-South Road Link. Some critics have pointed out that the Environmental Impact Assessment Ordinance simply sacrifices the economy of Hong Kong and people's transport needs because of a handful of birds and frogs, and it is thus a "hated hindrance". But this is not a fair comment all.

In fact, we can describe environmental protection and economic development as a pair of "quarrelsome lovers". Sometimes, their competition for land use may cause irreconcilable views in the whole society, but at other times, they can be on "intimate terms" and work together to develop eco-tourism, making contribution to Hong Kong. In fact, the key to the harmonious co-existence of these two quarrelsome lovers lies in our matchmaking skills. Under the existing land planning and conservation policies, which are not yet satisfactory enough, many lands of a high ecological value are not properly protected. Very often, the advocates of a certain works projects can only find out from the outline zoning plan that a certain piece of land is designated for agricultural purposes, but there is no way they can tell whether the proposed site is of a high ecological value. As a result, green groups will all rise and raise objections when a formal application for development is submitted, leading to waves of heated discussions in the community. The Democratic Alliance for Betterment of Hong Kong (DAB) has repeatedly said Hong Kong needs to set up an ecology database and formulate an appropriate conservation policy to protect lands of a high ecological value. This can conserve the limited natural resources of Hong Kong on the one hand, and allow advocates of works projects to better grasp the various characteristics of our lands on the other, so that appropriate co-ordination can be made in project planning.

Furthermore, the mindset of policy-makers and their understanding of sustainable development are also very important. In the past, sustainability considerations were ignored in both the training and practical work of policy-makers. So, in the implementation of works projects, in particular those on infrastructure development, they would often focus only on economic benefits to the neglect of the negative impact of the projects on the environment and society. After the Environmental Impact Assessment Ordinance had come into effect, some policy-makers still stubbornly implemented plans which placed sole

emphasis on costs and neglected environmental protection. In the end, they were again met with rebuffs. The DAB is of the opinion that sustainable development is a new concept to policy-makers of Hong Kong, who must abandon their old mindset and adopt new ones in policy-making, so as to move towards the goal of sustainable development.

Madam Deputy, the demographic profile and quality of a place are very important to its long-term development. The population of Hong Kong is now faced with two problems, namely the ageing problem and people's inability to cope with the changes brought about a knowledge-based economy. According to the Population Census 2001, the age group of 65 or above constitutes 11% of the local population, and a scholar estimated that disregarding the coming of immigrants, the size of this age group will soar to drastically half of the total population by 2056. This will not only impose a heavy burden on health and welfare services; what is more serious is that the increase in old age population will mean a decrease in our working population, which will probably slow down the economic development of Hong Kong. Moreover, as Hong Kong transforms into a knowledge-based economy, there will be a great demand for talents, so whether locally born and brought up people and newly-arrived citizens from the Mainland can meet the education level demanded by the development of knowledge-based economy is the key to Hong Kong's successful restructuring. Therefore, for the long-term development of Hong Kong, the Government must formulate an appropriate population policy. On the one hand, it must strive to attract overseas and mainland talents as well as investors to Hong Kong and on the other, it must also focus on enhancing the quality of the Hong Kong people, so as to ease the problem of ageing population in the future.

Madam Deputy, the future development of Hong Kong is tied up with the Pearl River Delta (PRD) Region, and the recent clamorous discussions on a Hong Kong-Zhuhai crossing in the community aptly reflects the significance and pressing need of tripartite co-operation in the development of Hong Kong, Zhuhai and Macao. As the future of Hong Kong is already tied up with the development of the PRD, when promoting sustainable development and formulating the "Local Agenda 21", we should no longer confine our attention to within our geographical boundary. Instead, we should negotiate and reach agreements with the government of Macao and Guangdong Province to jointly formulate a development model that is suitable for all three places, and they should also work together in the areas of infrastructure development, demographic flow, economic development as well as environmental protection.

This will not only ensure that Hong Kong can maintain its status of an international metropolitan city, but will also enable the whole PRD Region to become the most important, prosperous and most special area in the whole country.

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

MR LAU PING-CHEUNG (in Cantonese): Madam Deputy, as a result of rapid economic development, globalization has gradually taken shape. That is why the development of one place must be considered in conjunction with the development in other neighbouring areas, having regard for the needs of our future generations. Sustainable development is now a consensus among all countries in the world, but it must be added that its actual implementation must be tailored to the unique development progress of individual regions and countries. Besides, sustainable development involves such domains as economics, transport, environmental protection, and so on. So, in order to turn the concept of sustainable development into a concrete scheme that can be enforced, a consensus must first be reached in the place or country concerned.

In Hong Kong, fortunately or unfortunately, roughly 40% of the land areas are country parks, and about 40% are rural areas. The development of all these areas is subject to enormous restriction and constraint by existing ordinances. The actual proportion of built-up areas is thus merely 20%. In other words, our demand for land is in a way very great. But from another perspective, we can say that we still have huge quantities of land available for development. At the same time, over the past few years, the economy of Hong Kong has experienced an unprecedented recession, which means that we must further develop some cross-boundary activities such as the logistics industry and tourism industry, so as to ease the pressure of unemployment. To do this, we must open up land in the northern part of the New Territories.

Early last year, the Government released a consultation document entitled Hong Kong 2030 Planning Vision and Strategy to consult society and seek people's consensus on our future development. Early this year, the Government released the second consultation document. A simple comparison of the two documents will tell us there has been a change in development direction. The change in respect of cross-boundary development is especially significant because of the need to tie in with the economic development of Hong

Kong. At the same time, the Government has also carried out a series of studies on cross-boundary issues, including cross-boundary air pollution.

Madam Deputy, basically, the direction of the Government's planning work on future development is correct, but regarding the treatment of primary information and material, it must show its position more clearly and increase its transparency. Let me cite an example to illustrate my point. The Government once financed a biodiversity survey conducted by the University of Hong Kong on the distribution of valuable species in the SAR. The University of Hong Kong already submitted the survey report to the Government in 2000, but so far, it has not indicated clearly whether it will accept the findings of the report. This will hinder out future development and lead to disputes. As I mentioned just now, in the course of development, it is necessary to balance the needs and interests of the various sides. If any valuable species are discovered in a certain place, the place should of course be designated a conservation area, and no development should be allowed. However, all the relevant information should be released for public information, so that members of the public can reach a consensus over time and then abide by it.

Even after the setting down of a general direction for sustainable development, the Government must still strive for the acceptance and consensus of the various strata of society, so as to ensure support and implementation in different fields and sectors, and to achieve the ultimate goal of sustainable development. If, for example, the transport industry is reluctant to switch to fuels causing less pollution, the work of environmental pollution will be much hindered. That is why the Government must strive for the acceptance of the various strata of society and their participation in the cause.

In the construction industry to which I belong, the Hong Kong Institute of Architects, the Hong Kong Institution of Engineers, the Hong Kong Institute of Landscape Architects and the Hong Kong Institute of Surveyors are working on the formation of a professional council on green buildings. The aim is to promote environmentally-friendly architectural designs and the construction of green buildings, in the hope of saving and making the best use of energy.

Members may still remember that the Government introduced the idea of green buildings at the end of 2000, offering the exemption of some green features from gross floor area (GFA) calculations. This has since received very good responses from the construction industry. Green features such balconies and

wide corridors have recently become selling points in the sales promotion of some newly-completed housing units. It can thus be seen that the efforts of promoting green buildings have started to bear fruit. There are actually many other construction methods which are also in line with environmental protection, only that they are less noticed. One example is the use of precast external wall segments which can reduce construction waste. Others are coal ash bricks, the collection of rain water for toilet flushing, and so on. On this basis, the construction industry hopes that the Government can develop a green building labelling scheme suitable for Hong Kong, so as to encourage developers to adopt green building features more widely.

Besides, the construction industry also expects the Government to set a good example by adopting green features in the construction of public housing units and government facilities. If the invitation to tenders for the Government Secretariat can make the adoption of green features a compulsory requirement, or make green features an assessment criterion, then the construction industry will attach more importance to environmental protection.

To sum up, to achieve the goal of sustainable development, we must seek the consensus of society, and the various strata of society must join hands in the process. I so submit.

DR TANG SIU-TONG (in Cantonese): Madam Deputy, although sustainability as a general direction of social development has by now received the wide acceptance and support of governments the world over, I still believe that many people actually understand little about this concept. It is thus necessary for the Government to act more proactively and take measures to arouse people's concern and foster their participation. Currently, Hong Kong is facing many problems in the promotion of sustainable development, the major ones being demographic development, land development, planning, environmental protection, and so on. These problems are in fact closely related to all the people. The potential growth of population, for instance, will make it necessary for society as a whole to provide more housing and other facilities and will also cause pollution and the depletion of other resources. Besides, if people do not adjust their consumption patterns, and if they continue to produce huge quantities of garbage, then not only will they cause further damage to the environment, but society will also have to spend huge resources on the treatment of waste. In the end, economic efficiency is bound to be lowered. Therefore, the Government

should mobilize the whole community, so that all of us can work together to upgrade our quality of living. I am going to focus on cross-boundary pollution, land conservation and community harmony.

Nowadays, because of globalization, many problems simply cannot be solved without the co-operation of people from different places. In other words, the concept of sustainable development transcends all boundaries. In the case of Hong Kong, for example, the success of sustainable development will depend on the co-operation of the Guangdong, Hong Kong and Macao Governments. Hong Kong and Guangdong are now very much integrated, not just economically and in terms of people's movement, but even in respect of environmental pollution as well. For example, the manufacturing sector of Hong Kong has largely been relocated northward, and so have the pollutants they produce. But the point is that when the winter monsoons blow from the north towards Hong Kong, the level of air pollution in Hong Kong will rise consequently. This explains why air pollution in Yuen Long is usually more serious than that in other parts of Hong Kong. What is more, the continuous increase in cross-boundary vehicular traffic has also aggravated air pollution in the Mainland and Hong Kong. If the Government does not take prompt remedial measures, the situation will turn even worse following the inauguration of the Shenzhen-Hong Kong Western Corridor and the Deep Bay Link several years later.

Madam Deputy, air pollution will cause direct damage to the living and investment environment in Hong Kong and the Pearl River Delta (PRD) Region. Although the governments of Hong Kong and the PRD Region are very concerned about this problem, and the Hong Kong/Guangdong Joint Working Group on Sustainable Development and Environmental Protection was set up as early as 1990, it was not until as late as the recent years that some joint further studies were initiated. Pollution is a "one country" problem, but it has been tackled in a "two systems" manner, and the differences of the two systems have led to numerous difficulties. I hope that the governments of both places can remove all the obstacles and expedite their discussions on possible solutions, so as to better protect their respective economies and the health of their people.

Besides the abatement of pollution, the conservation of valuable natural resources is also an important topic in sustainable development. The incessant increase in urban population and continuous expansion of city boundaries will inevitably take up land which originally belonged to nature and endanger the survival of the wild life there. That is why both the Government and the public

do indeed face a very difficult problem in striking a balance between development and nature conservation. According to a consultancy study commissioned by the Government, natural resources and biodiversity should be the two guiding principles in any sustainability assessment. Although the Government has set down a definite objective, it has still failed to put forward any concrete plan to pursue this objective, which is why we are very disappointed.

I think if we are to avoid any repetition of the Long Valley wetlands incident, the Government must set down a comprehensive conservation policy. Some past government decisions involving land in the New Territories were met with strong reaction from local residents because the latter's aspirations and rights were not given due recognition. Like other people in Hong Kong, villagers are strong supporters of environmental protection. But the price of environmental protection should be borne by all in Hong Kong, instead of the landowners of the wetlands alone. That is why apart from direct acquisition of land, the Government may in fact consider other possibilities such as a nature compensation fund, land exchange as a means of compensation, and so on. In any case, the Government must draw up an appropriate conservation policy, provide the required resources and establish a fair appeal mechanism, so that the promotion of environmentalism can go hand in hand with the protection of the property rights of affected landowners.

Madam Deputy, I wish to add that the scope of sustainable development is actually very extensive, and many more issues, such as the elimination of poverty and the protection and promotion of people's health, should also be covered. These are issues that the SAR Government should tackle, but somehow fails to, tackle. The SAR Government must address the importance of the integrated development of the environment, the economy and society before it can ease the whole series of problems like economic sluggishness, worsening poverty, environmental pollution and the escalation of social conflicts.

Finally, I wish to point out that sustainable development should also cover the enhancement of co-operation among the different clans in the community and the promotion of community harmony. Unfortunately, the Government has still put forward the scheme of "two village representatives", forcibly turning the elections of traditional village clans into some kind of ludicrous local elections, causing the division of villages and intensifying their internal conflicts. The

very bad results are clashes among clans and social instability, all running completely counter to sustainable development. It is hoped that the authorities can think twice and withdraw this scheme.

With these remarks, Madam Deputy, I support Miss CHOY So-yuk's motion.

MR NG LEUNG-SING (in Cantonese): Madam Deputy, although Agenda 21 was already adopted by the international community as early as in 1992, and the Commission on Sustainable Development was also established by the United Nations in the same year, sustainable development in Hong Kong, in contrast, is undoubtedly a brand new concept. The pre-1997 Government rarely mentioned this concept in its public policies, and after the establishment of the SAR Government, the Chief Executive announced the decision to set up the Council for Sustainable Development in his 1999 policy address, which provided certain directions for the implementation of sustainable development. It was a welcome start. On the actual progress of work, after the Planning Department had completed the Study on Sustainable Development for the 21st Century in Hong Kong, the Sustainable Development Unit was established in April 2001 and a sustainability assessment system was implemented in December 2001 to ensure that the sustainability impact has been considered in the decision-making process.

As everyone may have noticed, the Government has set up a sustainability assessment system, which includes guiding principles and sustainability indicators to enable the Policy Bureaux and departments to conduct sustainability assessments of new strategic measures or significant plans that may bring obvious or lasting impact to the economy, environment and society of Hong Kong, and to include the sustainability assessment findings of their proposals in documents for submission to the Executive Council or the policy committees.

The above situation shows that the Government has really made some progress in implementing the sustainability concept. Of course, it is inevitably a cause of concern when we find that the Council for Sustainable Development still has not been established after three years have lapsed. Yet from a more practical point of view, while the concept of sustainable development involves wide-ranging policy portfolios and that the accountability system for principal officials is gradually taking shape and eventually implemented, I believe it is

more important to spend more time on studying how the Council can be developed into an effective structure with a reasonable mode of operation, than to rush ahead with its establishment.

Meanwhile, I think the SAR Government should, in light of the actual circumstances of the community of Hong Kong, formulate some feasible and practical targets of sustainable development. For example, it should launch specific environmental projects rather than to give support to raw and unclear general principles and strategies. This approach would better facilitate the promotion of the work of sustainable development. In fact, in the international arena, different countries have adopted different attitudes in the promotion of sustainable development. Some advanced countries are not too enthusiastic or even have refused to sign the relevant international agreements, while some developing countries may make resolute verbal commitments, we may at the same time doubt the effectiveness of their measures when they are put into practice. Although Hong Kong has been a bit late in launching the work of sustainable development, yet we should not underestimate our own capabilities, for it is most important to do practical work rather than to shout the so-called sustainability slogans only. Besides, under the current economic situations, we have to promote sustainable development according to the realistic circumstances of community, the deployment of resources, and in particular, the matching of different demands in society such as the priority of employment and environmental assessment, which has been in existence for a long time, so as to facilitate the promotion and education of such initiatives to the general public. The concept of sustainable development can be widely accepted and implemented among different sectors only if there is consensus in society.

Madam Deputy, I so submit.

MR TOMMY CHEUNG (in Cantonese): Madam Deputy, sustainable development stresses striking a balance between economic development, environmental conservation and social integration. The Agenda 21 of the United Nations was passed in the first Earth Summit held in 1992, outlining the four dimensions covered by sustainable development which includes social and economic dimensions, conservation and management of resources for development, strengthening the role of major groups and means of implementation. The Liberal Party always holds the view that society should develop in a balanced way. Therefore, we very much support such concepts.

Since the first Earth Summit held 10 years ago, more than 80 countries have already incorporated Agenda 21 into their national development plans. In addition, more than 6 000 cities have formulated their own Local Agenda 21. Our country and even our competitors in Asia such as Singapore, Taiwan, South Korea, and so on, have already drawn up their respective detailed Agenda 21.

However, Hong Kong all along seems to have done very little to promote sustainable development. Little progress has been seen in respect of the Council for Sustainable Development proposed to be established by the Chief Executive three years ago. The Sustainable Development Unit, established last year under the Office of the Chief Secretary for Administration, has not made any specific progress in its work so far. The Liberal Party is of the view that if Hong Kong does not make sufficient progress in sustainable development, it will not be able to keep pace with the global trend, and it will be very difficult for it to maintain its leading status in Asia.

Madam Deputy, next, I would like to express the views of the Liberal Party on the dimensions of Agenda 21 as proposed by the United Nations.

As a start, on the social and economic dimension, we think that it is important to incorporate environmental and development issues into the decision-making process. Presently, although all Policy Bureaux, in the process of formulating any major policies and measures, have to carry out sustainability impact assessment so as to evaluate their impact on various aspects, the unclear objectives will very often give rise to arguments over the importance of competing concerns, namely environmental conservation and social development. The earlier wetland controversy in Long Valley triggered off by the construction of Lok Ma Chau Spur Line was one of such examples. Consequently, the community as a whole has to pay a heavy price, which is not really necessary. The Liberal Party is of the view that both social development and environmental protection are equally important, but the question is how best we can make early adaptations in the planning process to avoid showing favour to either side.

Apart from the environmental issues, it is also very important to find out how we can improve the quality of the population to promote sustainable development. Hong Kong is facing a transformation of its economy, the kind of expertise and talents required have also changed. However, the problem of an

ageing population is becoming quite serious, and the overall level of education of the people is low. However, over 70% of the major source of supplementary human resources, that is, the 150 new arrivals every day, have received education of only Secondary Three or below. Therefore, the Liberal Party has always been urging the Government to formulate a comprehensive population policy to attract more people of high calibre to Hong Kong. This will help raise the quality of the population of Hong Kong to enable it to rise to challenges in future.

Moreover, the Liberal Party also attaches great importance to the preservation of natural resources. For example, we support protecting the beautiful Victoria Harbour. Therefore, we would object to all unnecessary reclamation projects in the Harbour. Secondly, our rural areas and marine parks have rich natural resources which need our careful protection. In recent years, the increasingly popular green tours offer a good chance for everyone to realize the significance of environmental conservation.

Besides, Agenda 21 of the United Nations mentions that it is necessary to strengthen the role of major groups as well as the relevant means of implementation. The Liberal Party hopes that the SAR Government can, by setting up the Council for Sustainable Development, conduct better planning and supervision to strike a balance between the community, the economy, development and environmental protection.

In fact, in the Second Earth Summit held in August recently, attending representatives put forward a very important concept on sustainable development, that is, to strengthen the co-operation between the government, the business sector and the public in promoting sustainable development and building a partnership. The Liberal Party hopes that the Government can adopt the above spirit to strengthen its communication with people from different sectors of the community, especially in the composition arrangement, to achieve the principle of balanced participation, that is, there must be participation by the Government, the business sector and people of the community so as to manifest the spirit of the Earth Summit.

Madam Deputy, sustainable development will have enormous impact on the development of the whole community, as well as the way of life of our future generations. All the countries in the world are actively implementing

sustainable development. Therefore, the Liberal Party hopes that the Government can drum up the resolve to put forward a set of outlines for sustainable development, so that we can all strive at the common goals.

With these remarks, I support the motion.

MS AUDREY EU (in Cantonese): Madam Deputy, I rise to speak in support of the motion of Miss CHOY So-yuk. In today's debate on sustainable development, we have heard Ms Emily LAU, once in a blue moon, talk to us about motherly love and apple pies. She has also told us what actually sustainable development is.

Madam Deputy, in fact, sustainable development is an abstract concept, with a wide scope that covers environmental conservation, energy and water, medicine and health, population policy and even the elimination of poverty. Each of these subjects is closely related to our life. So, be it the Government, commercial and industrial organizations or the ordinary people, all have the responsibility to ensure everything we do today should take into account the needs of our future generations, so that they can enjoy a healthy and affluent social environment.

Hong Kong has been slightly late in starting the sustainability efforts. Chief Executive TUNG Chee-hwa proposed in his policy address in 1999 to establish a Council for Sustainable Development in order to provide expert advice to the Government on sustainable development and promoting public education on the issue. Unfortunately, three years have passed, all that the Government has done is to have a Sustainable Development Unit (the Chinese name of which is not quite accurate, as pointed out by Miss CHOY So-yuk) established under the Administration Wing. As for the formation of the Council for Sustainable Development, many people have said that there has been all thunder but no rain. It makes us worry that it will become another classic of Mr TUNG's habit of "announcing something great, but never following it through."

In fact, the Government does not have a comprehensive understanding of the concept of sustainable development. If we refer to the policy addresses in 1999 and 2000, we may find that, after mentioning sustainable development, Mr TUNG then moved on to discuss environmental protection, environmental friendliness and measures to improve the pollution situation. It seems that, in

his eyes, sustainable development is equivalent to "environmental protection". No wonder he should think that it is unnecessary to establish the Council for Sustainable Development, because we already have the Environment, Transport and Works Bureau and the Environmental Protection Department.

Madam Deputy, I just mentioned that sustainable development covers a wide scope. Let us take the issue of poverty as an example. According to a report released by the World Bank, in terms of Gini coefficient rankings, Hong Kong ranks 97 out of a total of 100 countries/territories, which is even worse than some Asian countries such as Thailand and the Philippines. This illustrates that the problem of the vast disparity between the rich and the poor is becoming increasingly serious. Unfortunately, the Government maintains its stance of not setting a poverty line, and also it is unwilling to formulate a comprehensive policy for elimination of poverty, apart from the safety net provided by the Comprehensive Social Security Assistance (CSSA).

On the issue of a population policy, Hong Kong is facing the problem of an ageing population. As estimated by the Government, one quarter of the local population will be 65 years old or above by 2031. It is doubtful whether the community could bear such a heavy burden by then. In fact, the population policy should not just stress on how to attract mainland professionals or rich people to Hong Kong to enliven the local economy. The Government should have the long-term vision to formulate strategies to address the problems arising from a population mismatch or an ageing population.

Madam Deputy, if sustainable development is to be implemented successfully, it is imperative that the public be allowed to participate in the formulation of policies. This point was confirmed at the Earth Summit held in Johannesburg, South Africa earlier in the year. However, if we examine the mode of decision-making in the SAR Government, we will find that most of the decisions are made "top-down", and most of the so-called public consultations are mere "window-dressing". Even though the Government has already started to conduct sustainable development assessment before introducing any major projects or policies, but all such assessments are conducted internally without any transparency.

As suggested by the Earth Summit, the Government should change its "closed-door" style of decision-making, especially in the promotion of sustainability initiatives. It should strengthen its co-operation with the

industrial and commercial sector as well as non-governmental organizations in order to build up a partnership. For example, on developing public awareness, if schools, enterprises and community organizations accept the concept of sustainable development and put these concepts into practice in their day-to-day teaching or operation, then it is much easier to bring the concept through to each social stratum. In this way, it is believed that the promotional effect would even be better than advertising on the television or holding exhibitions.

Madam Deputy, green group Conservancy Association has recently released a report, pointing out that Hong Kong should endeavour to become a model in implementing sustainable development in China or even the whole Asia. With its level of economic and intellectual development, Hong Kong really possesses the right conditions to take on this role. Of course, at a time when we are caught in economic adversities and fiscal deficits, some people may think that sustainable development is a luxury. However, Madam Deputy, this investment in fact will bring very long-term rewards. When all the people in Hong Kong really work together of one mind to put the concept of sustainable development into practice, Hong Kong will become a real paradise. Thank you, Madam Deputy.

MR LEE CHEUK-YAN (in Cantonese): Madam Deputy, in a book entitled *Our Common Future* published by the United Nations World Commission on Environment and Development in 1987, sustainable development was defined as "..... development that meets the needs of the present without compromising the ability of future generations to meet their own needs". I believe nobody would object to this concept, for we do not wish to see that the earth destroyed one day. But the question is, while the slogan derived from this concept is very beautiful, it is just an empty slogan when it comes to implementation. This is the case not just in Hong Kong, but also in the whole world. Sustainable development, when being implemented in Hong Kong, is also nothing more than an empty slogan.

The Chief Executive proposed in the 1999 policy address the establishment of the Council for Sustainable Development to provide expert advice to the Government and to report to the public regularly on its work. The community was also encouraged to put the concept of sustainable development into practice. But three years have lapsed, this Council remains "to be established". To date, all the progress that has been made is a Sustainable Development Unit set up

under the Chief Secretary for Administration's Office, which is headed by the Deputy Director of Administration assisted by two Assistant Directors. The Council itself is nowhere to be found.

Not only that the establishment of the Council for Sustainable Development is long overdue, even the concept of sustainable development has constantly been "ripped off", because intentionally or unintentionally, sustainable development has virtually been made the equivalent of environmental protection.

If we look at the pamphlet distributed by the Government, the so-called sustainable development is very simple. Apart from the very beautiful slogan mentioned by me earlier, the Government said that, in simple terms, sustainable development means that in pursuing economic growth, we must also respect our natural environment — the natural environment only — which sounds like an equivalent to environmental protection only. Then what about human beings? If poverty persists, human beings would very soon become an endangered species too.

I think conceptually, it is very ridiculous to come to this conclusion, and perhaps I was a bit exaggerating. But if we let the present circumstances persist, just see how many people would die because of war and starvation. Will human beings become extinct because of starvation? Some poverty-stricken races will really become extinct anytime because of starvation. Although I may be a bit exaggerating, there are indeed races in the world that will become extinct because of starvation. This is a challenge faced by the entire world. I am not saying that Hong Kong people will become extinct. I am saying that as some races in the world are taking too narrow a view by paying attention only to environmental protection without having regard for the sustainable development of mankind, the people of some places may really be on the verge of extinction. Although the situation of Hong Kong people is not so bad as to become extinct, I hope the Hong Kong Government will incorporate the development of mankind into the concept of sustainable development. In other words, "poverty" is a problem that should also be handled. No more "rip-offs" please. The pamphlet is entirely silent on this area.

Although poverty is not mentioned in the pamphlet, there is mention of social harmony, though in a most indirect way. I wonder if the Chief Secretary will later rebut what I have just said, arguing that poverty is covered by social

harmony. The Government has commissioned consultants to set indicators for sustainable development. A total of eight areas were covered and 39 specific indicators were set out. Fortunately, disparity between the rich and the poor is included as one of these indicators.

Yet, even if the Government has included disparity between the rich and the poor in the indicators, so what? Will the Government take actions? If not, that would remain an indicator only. If there is just an indicator and the Government has not undertaken to take actions, then the indicator would purely be an empty indicator. Certainly, the Government will say that studies have been conducted, for the Government has already engaged consultants to submit a study report on sustainable development. The findings showed that when compared to the seven major competitors and trade partners of Hong Kong, namely, Australia, Japan, China, Malaysia, Singapore, the United Kingdom and the United States, the distribution of income in Hong Kong is most uneven. The income differential between the 10% of households with the highest income and the 10% of households with the lowest income is enormous, and this gap has drastically increased from a 28-fold difference in 1991 to a 45-fold difference in 2001. In the last decade, the Gini Coefficient which measures the income gap has deteriorated from 0.476 to 0.525. Even the Chinese Government is aware that a Gini Coefficient exceeding 0.4 is a sign of danger. But our SAR Government has remained indifferent despite the Gini Coefficient in Hong Kong has exceeded 0.5.

Earlier in the debate Ms Audrey EU said that in this respect, Hong Kong ranks the 97th in the world. If the Government sets indicators for assessment but remains indifferent after making the assessment and fails to formulate any policy to resolve or narrow the gap between the rich and the poor, then why do these indicators have to be set (although I do think that so long as there is an indicator, we can at least ask the Government to make reference to it)? I really would like Honourable Members to pay attention to whether the Chief Secretary will say in his speech later that this problem of disparity between the rich and the poor will be dealt with or not.

The reasons for the worsening of the wealth gap are very complicated. But I believe as the Government and major enterprises keep on outsourcing low-skill jobs, the wages of low-skilled workers are therefore suppressed arbitrarily by the market. This is definitely a reason why the disparity or gap between the rich and the poor has deteriorated. It appears that the Government

has just talked but failed to do anything. To ensure that the Policy Bureaux are serious in conducting sustainability assessments on policies, the Government should, as a first step, review afresh the existing outsourcing policy.

Poverty and disparity between the rich and the poor are grave problems faced not only by Hong Kong. They are also among the difficult problems that must be handled by all countries in the world under the globalization of the world economy. The Earth Summit is in recess now, and many people have gone to South Africa to stage protests. They have pointed out a problem and that is, although there is no apartheid in South Africa now, the problem has actually mutated into a new code of universal apartheid through globalization which features monopolization by advanced countries and transnational companies. The principle of sustainable development promoted by advanced countries entirely succumbs to the framework of the liberalization of international trade led by the advanced countries themselves. The anti-poverty assistance provided by them is meant only to exchange for concessions from developing countries in market access and trade liberalization. So, what worrying me most is that sustainable development is considered in the context of free trade in the entire world, and this would only turn sustainable development into an empty slogan.

Thank you, Madam Deputy.

DR LAW CHI-KWONG (in Cantonese): Madam Deputy, the Democratic Party strongly supports the motion moved by Miss CHOY So-yuk. The extent of our support is evident in my speech delivered last week on another motion, in which I expressed all our views on sustainable development. Therefore, I did not intend to make the Chief Secretary listen once again to our expectations delivered last week on sustainable development, together with what we hope the Government should do on this issue.

In our expectations for the implementation of policies presented last week, there were altogether 13 paragraphs on sustainable development. One of the main points is community participation. Miss CHOY So-yuk's motion specifically mentions that the Government should co-operate and commence dialogues with non-governmental organizations, District Councils, local groups and private organizations, and so on, the Democratic Party has all along held the view that this should be one of the key points of sustainable development. It

would be difficult to take forward sustainability initiatives if there is no community participation.

However, I would like to raise one point in this motion debate, that is, the issue of assessing the disparity between the rich and the poor, as mentioned by Mr LEE Cheuk-yan a moment ago. As for the assessment indicators, among the 39 indicators adopted by the Government, one indicator is quite similar to the assessment on the disparity between the rich and the poor, that is, the change differential between the upper quartile and lower quartile of household incomes. From this change differential, we can roughly find out whether the wealth gap between the rich and the poor has been expanding or narrowing. However, if we look at the changes in the financial income distribution of Hong Kong in the past, we would know that the indicator is in fact not a very good one. This is because we can see that the major wealth gap between the rich and the poor in Hong Kong occurs at the lowest 10%, instead of the lowest 25%. Therefore, this disparity indicator is not a very good indicator.

After discussing this indicator, I would like to examine the tools, that is, the 39 indicators, adopted by the Government for assessing the impact of its major policies on sustainable development. I hope the Chief Secretary can really take a good look at the consultancy study report which was worth \$30 million. The report carries many good suggestions, and sets out more than a hundred indicators. Of course, many of such indicators are controversial, or they may not be really useful. But there are still many very useful indicators. Why were they eventually not adopted by the consultants? It is because no data were available. Then here comes a major problem. Since we seldom conducted any study on sustainable development in the past, and when we now started to study this issue, we discovered that some statistics were very useful. However, such statistics, be they in the past or the present, have never been collected systematically by the Census and Statistics Department. When the consultants submitted the report, of course they had to present some tools that could be used by the Government. In other words, since those data did not exist in the data bank of the system, the consultants had no way of presenting such measurable tools to the Government. As a result, they had to settle for the second best. Out of the information which existed in the data bank, they managed to identify 39 measurable indicators. One of the obvious examples which revealed a lack of information is community participation, which I mentioned just now. In the beginning, the consultants intended to use the information on the number of users of community centres and community halls

as an indicator. Unfortunately and ironically, the consultants did not know that no more community halls had been built for more than 10 years. They did not know that, because of the policy change, the information in this regard no longer could be used as an indicator for measuring community participation. Of course, they could still use some weaker indicators such as the number of registered volunteers. However, this is not sufficient to reflect community participation, especially in respect of sustainable development.

Therefore, if we do not want to muddle through our work on sustainable development, and if we really want to continuously watch how the Hong Kong Government formulates the relevant policies for the future, then we have to find out the inadequacies of the last consultancy report, that is, the information that we do not have in our data bank, and then we should urge the Government to collect such data effectively in future. This would enable us to conduct better assessment on sustainable development in a more effective manner. I believe the Secretary may tell us that we already have the assessment tools. However, I just want to say that, this assessment tool has a lot of room for improvement. This will also have a bearing on how we can make the Government consider this aspect in future when it formulates major policies.

Another point is: What are major policies? I just wish to point out that there are no clear-cut criteria stipulating what constitute major government policies that would require sustainability impact assessment to be conducted. Of course, I believe it would be no easy task to formulate a set of clear-cut criteria. But according to our experience so far, we can still roughly name what policies will affect which areas, and which areas warrant an assessment. Alternatively, maybe we can use a certain figure or the impact on community groups as the criteria for determining the kinds of policies that have to be subject to the sustainability assessment mechanism. I hope the Government could make some improvement in this area, so that we can do better in future.

We support the motion. Thank you, Madam Deputy.

MS CYD HO (in Cantonese): Madam Deputy, I rise to speak in support of the motion. As far as time is concerned, I feel that we have been quite slow in pursuing the work of sustainable development. The report in my hand was released in August 2000, but so far, 26 months have lapsed, only a Sustainability Development Unit has been established under the Chief Secretary for

Administration's Office. The relevant Council for Sustainable Development has not yet been formed, and no specific work has been started. This can in fact be described as an initiative "in like a lion, out like a lamb". In addition, its scope of work is rather limited. In fact, the goal of sustainable development is to enable the people to enjoy a quality life. If we want this generation to have a quality life, we must pursue development. But we must not use up future resources in the process. To ensure availability of all the necessities to the next generation and the generation after the next, we must put an emphasis on sustainability.

In a supplementary question raised in the meeting before the last one, I asked the Chief Secretary for Administration why the Government had not incorporated democratic development, human rights and the rule of law into the scope of assessment despite so much criticism in society. The Chief Secretary replied that some matters should be handled with priority while others not immediately. In implementing sustainable development, I think the Government should ensure that incidents like the Long Valley incident would not happen again. When economic development or construction projects are to be launched, consensus should be reached at an early stage to prevent too much argument so that the projects could be implemented smoothly.

However, I hope the Chief Secretary could understand that, when we talk about the scope of sustainable development, preventing similar arguments in the Long Valley event from happening again is not our only task, for socio-economic issues and environmental conservation require the investment and allocation of a lot of resources. This will lead to such questions as who shall pay and who shall enjoy, which means the interests of different sectors will be involved. If we do not have a democratic political system to safeguard people's right to participate fairly in the policy-making process, if we do not have the rule of law to protect the human rights of the minority and the interests of the underprivileged, we have in fact ignored the basics of sustainable development, and are only taking care of trivial issues. Let me illustrate this citing by the elimination of the disparity between the rich and the poor as an example. Several members have just mentioned this problem. Yet I want to point out that it is very difficult to eliminate the disparity between the rich and the poor under a political system where political rights are in the hands of only a few people, where the economic benefits of a few people prevail. Members have just quoted many different data. Here I have some data also from the consultancy report published in August 2000. According to the report, Hong Kong has the

most unequal income differential when compared with other economies — I repeat, it is the most unequal one, as mentioned in the consultancy report published in August 2000. If we do not have a fair participation mechanism to let the majority in society, especially the grassroots who are political underprivileged, to express their demands or to find proper channels to influence policy decisions, then the sustainable development we are talking about is merely empty talk.

We have just pointed out that there are some indicators for assessment of the disparity of the rich and the poor in household incomes in Hong Kong. With these indicators, we would be able to have a clearer picture of the conditions of Hong Kong. With such indicators and knowing and understanding this phenomenon, the way to eliminate the phenomenon is actually a matter of our political system. A lot of people have been demanding the Government to set a poverty line as a first step to eliminate poverty, but so far the Government still has not done it. This is definitely a matter related to our political system. So I wish the Chief Secretary could, after stressing his priorities, put democratic political system, the rule of law and human rights in a prime position, which are also goals that Hong Kong need to attain with great urgency. Thank you, Madam Deputy.

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

MR LEUNG YIU-CHUNG (in Cantonese): Madam Deputy, when we discuss sustainable development and "Local Agenda 21" today, it is quite natural that we will touch on the question of how to enable the earth to develop in sustainability. When we discuss this question, it is natural for us to link this with environmental protection. For if environmental protection is not properly done, how can there be sustainable development for the earth? The issue of environmental protection covers not only environmental conservation, but issues like developments in energy which should also be our concern. However, the question is, there are some more far important implications to sustainable development that warrant our attention.

One area to which we should attach importance is the question of co-operation between different groups in the community on different levels. The biggest problem and the most difficult one to solve is how to foster unity and

co-operation between different groups in the community. As many Honourable colleagues have mentioned, the Hong Kong society is deeply divided. This includes the disparity between the rich and the poor, as well as the minority races and the social disadvantaged as opposed to the mainstay of society. All these disparities would undermine the unity and co-operation between different groups in society. In this regard, we are aware that our society is deficient in many aspects, such as the absence of any legislation to eliminate racial discrimination and age discrimination as recently pointed out by Honourable colleagues. Discrimination in these areas will undermine the unity and co-operation between social groups. I would think that if the Chief Secretary is to consider these issues, he should give serious thoughts to these areas of concern.

Apart from this, we can see from the term "sustainability" that a long-term perspective must be adopted. However, government policies have been short-sighted and piecemeal, addressing the problems only as they come up. No long-term study is made. I think we should not merely set up a Council for Sustainable Development, but the most important thing is the direction of government policies and whether the Government can really look into the issues from a long-term perspective. For example, the Financial Secretary said recently that due to the deficit problem, the Government must exert its utmost to achieve fiscal balance by 2006 or 2007. This is no doubt a very important problem, but it would pose enormous adverse impact on our long-term development. And the Financial Secretary also said that some infrastructure projects would have to be downsized or scrapped. Moreover, many policies have to be hastily revised as a result of this guiding principle and as a result, the prospects of long-term development are bleak. So when we discuss sustainable development here, we should really look at it from a long-term perspective. This would imply that in all areas like education and cultural attainment, we should cease to be short-sighted.

Earlier in the debate, I heard many Honourable colleagues talk about a far more important issue and that is how to eliminate the disparity between the rich and the poor in our society. This is the most important issue in sustainable development. They mentioned the problem of how poverty could be eliminated. As a matter of fact, we can notice that many aspects of our economy are worrying. Our Gini Coefficient has risen from 0.451 in 1981 to 0.525 at present. This shows that the gap between the rich and the poor in our society is very wide indeed.

In another debate some time ago, I said in this Chamber that we could no longer afford to neglect the serious problem of the disparity between the rich and the poor. At that time, I cited an example, saying that I once saw a person eating leftovers in a fast food shop. Members at that time might be rather surprised to hear this and they might even doubt whether it was true. However, when a newspaper put a similar story on the headlines, people were convinced that there were really some people who ate leftovers. It is amazing to read some columnists making the comment that eating leftovers may not be a bad thing after all. They say that this will not only help the poor stay away from hunger, but that it can prevent waste and help save food. I am not sure if the columnists are talking seriously or if they are trying to make a point in a cheeky way. In any case, this is a true depiction of the grave problem of poverty which is beyond our imagination. If people are deprived of their dignity and sense of security, then talks of sustainable development are a mere luxury.

There is a recent bestseller entitled *If the World Were a Village of 100 People*. It is about assuming that the world population of 6.3 billion were a village of 100 people. In this village which is a miniature of the world, there are as many as 20 persons who suffer from malnutrition, one person is dying from hunger, but there are six people who hold 59% of the wealth of the entire village. These figures show that such phenomenon of a great disparity between the rich and the poor does not occur in Hong Kong alone, but all over the world. However, as members of the community we should know that if this gap is not narrowed, it will greatly hamper the development of our society, as well as peace and stability.

Therefore, I am of the view that when talking about sustainable development, we must think of ways to break away from this social predicament. There are a few issues in Hong Kong that we should give serious thoughts to. These include issues mentioned by Ms Cyd HO earlier, that is, the need to attach importance to the development of a democratic political system and to human rights. For these are the bases and cornerstones of our survival. Without them, sustainable development will never be possible.

Apart from giving my support to this motion, I also hope that when the Chief Secretary considers these issues, he would refrain from theorizing in an abstract manner but to put into force some concrete and down-to-earth policies to solve the problems before us.

Madam Deputy, I so submit.

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

CHIEF SECRETARY FOR ADMINISTRATION: Madam Deputy, sustainable development concerns the well-being not only of this generation, but also of the many generations that will inherit the legacy that we are creating for them today. I welcome this debate as an opportunity to stimulate discussion on this important subject. The Administration supports the aspiration implicit in the Honourable CHOY So-yuk's motion.

The term "sustainable development" has in recent months become more familiar to people worldwide, due largely to the high profile and media reporting of the World Summit that took place in Johannesburg in August and September this year. However, recognizing the term does not imply proper understanding of what it means.

For example, many tend to equate the term "sustainable development" exclusively with environmental protection or conservation of natural resources. This is perhaps understandable, since sustainable development as a policy prescription started in earnest at the Earth Summit organized by the United Nations in Rio de Janeiro in 1992. And that Summit was very much concerned with issues such as climatic change, preservation of natural habitats and depletion of the ozone layer. Even at this year's World Summit in Johannesburg, a "sustainable society" is one in which we respect the balance of our natural environment. But these important international meetings tell us that sustainable development means much more.

(THE PRESIDENT resumed the Chair)

Today, an internationally accepted definition of sustainable development is essentially that outlined by the World Commission on Environment and Development in its 1987 report, entitled "Our Common Future", namely, "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

In this context, sustainable development demands that we seek better ways of living and working that enable us to lead healthy, fulfilling, economically secure lives, while preserving the environment and the future welfare of our people. In short, it is about improving the quality of lives for ourselves and future generations.

We recognize without reservation the need for a sustainable approach to Hong Kong's development. In 1997, we began to study in earnest how best we might build a framework for the long-term sustainable development of Hong Kong. In his 1999 policy address, the Chief Executive outlined his vision of Hong Kong as a world-class city. He announced specific steps that would be taken to pursue our long-term development in a sustainable manner. These included the setting up of a dedicated unit within the Government to oversee the integration of sustainability into new government policies; establishing an advisory council to advise the Government on key issues related to sustainable development, and setting aside a \$100 million fund to support community initiatives in this field.

In April 2001, following the completion of an in-depth study and consultation with the Legislative Council, we established the Sustainable Development Unit (SDU) within the Government under my Office. The SDU immediately began work on putting in place a system whereby all new government policies and initiatives would be assessed for their compliance with the principles of sustainable development. This system took full effect in late 2001. From April this year, it has become an integral part of our policy planning and formulation processes in that all proposals put to the Executive Council must also explain and justify their long-term sustainability. The same requirement applies to submissions to the recently established Policy Committee.

As well as implementing and monitoring the sustainability assessment system, the SDU also organizes regular training courses and workshops for government staff involved in the policy and project planning process. This helps to ensure a wider understanding and proper application within the Government of the general principles of sustainable development.

It is essential to instil a sense of importance of sustainability among our colleagues in the Government. But we face a much greater challenge in putting this important message across to the wider community. While there are many in the non-government sectors — including our Honourable Members, non-

governmental organizations (NGOs), the academic and business sectors — which are well aware of the meaning and significance of sustainable development, it is not an easy concept to impress upon the general public.

I am very grateful for the attendance of about nearly three dozen Honourable Members here while I speak. But a little while ago, it seems to be a rather difficult task to summon enough enthusiasm to have more than a dozen Members, not to mention a full quorum, to remain in this Chamber to participate in the debate and listen to the excellent speeches made by some Members. This makes some very emotional and heartfelt statements which I heard just now from these Honourable Members somewhat hollow in this Chamber. But the Administration supports Miss CHOY So-yuk's mission, and all of us must try harder.

During the past year, the SDU has begun the task of promoting in the community the meaning and the importance of sustainability. The SDU has issued publications and reports, organized roving exhibitions and has taken part in a range of forums and seminars aimed at explaining and exploring this issue at varying levels of understanding.

In June this year, we hosted an international symposium on the theme of "Sustainability and the City". A number of distinguished international and local speakers, including Honourable Members of the Legislative Council, exchanged views on ways to build a sustainable future for Hong Kong. As part of this symposium, the SDU sponsored an interactive workshop. Stakeholders from various sectors in the community discussed in depth the priority issues that we need to address in developing a sustainable society in Hong Kong. The workshop concluded with 10 priority issues. To name a few, they are education, social fabric enhancement and integrated planning. It is clear, therefore, that the key stakeholders in Hong Kong have a clear vision for a better future and are keen to share this with others if given the appropriate encouragement.

Madam President, in August and September this year, the United Nations held the World Summit on sustainable development in Johannesburg, South Africa. We recognized the importance of this event and the opportunities that it offered to gain insight and experience into sustainable practices worldwide. To take advantage of this valuable forum, the Government of the Hong Kong Special Administrative Region sent an eight-person team to the Summit as part of the

delegation of the People's Republic of China. A report on the team's activities in Johannesburg, as well as their observations and conclusions is now available to the public. Honourable Members are welcome to access it through visiting our SDU website.

During the ten-day period of the Summit, our team was able to attend plenary sessions, side events, exhibitions and informal meetings. These activities have broadened team members' understanding of the ways in which we might further pursue sustainable development in our own community. We learnt first-hand about the priorities of other countries and cities, many of which involved things that we in Hong Kong had taken for granted, such as regular availability of clean water supply, sanitary waste disposal systems and basic health and education services. We also learnt that each community had to define its own framework for establishing a viable and sustainable quality of life for its people. There is no universally accepted model for prescribing a sustainable development strategy or agenda.

This brings me specifically to the issue that Miss CHOY So-yuk has put on the table this afternoon. That is, what, strategically, does sustainable development mean for Hong Kong, and what are the appropriate frameworks for defining and implementing the measures that we need to take to provide a better quality of life, not only for ourselves but for our future generations?

In his 1999 policy address, the Chief Executive suggested three areas for our pursuit of sustainable development for Hong Kong, namely:

- (a) finding ways to increase prosperity and improve the quality of life while reducing overall pollution and waste;
- (b) meeting our needs and aspirations without doing damage to the prospects of future generations; and
- (c) reducing the environmental burden that we put on our neighbours and helping to preserve common resources.

These broad guidelines help to point us towards the direction that we should take in building a sustainable future for Hong Kong. If we are to reach our destination, as well as setting the overall direction, we must also find the appropriate "vehicle" to take us forward.

In 1992, the United Nations Agenda 21 called for all countries to develop their own national strategy or Agenda 21. In 1994, China became the first country to put a national Agenda 21 in place. Furthermore, as we have learnt from Johannesburg, quite a number of provinces, cities and even smaller communities in China have also started preparing their own Agenda 21 or sustainable development strategy. In Hong Kong, having championed the sustainable development cause for more than a year since the establishment of the SDU, we consider it timely to consider our own sustainability strategy or agenda.

As I mentioned earlier, we face a continuing challenge in raising the community and this Chamber's awareness of the issue of Hong Kong's sustainable development. In the current economic climate, it is difficult to expect our people to focus on long-term goals that have little immediate material benefits. More important, plotting a course for Hong Kong's sustainable future is not something that the Government can, or should, do alone. It is a fundamental tenet of the principle of sustainable development that the process of planning for an improved quality of life should be inclusive and driven by real and effective partnerships.

The United Nations Agenda 21 urges governments to take measures to encourage and enable partnership and dialogue between local NGOs and local authorities in activities aimed at sustainable development.

In the short time that the SDU has been in existence, we have already established meaningful partnerships with business, environmental and social service organizations in taking forward our sustainability projects and programmes. Such organizations possess the experience, the expertise and the capacity needed to engage the public in the debate about Hong Kong's long-term sustainability. Accordingly, their contributions have enhanced our own efforts to promote the concept and practice of sustainable development.

Drawing on our experience of partnership with non-government and business groups, and in line with the World Summit's emphasis on partnerships and participation in pursuing long-term sustainability, we will seek to involve members of the community extensively in developing our framework for pursuing sustainable development. I have already asked the SDU to start the preparatory work, with a view to devising an effective consultative mechanism

that would be inclusive and embracing. We would also look forward to the support of Members of the Legislative Council and the community as a whole in taking forward this important task.

Before closing, I should add that we are fully aware of the public interest in seeing the early establishment of the Council for Sustainable Development. Through the new forum, stakeholders can provide feedback and advice to the Government on key issues of concern related to sustainable development of Hong Kong. As I said to the Legislative Council two weeks ago in responding to an oral question, the Government remains committed to establishing such a forum. In this context, the Chief Executive is considering how the Council for Sustainable Development should feature and perform its functions under the accountability system. I repeat my pledge that we shall make an announcement regarding this Council very shortly.

Madam President, I would like to emphasize one more time that it is vital to the cause of sustainable development that the community should have a clear understanding of the concept and be able to participate in formulating appropriate measures and put these measures into practice. I appreciate the views and opinions expressed by Honourable Members this afternoon. I am most grateful to them. And I see this debate as a useful part of a process of educating ourselves — people in the Government, people in the Legislative Council and people in the wider community — as to the real meaning of sustainable development. My colleagues and I look forward to this process continuing in the wider community. We need to develop a common and firm commitment to a sustainable future for us all.

Thank you.

PRESIDENT (in Cantonese): Miss CHOY So-yuk, you may now speak in reply. You still have two minutes five seconds.

MISS CHOY SO-YUK (in Cantonese): Madam President, I am very grateful to the 13 Honourable Members who spoke earlier. They have presented some very valuable views from different policy perspectives. I am also very grateful to the Chief Secretary for Administration for speaking in support of this motion. I thank the Chief Secretary for he realizes the importance of partnership and

public participation in promoting sustainable development in Hong Kong. Madam President, the motion today is like a cup of hot coffee placed in chilled water. It is warm at the top, hot in the middle and cold at the bottom. In other words, the Government is beginning to recognize the need and is quite prepared to promote it. The condition in the middle is that there are many people who care for the issue and they have great expectations for this motion today.

Madam President, I notice seated in the public gallery is a group of people who represent the business sector and they are concerned about environmental protection and sustainable development in Hong Kong. They have been sitting there for a long time and they have not left the Chamber throughout the debate. And outside the Legislative Council Building is a group of children who are giving away wish balloons. They hope that we can help them to have a better future by promoting sustainable development in Hong Kong. I hope all Honourable Members can lend it their support and work together for its promotion. I also hope that the Government can speed up its pace and, as the Chief Secretary has said, foster a close partnership relationship among different sectors of society as soon as possible so that they can all pitch in to work for the sustainable development of Hong Kong and our future. Thank you.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Miss CHOY So-yuk 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 the Election Committee, who are present. I declare the motion passed.

PRESIDENT (in Cantonese): Second motion: Reducing transport fares.

REDUCING TRANSPORT FARES

MR ANDREW CHENG (in Cantonese): Madam President, I move the motion as printed on the Agenda.

Just like the motion debate on the Northern Link last week, motion debates on reducing transport fares have been repeatedly held in this Council. However, the problem is not yet solved. Under the leadership of the former Secretary for Transport, we have not been confident of the capability and sincerity of the Government to solve the problem. However, things seem to have changed since Dr Sarah LIAO has assumed office.

I recall when Dr LIAO was fresh in the office, she made comments through the media that transport fares were too expensive. These remarks won acclaim from all quarters and she became very popular among the people. In fact, her popularity is miles ahead of the Chief Executive and the Financial Secretary.

However, the greatest concern to me is that her popularity may be meteoric. If Dr LIAO wishes to enjoy a lasting popularity among the people, she has to present some concrete plans on a reasonable adjustment of transport fares, instead of leaving the matter to the public transport operators who may propose some trivial concessions like those on transfer rides and one free ride for 10 or eight trips made, and so on. These operators may put up the excuse that there is no room for fare reduction, and so on. And in the end, the public will have to continue to pay expensive transport fares.

Madam President, some categories of the Consumer Price Index have shown an obvious drop during the past few years, such as housing, clothing and durable commodities. The cause for the drop is that people may make flexible choices in spending on these items. But the case is different with transport. As the small area of Hong Kong is densely populated, most of the people rely on public means of transport. This demand remains unchanged, irrespective of economic boom or sluggishness, irrespective of the level of fares. Such a demand for transport services does not change and it is rather inelastic. If

transport operators do not reduce fares at their own initiative or if there is no proper mechanism for fare regulation, so that fares will be adjusted in tandem with the economic condition, then fares will only rise and never come down. Our demand is that fares should be adjusted in accordance with the performance of the economy.

We cannot argue that since deflation is serious, we should not demand that transport fares be reduced, for that would aggravate deflation. This is only evading the problem and turning a blind eye to the tremendous financial pressure that the public at large is facing. The public should not be made to pay expensive fares in exchange for the recovery of our economy. The responsibility of working for an economic recovery should be borne by society as a whole, instead of the people who have to pay expensive transport fares. Such remarks as those made by Mr John CHAN earlier prove that a transport company not subject to regulation only sets its eyes on making money and will never care about the suffering of the people, not to say shouldering any social responsibility at all.

Madam President, we are aware that Dr LIAO has to face great difficulties herself. For both inside and outside the Government, there are a number of major obstacles she has to overcome. Instructions from the Secretaries of Departments may have been the reason why she has been reticent lately on the issue. The non-co-operative attitude taken by major transport operators like the two railway corporations and the Kowloon Motor Bus (1933) Limited have made efforts in fare reduction not so successful. But since Dr LIAO is an accountable Bureau Director, she should work for the best interest of the people. She should not yield to threats of power from inside, nor should she make too much compromise with the transport operators. What we think she should do is to adhere to the views stated by her when she assumed office in July and negotiate with the public transport operators and look into the possibility of reducing transport fares.

The Democratic Party is convinced that the Government should regulate these transport operators, in particular the two railway corporations and the bus companies. It is because these companies are making the greatest profits. As they take up the greatest share of passengers, the Government must put in place a mechanism for fare determination, so that both the passengers and the companies would have something to follow.

With regard to the existing fare adjustment methods of the railway corporations and the bus companies, the former have not publicized any criteria for fare determination. What has been made public by the MTR Corporation Limited (MTRCL) is only the process of fare adjustment. The Kowloon-Canton Railway Corporation (KCRC) only stresses that it acts according to commercial principles. As to the bus companies, although the Government has set up a so-called "multi-factor" mechanism for these companies, asset return rate is still used as the basis for determining bus fares. This method is likely to produce an effect of over-capitalization in the bus companies, thus making a hike in bus fares something inevitable.

Therefore, we opine that the Government must set up a fair and open fare adjustment mechanism to protect public interest and prevent passengers from having to pay too expensive fares for public transport. In addition, the public transport operators can run their business effectively.

After some study, we think that the proposal to impose a ceiling on the fares seems to be more desirable. Besides, such a mechanism is widely used in Britain and Canada in the telecommunications, electricity, water supply, gas and railway sectors. In 1997, the Select Committee on Trade and Industry of the British Parliament made the first report on price ceiling regulation. The report expressed the view that the measure would produce a great incentive to oblige the operators to reduce costs through effective management, and it pointed out that this regulatory measure of "RPI minus X" should continue. The report said in its conclusion that this formula was better than the other options.

The study shows that the regulatory measure of imposing a price ceiling is based on a formula of the Retail Price Index (RPI) minus X, where X is worked out according to a projection of the future increase in productivity based on the increase in productivity over the past few years as a result of the costs saved. The Democratic Party is of the view that this formula should be able to encourage different means of public transport to take more active steps to reduce costs and raise efficiency.

There are some views that this formula may be lacking in flexibility. However, the mechanism can be revised in the light of the changing circumstances. The experience gained by the British Government in regulating the potable water supply shows that after the operation was privatized, regulation

was imposed in 1999 using the formula of RPI minus X plus Q. In this formula, RPI stands for the Retail Price Index, X is the increase in productivity. In the case of Britain, Q is the increase in investment costs required to meet standards in water quality.

In other words, price ceiling regulation can take into account the particular qualities of the trade concerned to include factors as appropriate. On the basis of this RPI minus X formula, consideration can be made to incorporate the particular qualities of some means of transport, such as fuel, labour and investment costs necessitated by service improvement. In this way, the mechanism is able to reflect various factors.

Madam President, in a nutshell, the studies made in overseas countries show that a fare determination system based on price ceiling regulation has at least four advantages as follows: first, it provides an incentive to enhance efficiency; second, as the company under regulation may retain all the profits, it would give it an even greater incentive to reform and launch new products and services in order to reap greater profits; third, the cost of regulation is lower than the conventional regulatory mechanism of asset return rate; and fourth, there will be greater transparency in operation.

Madam President, when I was drafting the wording of this motion, I only sketched an outline of the general direction of transport fare adjustment. I hope to find some common grounds and embrace differences so that Honourable Members can propose the fare determination mechanism they may have in mind for the Government to consider. Mr LAU Kong-wah is very concerned about this issue and I am grateful to the many specific suggestions he has made. As a matter of fact, when the Democratic Party met Dr LIAO for the first time in August, we submitted a paper listing our 10 major proposals on transport for the Government to consider. Many of these proposals do have some similarities with those made by Mr LAU Kong-wah in his amendment. However, as the amendment has made some recommendations in detail, we have decided to add in some details to the 10 major proposals made by us earlier. Therefore, Mr WONG Sing-chi would propose an amendment to Mr LAU Kong-wah's amendment on behalf of the Democratic Party.

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

Mr Andrew CHENG moved the following motion: (Translation)

"That, in view of the enormous transport expenses borne by the public, this Council urges the Government to discuss with various public transport operators with a view to reducing expeditiously the fares of transport services and, at the same time, establishing a fare adjustment mechanism, so as to alleviate the burden on people's livelihood."

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

PRESIDENT (in Cantonese): Mr LAU Kong-wah will move an amendment to the motion. Mr WONG Sing-chi will move an amendment to Mr LAU Kong-wah's amendment. Both amendments have been set out on the Agenda. The motion, amendment, and the amendment to the amendment will now be debated together in a joint debate.

PRESIDENT (in Cantonese): I now call upon Mr LAU Kong-wah to speak and move his amendment to the motion. Then I will call upon Mr WONG Sing-chi to speak and move his amendment to Mr LAU Kong-wah's amendment. Members may then debate the original motion and the two amendments.

MR LAU KONG-WAH (in Cantonese): Madam President, I move that Mr Andrew CHENG's motion be amended, as printed on the Agenda.

Madam President, today Mr Andrew CHENG has moved a motion on reducing transport fares. Mr Andrew CHENG said that I was very concerned about the issue, I would say that he is very enthusiastic about it. It is because at about the same time last year, we moved a motion more or less on the same topic. At that time, Honourable Members were very united and they all voted in support of the motion, demanding that the Government and the transport operators to revise and reduce the fares. However, the result was just various beautifully presented concessions hastily launched by the transport operators as a response to our demand. When we go to buy clothes and food, we may choose less expensive items or act smartly and be penny-wise and even compare the

prices. But one cannot compare transport fares to see which one is cheaper, for no matter how smart and penny-wise one may be, one simply cannot find any cheaper means of transport. So no matter how clamorous the public demand is for a reduction of transport fares, the transport operators all say the same thing, that is, there is no possibility to lower the fares. Then they would launch some half-hearted concessions. Such trivial concessions are like giving some spring onions after you have bought some vegetables or getting one orange for free for 10 oranges bought. Can these be called a reduction in fares? Concessions given for rides are not the same thing as a price reduction. A direct reduction in fares is the most practical thing of all.

Over the past few months, the Democratic Alliance for Betterment of Hong Kong (DAB) visited many transport operators and each and every one of them said that it was impossible to reduce the fares. Last Sunday, Mr John CHAN, the Chairman of the Kowloon Motor Bus (1933) Limited (KMB) even said that making a direct reduction in fares was equal to asking the KMB to reduce its profits to help some people who did not need the help. As a matter of fact, I do not quite understand his point. There is a problem and that is, the KMB has millions of passengers and it is difficult to tell who need help and who need not. But there is one thing we can be sure and that is, if the KMB is willing to reduce its fares, at least half of the people in Hong Kong would benefit.

Another argument advanced by Mr CHAN was that there was no room for a fare reduction. Madam President, you may recall that on the day when the Tseung Kwan O Extension of the MTR was commissioned, the KMB reduced some of its fares. At that time, the KMB action was almost entirely voluntary. Where did the room for fare reduction come at that time? As a matter of fact, some Honourable Members are worried if our demand for a fare reduction would be regarded as asking the Government to intervene? On the four major necessities of life, that is, clothing, food, accommodation and transport, why can there be a reduction in the prices of the first three items but not those of transport? The interplay of market forces and the existence of competition have caused prices to drop. The only exception is transport, for it does not have such a mechanism. A regulatory mechanism used to exist as it was set up by the Government. Do we need to set up a market mechanism to regulate these prices which are so expensive and monopolized? In this respect, I think there is still room.

On the other hand, the DAB has spent one month's time to conduct an in-depth study on the more than 200 bus routes run by the KMB. We have found that about three kinds of routes run by the KMB are making enormous profits. The first kind is the cross-harbour routes, the second is the feeder routes and the third kind is the air-conditioned routes. Let me cite a simple example. The fares of the cross-harbour routes, when calculated per kilometre, are more than 50% more expensive than the regular routes. Why? There is no particular reason for this. First, the buses and the bus drivers are the same. Second, the only additional costs for the cross-harbour buses are the tunnel tolls and this is the only factor which increases the costs. In the case of railways, there may be maintenance costs, but the KMB does not have to pay for the costs of maintaining the cross-harbour tunnel. So the only additional expense for the KMB in the cross-harbour tunnel routes is the tunnel toll of \$15 per trip. However, we have calculated the fares charged by the KMB and found that the fares charged are more than 10 times than the costs. How can such additional charges be possible? We have also worked out that with regard to paying the additional expenses, if there are three passengers on board a cross-harbour bus per trip, that will be enough to pay for the tunnel toll of \$15. The fare collected from the fourth passenger onwards will be more than the amount needed to pay for the additional expenses. So, would this kind of charges be reasonable?

Another example is the circular routes. They run from point A to point B and then goes back to point A. This is how the entire journey goes. The fare for this kind of routes is for the whole journey. But who would travel from point A to point B and then goes back to point A? That is simply impossible. It is therefore unreasonable to collect the fare for two trips in this way. We would submit the findings of our study together with the relevant information to the Secretary. After making the study, we have found out the root of the problem. The first question we ask is: Is the method of charging fares by the bus company legal? We find that it is. But the bus company is exploiting the loopholes. The fares collected are based on the public notice on the scale of fares provided in the Public Bus Services Ordinance, that is the fare schedule. The latest fare schedule is endorsed by the Executive Council. Then when did the Government work out the current fare schedule with the bus company? It was in 1997. Madam President, as you would probably recall, 1997 was a time when prices were the highest. Since then, the fare schedule has remained unchanged throughout these six years, that is why the bus fares are so expensive. The fare schedule is very unreasonable. The fares charged for air-conditioned

buses should not be more than 100% of the fares charged for regular buses, but that is specified in the existing schedule. If the Secretary really wants to help the people, then she should revise and make a review of this fare schedule at once so that bus companies can no longer charge unreasonable fares. This is the second recommendation made by the DAB.

The DAB also demands the provision of inter-company concessions or joint concessions and hopes that the various public transport operators will take this into consideration. We put forward this demand because currently the bus companies only provide transfer concessions for passengers riding their own buses, but many people take a bus ride first before riding the MTR train or the KCR train. They do not get any transfer concessions. So these people are the hardest hit. If Mr John CHAN thinks that help should be extended to those who need it, then these people are the ones who need his help most badly. Therefore, I think these transport operators should be encouraged by the Government to launch inter-company or joint concessions. This will benefit passengers for long trips and those who need transfer. Madam President, as for monthly passes and half-price passes, these are what we used when we were young. They were very popular and gave quite substantial savings. Now some members of the public have raised these ideas again. Currently, the Octopus cards do serve the function of a monthly pass and the ferries are using the Octopus cards to provide the function of a monthly pass. So I would think that if a plan which affords the public savings is to be launched, the ideas of a monthly pass and half-price pass are worth consideration.

Recently, some people are saying that since the economy is in deflation, and today many newspapers are making the same point, reducing the transport fares would aggravate deflation. Is this true? Madam President, let us look at the causes of deflation. This is precisely due to a reduction in spending. Many people have told me that the expenses some people make on bus rides can be as much as 20% of their income. If these people have to use 20% of their income on transport, then how can they make other spendings? When they go out with their family members, they will have to pay very expensive transport fares. Then how can they dare to spend? So the expensive transport fares are dampening their spending sentiment. That is true. The Secretary should perhaps ask people who have to go to other districts to work or for other activities. One week ago, the DAB organized an activity called Walking to Kowloon. Many people joined the activity because they would like to air some

of their grievances. One of the participants was a person who lives in Tseung Kwan O and he goes to work in New Territories North every day. When he goes to work, he has to use three different modes of transport, that is, the MTR, the KCR and the minibus. The transport expenses he has to pay every month take up 20% of his total expenses. That is true. He finds life difficult because he also has children to rear. We may ask whether he can stop going there to work. But under the present economic conditions, who dare say that he or she will not want to go to a certain district to work? They will have to go to any faraway place even if the transport fares are expensive. It is precisely due to this fact that their desire to spend is weak. So if the Secretary could take the lead to demand a reduction in transport fares, it would certainly help everyone.

Lastly, the DAB very much hopes that, as Mr Andrew CHENG has said, the popularity which the Secretary now enjoys will not be meteoric but that it can really last, or putting it in another way, be sustainable. However, what the Secretary must do is to strive for a reduction of the transport fares, then the people would continue giving her their support. Thank you.

Mr LAU Kong-wah moved the following amendment: (Translation)

"To add ", to request these operators to offer further concessions, including: (a) the Kowloon-Canton Railway Corporation and the MTR Corporation Limited taking the lead in reducing fares; (b) co-operation of the various transport operators in offering joint concessions; (c) the rationalization by bus companies of any unreasonable fare structures of their circular routes, cross-harbour tunnel routes, express routes and those routes served by air-conditioned buses, and the introduction of more section fares for long-distance routes; (d) promoting monthly ticket schemes; and (e) reintroducing half-fare travel concessions for students;" after "this Council urges the Government to discuss with various public transport operators with a view to reducing expeditiously the fares of transport services"; and to delete "establishing" after "at the same time," and substitute with "to establish"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment moved by Mr LAU Kong-wah to Mr Andrew CHENG's motion be passed.

PRESIDENT (in Cantonese): I now call upon Mr WONG Sing-chi to speak and move his amendment to Mr LAU Kong-wah's amendment.

MR WONG SING-CHI (in Cantonese): Madam President, I move that Mr LAU Kong-wah's amendment be amended, as printed on the Agenda.

Madam President, Mr LAU Kong-wah said earlier that Mr Andrew CHENG was very enthusiastic about the issue and Mr Andrew CHENG said that Mr LAU Kong-wah was very concerned about it. I hope that the amendment I move later can be regarded as something done out of a moral duty. It is because Mr LAU Kong-wah's amendment seeks to present details related to the motion, but as we wish to make these details more specific, so I feel I am duty-bound to propose more plans so that the public may benefit more from a reduction in fares.

As to the proposal made by Mr LAU on monthly passes, we do support the idea. However, monthly passes are usually beneficial to those who use these means of transport to go to work, but for other members of the public and tourists, a day pass or a weekly pass would be more suitable for them. For example, the MTR Corporation Limited (MTRCL) currently provides an all-you-can-ride day pass at \$50 and that is very popular among tourists. But that pass cannot be used in other means of transport. So the concessions given are limited and they are too narrowly confined.

Madam President, Hong Kong is already a cosmopolitan city, but it lags behind other cities insofar as transport concessions are concerned. Now there are many cities which have day or weekly passes so that tourists or residents who have to take many rides during the period can be facilitated. Such a scheme can reduce their transport expenses substantially.

For example, in London there are day passes for adults, children and family for peak hours and off-peak hours and weekends. These passes enable holders to use all kinds of public transport in the city for as many times as they like subject to certain conditions.

The Democratic Party thinks that the Government should draw reference from these and start to study whether it is feasible to launch day, weekly and weekend passes for adults, children and family. We believe that the proposal

would reduce the burden of some people who have to use public transport very frequently due to some special reasons. For example, some unemployed people may need to attend interviews for a number of jobs in one single day, so a day pass would certainly reduce their traffic expenses. Besides, concessions in fares may serve to attract more people to use public transport and hence contribute to promoting social mobility and the economy.

As for the proposal to introduce fare concessions for the elderly, we know that some transport operators may have their own concessionary schemes while others do not have such schemes. Some set the age threshold at 65, while some at 60. Some give fare concessions to the elderly at all times while some only on weekends. But some do not give any fare concessions to the elderly at all. So the situation is rather confusing as there are so many different schemes. Some elderly persons may mistakenly think that the fare is \$1 and when they board that bus, they may find that the fare is not \$1, for that particular bus company does not give any fare concessions to elderly persons. So these elderly persons would feel at a loss and become confused. We think that unless the taxis would like to join the ranks of public means of transport in offering fare concessions to the elderly, otherwise, all public means of transport should offer fare concessions to the elderly. The age threshold should be set at 60 and at least a half-fare concession should be offered.

Apart from views on the two amendments, I do have some other comments which I wish to make today. A few days ago, the Managing Director of the Kowloon Motor Bus (1933) Limited (KMB), Mr John CHAN, said that reducing the fares would only serve to make the company subsidize those who do not need it. These remarks made many people feel offended. Is the public making the KMB reap huge profits, or is the KMB giving any benefits to the public? In the past, since the KMB had a franchise, the people had no choice but to ride KMB buses and they could not choose other buses. Mr CHAN also said that the increase in fuel costs was exerting great pressures on the KMB. On Mr CHAN's remark that a reduction in fares would make the bus company subsidize those who did not have a need for it, I would say that the KMB should not consider the question of who they should help. But rather it should reduce the huge profits that it is making, so that the people will pay less in transport fares. The current fare determination mechanism for the KMB is obviously to its own advantage. For example, the fares of routes 1A and 101 of the KMB are divided into three and four sections respectively. On the surface, this will help

the public in paying less, but the fares for the last few sections of these routes are still very expensive. So, for the public, such a kind of fare determination can only give them very limited help. Also, this arrangement will only serve to ensure that the company will continue to make profits. The Democratic Party suggests that the Government should talk with the bus companies to examine the feasibility of charging less fare for every two stops. Such a proposal may make the fare structure more complicated, but it will effectively cut the unnecessary fares paid by passengers.

As to fuel costs, unless the information provided in the annual report of the KMB is wrong, otherwise, the increase in fuel costs would definitely not constitute any ground for a fare increase. Looking at the expenditure of the KMB on this item over the past eight years, we can find a great disparity between the real situation and the statement made by Mr CHAN. So, we would think that the bus companies should reduce their fares immediately in response to public demand which is well-grounded.

Lastly, I would like to express my disappointment with the pre-emptive move made by the Executive Council yesterday in deciding to extend the franchise of the three bus companies. For such a move only serves to show that decision-making in the Government has not taken into account the views of the Legislative Council, and that the Government is deaf to public grievances. The decision was made yesterday precisely because a related debate is being held in the Legislative Council today. How can a government like this be accountable to the people? Such a move only shows that the Government is unconcerned, unenthusiastic and morally evasive of its responsibilities to the people, and that the whole accountability system is nothing but a hollow sham. Thank you, Madam President.

Mr WONG Sing-chi moved the following amendment to Mr LAU Kong-wah's amendment: (Translation)

"To add "introducing and" after "(d)"; to add "one-day and one-week travel pass schemes and" after "promoting"; to delete "and" after "monthly ticket schemes;"; and to add "and (f) providing comprehensive fare concessions for the elderly;" after "(e) reintroducing half-fare travel concessions for students;"."

PRESIDENT (in Cantonese): I now propose the following question to you and that is: That the amendment moved by Mr WONG Sing-chi to Mr LAU Kong-wah's amendment be passed.

DR RAYMOND HO (in Cantonese): Madam President, transport expenses in Hong Kong can be regarded as quite expensive in Asia. For people in the lower income bracket, transport expenses are indeed a source of pressure in life. If public transport operators can ride out the storm together with the people in hard times as these by reducing the fares and offering concessions, it would certainly be a good thing. However, it remains questionable whether or not the Government should play a role in the matter or behind it.

Hong Kong is a free economy. Even without any intervention by the Government, every trade and industry would of their own accord make some sort of adjustment in response to market changes. Those who benefit in the end are often the consumers. In a free economy, only those companies which can keep pace with market changes can survive, lest they will be forced out of business by stronger competitors. The China Motor Bus Company Limited, for example, had to close down as it could not provide better services to suit market needs. The bus company which has come on to replace it, that is, the New World First Bus Services Limited, can on the other hand manage to sustain growth in its business even without any government assistance, because it can provide better services. Now every trade and industry is coming up with all sorts of innovative ideas in response to market changes and to fight for survival. For example, taxi drivers are requesting on their own initiative that fares be reduced because of the sluggish business, bus companies are offering some transfer concessions because the MTR is opening an extension, restaurants are offering some bargain set meals in a bid to attract more customers, and so on. All these show that consumers are those who reap the greatest benefits in a free economy.

In fact, a free economy can bring not only financial benefits to the public, but also some other favourable effects in our daily life. Bus companies are now providing bus services at more frequent intervals to meet the needs of passengers. Unfortunately, these buses are not often fully utilized and that causes traffic congestion which can otherwise be avoided. As a free economy provides a competitive environment, bus companies may apply for an increase or a reduction in their routes or change their mode of service to be more cost-

effective, so in a free economy, the problem of traffic congestion should hopefully be eased.

Many investors have now shifted their interest to the Mainland. But as Hong Kong is still an international financial centre, an Asian hub and a bridge to the Mainland, it still has a certain degree of appeal to foreign investors. If Hong Kong is to maintain its appeal and its leading position in Asia, we must endeavour to keep our competitive edge. One of our strengths is that our Government permits the practice of free trade and will not meddle in commercial operations. It is sad to hear, however, reports that a bus company wished to apply for a fare reduction, but the application was turned down because the Government wished to maintain the level of railway fares. That is unfair to the consumers. I hope the reports are not true.

Public transport services in Hong Kong are provided by public transport operators. Though they are subject to government regulation, their survival or otherwise rests really in their own hands. If they are unable to make proper moves to meet market needs, their business will definitely suffer. For them, the China Motor Bus story is a good lesson to be learned. In the long run, as free economy is beneficial to our economic development, it would have a positive impact on the people's livelihood. So in my opinion, public transport services should continue to operate under this principle and operators should strive to deliver the best service to the public under competitive conditions. On the part of the Government, it should promote healthy competition in different areas, for in the last analysis, it would be the general public who will benefit.

Madam President, I so submit.

MRS SELINA CHOW (in Cantonese): Madam President, a sustained deflation has been recorded in Hong Kong in recent years. While the fares charged by various public transport operators have basically remained unchanged, transport expenses have accounted for a considerable proportion of the people's living expenses. In October last year, the then eight-party coalition, that is, the seven-party joint conference now, reached a consensus on transport fares and urged the Chief Executive to ask public transport operators to ride out the storm with the people together.

I remember that in November last year, Mr LAU Kong-wah also proposed a motion on reducing fares of public transport services. But after the eight-party coalition had reached a consensus, Mr Jasper TSANG proposed an amendment to Mr LAU Kong-wah's original motion on the basis of the consensus of the eight parties by adding "encourage them (public transport operators) to take account of their respective operating conditions and reduce their fares or offer concessions to passengers", which was widely supported by Honourable Members at the time.

Over the last six months or so since the passage of that motion, many public transport operators have introduced various kinds of fare concessions. This shows that the public transport operators have responded positively to the appeal made by the eight parties and the Government. As to the question of whether these concessions are adequate and whether the participating companies are wide-ranging enough or whether the fares should be directly reduced, it is purely a matter of opinion.

But today, the original motion, the amendment to it or the amendment to amendment all demand public transport operators to reduce their fares, carrying a strong tone of an across-the-board and mandatory fare reduction. This has precisely left out the essence of the consensus reached by the eight parties, that is, "to take account of their respective operating conditions and reduce their fares or offer concessions to passengers".

Madam President, I wish to point out that compelling public transport operators to adjust their fares downward or to further provide concessions is tantamount to interfering with the freedom of these companies in their operation. This might cause very serious consequences, because these transport operators are mostly listed companies and must, therefore, be responsible to local and international investors. If the freedom of commercial operation is interfered by administrative orders, the good international reputation of Hong Kong's free economy would be tarnished.

As for the two amendments which both demand the Kowloon-Canton Railway Corporation (KCRC) and MTR Corporation Limited (MTRCL) to take the lead in reducing fares, we must not forget that although the Government is the principal shareholder of the MTRCL, the MTRCL is, after all, a listed company. So, it must be accountable to its many shareholders, big or small, including those retail investors who have bought the shares of the MTRCL. If

its operational objective is wantonly interfered by administrative measures, this would not only dampen investment sentiments, but also undermine the confidence of investors in the investment environment of Hong Kong.

As we all know, Hong Kong has a huge fiscal deficit. Selling the shares of the MTRCL, the listing of the KCRC, and even a merger of the two railway corporations to boost the corporate market value have become the Government's major considerations in respect of its financial revenue. Once the bad precedent of interfering with commercial operation by administrative means is set, will there be investors who dare to invest in the shares of the two corporations? In the case, I really do not know whether this would be helpful or more of a hindrance to the people.

Indeed, to achieve the effect of a fare reduction, we do not necessarily have to order or compel the transport operators to reduce their fares. If the Government can create a suitable environment for competition, it could also achieve the effect of a fare reduction and the objective of alleviating the plights of the people. The most obvious example is that after the commissioning of the MTR Tseung Kwan O Line, buses and minibuses in the area have immediately reduced their fares. The cross-harbour tunnel bus fare is also one good example. The fares of cross-harbour tunnel buses have come down from \$15 in the past to about \$12 at present. This has directly benefited the public and certainly saved the Government from bearing the bad name of interfering with the market. If the Government insists a fare reduction by transport operators, some companies that were originally making a profit might consequently have to operate in the red. As nobody is willing to do business with little profitability, it might eventually affect the transport services provided to the public.

Madam President, the Liberal Party appreciates that transport expenses are putting a very heavy pressure on the public under deflation. So, we certainly welcome the provision of more concessions by transport operators and we very much hope that the various transport operators can live up to the spirit of going through the thick and thin with the people, by endeavouring to provide concessions; and particularly, co-operation among the operators should be encouraged. In the final analysis, no consumer would have reasons to object a fare reduction. Nevertheless, there are two principles that cannot be brushed aside. First, the form and rate of reduction should ultimately be decided by the transport operators. Second, since the Government and the transport operators have reached agreements on the criteria for regulating their operation, these

criteria must not be altered arbitrarily, or else the Government would breach the rules of the game. So doing would not only interfere with the order of the free economy, but also undermine the confidence of investors. In that case, could the overall interest of Hong Kong be genuinely protected?

MR LAU PING-CHEUNG (in Cantonese): Madam President, there has been extended deflation in Hong Kong during the past few years. Even if the Government has not conducted any survey on consumer prices, the people may still feel the pressure of deflation. It is really disappointing that transport fares have not been reduced in tandem with deflation. For this reason, I support Mr Andrew CHENG's motion that urges the Government to discuss with various public transport operators to reduce expeditiously the fares of transport services, and in the long run, to include in the franchise terms a fare adjustment mechanism which may move either upwards or downwards.

Today, it is reported that the Government has awarded new bus franchise agreements to the bus companies, with additional provisions, *inter alia*, on fare adjustment. I hope that provisions on fare adjustment mechanism have been included to allow upward and downward adjustments of fare, so that the public do not have to voice discontent every time, before transport operators responding by making minor concessions.

I have pointed out in this Council in the past that the operating costs of local transport operators being parts of Hong Kong should be comparable to, if not exactly in line with, the changes in consumer prices. In other words, transport operators must have benefitted from the extended deflation over the past few years in terms of operation cost. If transport operators can rebate such benefits to the public, they will certainly win the support of the public.

However, Hong Kong is a free society which upholds free economy, the contractual spirit must be upheld. The Government cannot force transport operators into reducing fares. Instead, it should persuade them, by way of discussion, to reduce the fares.

In fact, the Government does have the bargaining power to make the transport operators reduce their fares. Mr LAU Kong-wah has mentioned that in part (a) of his amendment to the motion. The Government wholly owns Kowloon-Canton Railway Corporation and is the major shareholder of the MTR

Corporation Limited, and various government officials are actually the directors of the above two public transport operators. So there is no reason that they cannot exert their influence on the issue. If the two railway corporations could take the lead in reducing fares, it will certainly bring pressure to other private transport operators in the market to reduce their fares.

Madam President, the other day a senior executive of a public transport operator said that an across-the-board fare reduction may not necessarily be adequate to help precisely those in need. This I agree. However, this should not constitute an excuse for not reducing fares. If transport operators are sincere to help those in need, they can expand the coverage of their concessions. For example, they can offer concessions to the disabled, or they may provide to passengers, taking bus routes departing from new towns in the remote areas of the New Territories, a free ride of feeder transport to the urban area. I heard that, in Toronto, Canada, bus fares are charged in the form of one-way toll. Passengers taking buses to any places will be given a ticket when they get off. They may then use the ticket to take any other buses going in the same direction within a prescribed period. To cite London, Britain as another example, passengers who buy a one-day travel pass may take unlimited number of rides on the underground and buses within the same day. With these arrangements in place, passengers may save expenses on interchange. I am therefore of the view that Hong Kong may draw reference from the practices of overseas countries. Anyway, public transport operators do have many options in providing concessions and they may make changes flexibly with reference to the situation in Hong Kong.

With these remarks, I support the motion.

MR ERIC LI (in Cantonese): Madam President, Mr LAU Kong-wah is concerned and Mr Andrew CHENG is enthusiastic. Today, I certainly speak with good intentions and compassion. But this is not going to be an easy task, particularly as what I am going to say is honest advice that may not be pleasant to the ears of the two Members.

Before I start, I wish to declare an interest. I am an independent non-managing director of the Kowloon Motor Bus (1933) Limited (KMB). But I, in that capacity, have no personal interest and do not hold any of its shares, and I will not be its spokesman.

I am very grateful to Mrs Selina CHOW for explaining the background of a similar motion debate last year. At that time, eight political factions debated and passed a motion on transport fares on 14 November, and a consensus was reached. On that occasion, I, on behalf of the seven core members of the Breakfast Group, expressed our common position. Here today, I wish to reiterate two points made then. First, the Legislative Council should not give the business community the message that the Legislative Council is directly intervening in some business matters; second, for certain acts involving commercial operation, even if we invite the Government to assume a co-ordinating role, the decision as to whether to make the adjustment should rest with the public transport operators having regard for their respective situation and conditions. I particularly raise these two points because the wording of today's motion has not been amended by Mr Jasper TSANG. But still, I will look at this motion using the same criteria.

There was also a major background to our agreement on the amendment proposed by Mr Jasper TSANG back then. Last year, the September 11 incident had just occurred, and the people of Hong Kong were facing a very sudden impact and a confidence crisis. We did not know at the time how serious the impact of this incident would be on the economy of the United States. So, we made concessions within this Council to foster unity and co-operation. It was against this background that the motion was accepted by Honourable Members.

Today, we face the same topic and are debating it in this Chamber again, but the impact of the September 11 incident has faded out. We are now under a new development environment. We are faced with a continued deflation, the possibility of the United States employing armed forces against Iraq, a tense situation in the Middle East, and even a global deflation predicted by many economists. Disregarding what kind of subjective wishes Hong Kong people may have, the prevalent deflation may persist for some time. So, while we face the same topic now, I hope Members can look at it from more comprehensive, global and longer-term perspectives, rather than considering it with the sole objective of maintaining public confidence in the short term or providing short-term relief to ease the financial pressure on the people.

I think Hong Kong people should not rely on sheer luck anymore, thinking that the fiscal deficit and the economic environment will soon be improved and

resolved automatically following the recovery of the external economy. Rather, we must be psychologically prepared to face a sustained deflation and a sluggish economy. We must look at the subject under discussion in this Chamber from a three-dimensional angle. We must have regard for the interests of different levels and strike a balance in order to cope with the situation. Do not think that we need not talk about this issue again next year after the fares are reduced this year.

Last year, this Council did send a very clear message. Mrs Selina CHOW also mentioned that there had been some very good responses. I think since we have already achieved good results, we should stop at that and cease to go any further. Otherwise, we do not rule out the possibility that next year would be like this year and the year after next would be like next year, in that a fare reduction and government intervention would be demanded year after year on the same ground of a sluggish economy, and the same motion would be passed year after year. In that eventuality, the impact on society and the business environment of Hong Kong would not be as simple as the raising of hands to cast a vote on this motion here.

Certainly, Members do feel the aspiration of the people for a fare reduction and from the consumers' viewpoint, we do hope that public transport operators can reduce their fares. But as we represent the overall interest of the community, we must consider whether this proposal is fair to public transport operators, whether it is fair to the many investors, shareholders and staff, the magnitude of its impact on the overall business environment of Hong Kong, and also its long-term influence on the economy.

At present, public transport operators in Hong Kong are operating in a highly challenging environment. First, insofar as the transport network is concerned, following the commissioning of the MTR Tseung Kwan O Line, coupled with the high-standing unemployment rate, many have joined the taxi trade (this, Ms Miriam LAU certainly knows best). Indeed, given that the market has already reached saturation, competition has become increasingly keen. The cancellation of many bus routes by the Government right after the commissioning of the MTR Tseung Kwan O Line has immediately affected the business of the bus companies. On the contrary, some unprofitable bus routes cannot, due to public objection, have their fares reduced or even be cancelled, for it has to undergo approval procedures.

Another factor that would affect the operating costs of bus companies is the oil price. This year's situation is different from that of last year. The oil price has increased from some US\$20 per barrel last year to about US\$30 per barrel now. Once a war starts in the Middle East, the oil price will further go up. High-standing oil price would seriously affect the operating costs of buses and the profit would definitely diminish. Coupled with the impact of competition from the new routes of the two railways, a lower investment return has created enormous pressure on the profitability of the operation of public transport. If, at this point in time, public transport operators are asked to reduce their fares, layoffs and pay cuts will definitely be resulted. It is because the major or the only operating costs of these companies include firstly, the uncontrollable oil price and secondly, long-term investment and depreciation, both are unlikely to be reduced substantially given an undertaking to the Government for investment on new buses, and thirdly, staff wages, the only other cost that remains. While these companies still do not aim at laying off staff and cutting wages, we can see from the recent labour dispute of the company managing the Tsing Ma Bridge that the demonstrations and strikes following a reduction of workers' wages will further aggravate the situation. Is this what Members wish to see?

Moreover, public transport operators must maintain a certain rate of profit before they can continue to enjoy a good borrowing rate, or else their operating costs would rise. The two railway corporations may have greater room for a fare reduction, for they are the biggest beneficiaries under the present policy, and a merger of the two corporations would even abate competition between them and thus enable competition to be shifted to other modes of transport. However, being a community dictated by the economy, Hong Kong's policy on the protection of the economy is vitally important. Here, I can provide some statistics which show that with an across-the-board reduction of 10% in transport fares, the public would save their expenses by 0.5% on average; public transport operators would record a 30% decline in profit; the face value of the shares of public light buses would fall by \$58 billion, which would definitely create many new negative equity owners. If public transport operators shifted the losses in revenue resulted from the fare reduction to their 84 000 employees, then each employee would have to suffer a pay cut of 20% on average.

So, I think we must consider the case clearly before going for a fare reduction by public transport operators.

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, the Chief Executive in Council approved yesterday the new franchise agreements for three bus companies, namely, the Citybus Limited (CTB), New World First Bus Services Limited (First Bus) and Long Win Bus Company Limited (Long Win). A new term is added to specify that passengers' affordability must be taken into account when adjusting the fares. It appears that the Government wanted to give the community a message before this motion is discussed in the Legislative Council and that is, the Government has lived up to its words of thinking in the way people think and sensing the urgency of the people, and to show that the Government intends to actively address the problem of excessively high transport fares. But is that really the case? No doubt the three bus companies can apply for a fare reduction, but this does not mean that they would really reduce their fares, because public affordability is just one of the considerations and the most important consideration remains to be the companies' profit situation. Among the three companies, the CTB has reaped a rather handsome profit; the First Bus has not made much profit and last year it successfully applied for a fare increase on the ground that it did not make much profit; and Long Win also applied for a fare increase on the ground that it had suffered losses but in vain. Judging from their profit, it is imaginable that at least two of these three companies do not have much room for a fare reduction. So, the new term, despite its inclusion in the contract, is virtually null and void and cannot truly achieve the objective of sensing the urgency of the people.

Indeed, be it the new contracts awarded to the three bus companies or those to the KCRC and MTRCL, even though they may be subject to certain terms or may introduce some measures to provide concessions to the people, such as "one free ride for eight rides" and "ride 10 get one free" of the KCRC and the MTRCL, all these, to the people, are just petty concessions. In the long run, they cannot in the least address the urgent concern of the people, that is, how transport fares could be regulated and how these transport operators could be prohibited from wilfully increasing their fares without being subject to any form of control. These problems still remain unresolved.

Secretary Sarah LIAO, before taking office, stated that the transport fares were on the high side. No doubt she spoke the minds of the people. But then, what I have seen is that the people still are not given a substantive return and the Government still fails to resolve the people's plights. Certainly, we cannot just blame the Secretary for not doing her job. Indeed, this situation only reveals

the restrictions of the accountability system for principal officials. It shows that if all that has been changed is putting in place a new team but the unreasonable systems inherited from the past remain unchanged, then it is downright impossible to resolve the problems.

Today, despite an enormous profit of \$1.6 billion the Managing Director of KMB, Mr John CHAN, still claimed that there was no room for a fare reduction. The KCRC and MTRCL recorded a shockingly high profit of \$2.4 billion and \$4.2 billion respectively last year, but both corporations have only provided some petty concessions as a sketchy response to the demand of the people. The reason for this phenomenon is that the previous contract terms have protected these companies by guaranteeing a high profit return. As we all know, the profit return includes the profit control scheme, which has not only allowed them to keep on increasing their fares, but also provided them with a pretext for fare increases.

Now that the Government has proposed a mechanism for fare reduction. But is it going to work? The Government has long provided them with the system and leeway for fare increases but now, it is not only asking them not to increase the fares but to actually reduce the fares. I think this is like tying up its own hands, and I think it is downright impossible to break away from this quagmire.

Moreover, we can see that for the KCRC, the MTRCL, and so on, the Government is either their sole owner or principal shareholder. But when it comes to fare determination, although the Government does have a say, the Government, much to our regret, has never exercised this right to intervene in the determination process. In the final analysis, there is just one reason for this and that is, the Government has adopted a *laissez-faire* policy towards these companies, thus turning these companies into independent kingdoms which can invariably use commercial operation as a reason for effecting fare increases; and today, they even have one more reason for doing so and that is, given their listing position, they can argue with strong justifications that they must have regard for the interest of small shareholders and must, therefore, consider from the profit perspective. However, we can see that although these companies are listed, the question is that they have made a huge profit, and in developing other relevant businesses, why do they not have social scruples or social conscience and take up some measure of social responsibilities? When the economy is in such dire

circumstances, they still turn a blind eye to the people's hardships and refuse to adjust their fares downward to ease the plights of the people.

So, to solve the problem at root, we cannot rely solely on the various concessionary policies proposed in the two amendments today. Reforms of the governance system and culture are also warranted. Public opinion should be incorporated into transport policies. For example, when awarding the relevant contracts, decisions cannot just rest with the Executive Council. Rather, there must be public participation, including participation from the Legislative Council, so as to step up public monitoring over such companies as the MTRCL, the KCRC, and so on, accordingly. Public acceptability must be obtained for the appointment of their persons in charge, and the needs of the general public must also be considered when determining the level of fares.

Madam President, the excessively high transport fares are not only a problem concerning fee charging or finances, but also a problem with the system. If public participation is not introduced into the system and if public monitoring is not enhanced, what has been done to meet the needs of the people, so to speak, would not be truly useful and effective, and would not solve the problem fundamentally. Insofar as today's conditions are concerned, I maintain that members of the public should have the right to monitor public bodies.

Madam President, I so submit.

MR FREDERICK FUNG (in Cantonese): Madam President, the talk of the town recently is whether public transport fares should be reduced.

After taking office as the Secretary for the Environment, Transport and Works, Dr Sarah LIAO remarked that the prevailing level of transport fares was rather high indeed. The Chief Executive has particularly discussed this issue with her and asked her to study the possibility of adjustments to public transport fares. She also said that studies could be conducted to ascertain whether there was room for a downward adjustment in public transport fares. But since she has taken office, such major transport operators as the MTRCL, the KCRC and the KMB have only been willing to provide fare concessions, such as one free ride for every eight rides or one free ride for every 10 rides, and so on, which are considered petty concessions by many members of the public. No public

transport operator has been willing to formally adjust its fares downwards. It is unreasonable for them to respond to the public in such a way. These companies appear to have forgotten that the very handsome profits reaped by them every year come from the public, or it is because of the many preferences accorded to them by the Government that they are able to reap such huge profits.

Earlier on, the Census and Statistics Department released the Composite Consumer Price Index. The relevant information shows that between the first quarter of 1999 — Madam President, I chose to calculate from the year 1999 because there was an economic growth in 1998 and so, I do not calculate from 1997 — to the second quarter of this year, deflation in Hong Kong was as high as 9.7%. But over the past three years, various public transport operators in Hong Kong have nevertheless effected fare increases for a number of times despite the poor economic conditions, resulting in an increase of 1.1% rather than a decrease in the transport fare index in Hong Kong during this period. Opinion surveys recently conducted by many community organizations and groups show that for many citizens of Hong Kong, their monthly transport expenses account for an average of about 10% of their total income. This proportion in Hong Kong is obviously on the high side, compared with 5% to 7% in many other places in the world. For people who live in the more remote parts of the territory, such as Tuen Mun or Yuen Long, their transport expenses even account for 20% of the total household income and are catching up very quickly with the rent that they are currently paying. So, the burden posed by transport expenses is definitely not negligible.

On the contrary, various public transport operators have made sizable profits annually *vis-a-vis* an economic downturn in Hong Kong in recent years. Last year, for example, the profit of the KMB exceeded \$1.6 billion; that of the New World First Bus Services Limited exceeded \$100 million; that of the KCRC exceeded \$2.4 billion; and the MTRCL even made a profit that exceeded \$4.2 billion. Despite such a high level of profits, these public transport operators are still saying that there is no room for a downward adjustment of fares, and this is indeed far from convincing. What is more, these companies have responded to the demand for fare reduction by only offering interchange or other concessions. This shows that while the general public is in dire straits, public transport operators have remained unsympathetic, turning a blind eye and a deaf ear to the people's sufferings.

In this connection, there have been discussions on whether the Government should intervene now. Some people consider government intervention unwarranted, for this might affect free trade in Hong Kong. Should the Government intervene in the determination of fares by public transport operators and take part in the process? I have made some analysis of this question. Some think that if the Government really takes part in the process, it would mean intervention in the market and might deal a blow to Hong Kong's long-standing reputation, because Hong Kong is an international exemplar of free market. Moreover, the Managing Director of the KMB, Mr John CHAN, has also said broadly to the effect that an across-the-board fare reduction would only provide concessions to people who do not need assistance, and this would be unreasonable.

I think these two arguments are but preposterous. The Hong Kong economy operates as a free market, and this is undeniable. But this does not mean that there is no government intervention or interference in all aspects of Hong Kong. Take public transport as an example. To some extent, many public transport operators are provided with government subsidies or government support in terms of policy before they can attain the present level of profits. With regard to the construction of the South Island Line, for example, the MTRCL has also requested an equity injection by the Government. Besides, some public transport operators have been operating in an exclusionary market wholly fostered by government facilitation. Examples include the franchise of the KMB, and the designation of prohibited zones in busy areas, particularly at places along the two railways to prohibit use by minibuses and taxis. This is mainly because the Government considers the railway network as the central axis of the mass carrier system.

Under such circumstances, the Government has actually intervened in the public transport market and so, this market cannot be described as a completely free-market economy. Since there is already government intervention, why can the Government not intervene in the same market in another way when unreasonable circumstances have emerged?

Furthermore, I wish to respond to the remarks about "across-the-board" reduction made by the Managing Director of the KMB, Mr John CHAN. His remarks, if applied to the welfare policies of the Social Welfare Department, may perhaps stand, because there is no reason to subsidize people who are not in

need by giving them the Comprehensive Social Security Assistance, old age allowance, the fruit grant, and so on. But when it comes to bus fares, I think these remarks are but flimsy. It is because as the economy is in the doldrums, the income of the employees of many large companies has dropped. But whether it be the two railway corporations or the KMB, they can still reap colossal profits under the protection of government policies. We do not understand why Mr John CHAN, being the Managing Director of the KMB, who knows only too well that his company has made such huge profits, still ruled out fare reduction as an option. Although their profits might drop, this could demonstrate the willingness of public transport operators to ride out the storm with the people together in times of an economic downturn.

Finally, I think the Government should expeditiously open dialogues with various public transport operators in Hong Kong, suggesting to them that they should, apart from providing concessions, adjust their fares downwards directly. In the long term, it should formulate an objective, user-friendly and highly transparent fare adjustment mechanism, which, in particular, must be able to reflect public affordability in respect of transport fares.

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

MR LEE CHEUK-YAN (in Cantonese): Madam President, as I listened to what Honourable Members were saying in the debate earlier, indescribable anger and sadness welled up in my heart. I had that indescribable anger because all these arguments have been repeated *ad nauseam*. They are mentioned not only this year, but were also mentioned last year. Everyone is just rehashing the arguments that they have put forward before. Why have there been no changes? In the debate a year ago we said these; and in the debate a year afterwards we said the same things. Why has the Government refused to make changes? Despite all these repetitions, things have remained unchanged, though with some petty concessions at the most. The only change on the part of the Government this year is Secretary Sarah LIAO's comment that the transport fares are excessively high. This is the only change. But although there is this change, and she did consider the transport fares too high and speak the minds of the people, she has failed to do what the people expect of her. So many people all over the territory are watching whether the Government will respond to the rage

of the people. The people are enraged because as everyone is struggling hard to keep their heads above water, those public transport operators reap huge profits and yet refuse to adjust their fares downwards. Why? The question is just this simple. Why has the Government failed to do anything? This is my anger. As the Government has not done anything after all these years, the public will ask: Is it because our Government is colluding with the businessmen that the Government cannot do anything? Is it that Secretary Sarah LIAO can do nothing even though she does want to do something? Although Secretary Sarah LIAO has spoken the minds of the people, there is still not much she can do. Is it because she is straitjacketed by the entire system?

We all know that the whole problem boils down to two major obstacles. One is the public transport operators, and the other is the Government. The public transport operators are invariably saying that there is no room for a fare reduction. Mr Eric LI said earlier on that even the taxi trade is having a hard time too. But I think taxi-drivers will not compete with buses, will they? If the people have the means to take a taxi and therefore do not take a bus, then I would feel relieved. I hope Members will understand that buses, the Mass Transit Railway (MTR) and the Kowloon-Canton Railway (KCR) are the major modes of transport to the public. When it comes to competition, we can only say that buses are competing with the railways or *vice versa*. It is precisely because of this reason that both the bus and railway operators refuse to reduce their fares, for they know that a fare reduction by either side would oblige the other side to reduce the fares accordingly. Although the authorities have said that there is competition between them, the situation is basically oligopoly to some extent, in that only a few public transport operators have the say. I do not see why they, having made profits to the tune of billions of dollars, or to be exact, the MTRCL has made a profit of \$4.3 billion and the KMB recorded a profit of \$1.6 billion, still claim that there is no room for a fare reduction. Then does it mean that there is room for a reduction of the wages of the people? Speaking of pay cut, it is said that the civil servants have room for a pay cut and members of the public also have room for a pay cut. But when it comes to transport fares, those public transport operators said that there is no room for a fare reduction.

The Managing Director of the KMB, Mr John CHAN, stated a few days ago that reducing fares across the board would only help people who do not need assistance. Then can he not help those people in need of assistance by refusing

to reduce the fares? In refusing to bring down the level of fares, the KMB is actually fleecing the people across the board, including the needy ones. The people have contributed 10% or 20% of their wages to the bus companies, the MTRCL and the KCRC. I very much wish to tell Mr CHAN, the Managing Director of the KMB, that in demanding a downward adjustment of the fares, we are not asking mercy from the public transport operators. Rather, we are asking them to live up to the spirit of riding out the storm with the people together. We hope they can understand that the present conditions of the people are like the Chinese name of Secretary Sarah LIAO, "秀冬"^{note} — thin and cold, and they are suffering badly from pay cut and unemployment. While their wages have been cut, the transport fares have not been adjusted downwards. To the people, these public transport operators, which are all big enterprises, are callous and heartless. They can even be said as "snatching rice from a beggar's bowl". Indeed, some people are really eating the leftovers from other people's meals. Their situation is so difficult and their circumstances are so very straitened. But these public transport operators have remained indifferent, and they take pleasure in growing fat while everybody else is getting thinner. Now, the public transport operators are the "fattest" ones. Do they have no social responsibilities to tide over the hard times with the people all over Hong Kong and help alleviate their plights to ease their suffering, and then dedicate greater efforts to promote social harmony and community building, so that the people do not have to always worry about their living and worry about their clothing, food, living and transport expenses? So, regarding Mr John CHAN's remark that an across-the-board fare reduction is out of the question, I hope he can understand that we are not begging him to do us a favour. We just hope that companies that are making huge profits will stop robbing the people so excessively.

The other major obstacle is the Government. The Government is the principal shareholder of the two railway corporations. If the Government genuinely wants to do something, I hope Secretary Sarah LIAO will, in her response later, tell this Council and the people of the Hong Kong explicitly whether the Board members of the two railway corporations from the Government, including Secretary Sarah LIAO herself, have fought for a downward adjustment of the fares over the past few months and what they have done to relieve the people of the burden of transport expenses. Let me reiterate that if the Government truly wants to ease the burden of transport fares on the

^{note} "秀" and "冬" are homonyms of "瘦" (meaning thin) and "凍" (meaning cold) in Chinese.

people, the most effective and feasible first step is the Government inducing the two railway corporations to take the lead to reduce their fares. When the two railway corporations have reduced their fares, the other modes of transport would possibly follow suit. When competition emerges, we can then force other transport operators to lower their fares. Even if the fares are adjusted downwards, it would not mean losses for these companies. Just take a look at their profit records and we will know that they would still generate profits after a fare reduction. So, why can they not give the people some breathing space? I wonder when Secretary Sarah LIAO can give the people some breathing space.

Thank you, Madam President.

MR TAM YIU-CHUNG (in Cantonese): Madam President, under the pressure exerted upon them by the public, a few public transport operators have put forward concessionary measures such as bus-bus interchange discounts or a "Ride 10 Get One Free" scheme in the last few months, but it is a far cry from the public aspiration for a direct fare reduction. Nevertheless, public transport operators have indicated that there is no room for a fare reduction because of high costs. As it seems that the Government has not taken any follow-up actions after making a few public statements, public transport operators are glad to observe quietly what is going to happen.

There has been no fare increase by most public transport operators in the past few years, but the proportion of people's expenditure on transport and the resultant burden has gradually increased with a continuously diminishing income. Early this year, I raised a question in this Council, asking the Government to consider providing low-income people with transport subsidies to relieve their burden and assist in their employment. However, apart from Comprehensive Social Security Assistance (CSSA) and other employment and support services, the then Secretary for Health and Welfare indicated there was no intention of introducing new transport allowances. In fact, there is a geographical mismatch in which there are unfilled vacancies in some districts because of high transport expenses. Taking the domestic helper industry as an example, there are a large number of job vacancies on Hong Kong Island but the majority of local domestic helpers live in the new towns. The transport expenses for journeys to their places of work take up a fairly large proportion of their income. Calculated on the basis of an average hourly wage of \$50, a resident in the New Territories

who works as a domestic helper on Hong Kong Island for three to four hours makes an income of around \$200 or less daily, but she has to spend at least \$42 to \$60 on transport expenses, taking up 21% to 30%, a fairly large proportion, of her daily income.

Recently, the Employees Retraining Board (ERB) has reached an agreement with the KMB for the KMB to provide domestic helpers holding competency cards with 150 000 discount coupons for them to enjoy a 50% discount on bus fares when travelling on 305 KMB routes. The trial implementation of the scheme will commence in November and the first phase of the scheme can benefit 6 000 trainees holding competency cards at the most. The transport expenses of domestic helpers can be effectively reduced under the scheme because they can save \$20 a day at the most, and it will enable them to work on Hong Kong Island where there is a large number of job vacancies. We can also avoid the situation of employers on Hong Kong Island failing to find domestic helpers and domestic helpers in the New Territories failing to find a job. Furthermore, the Environmental Light Bus Alliance has reached a consensus with the ERB for the minibus operators under the Alliance to provide a 20% fare concession to domestic helpers holding competency cards issued by the ERB. The scheme will be implemented upon approval by the Transport Department. I express appreciation for the minibus operators with limited resources that have taken the initiative to offer concessions.

I hope the Government will make reference to these actions and encourage public transport operators to effect reductions in transport expenses for people in need of help or the disadvantaged, and proactively consider, in co-operation with various public transport operators, whether a low-income people transport allowance scheme can be worked out. It will relieve their financial burden and assist in their cross-district employment, thereby improving the overall employment situation.

To induce a fare reduction by bus companies, the Government must first make railway corporations reduce fares. Nevertheless, the KCRC and MTRC used to rely heavily on the profits from property development along the routes to support the development of railway services in the past. For instance, the profits from property development of the MTRC in 2000 accounted for 65% of its profits before interests and finance charges. However, with an economic downturn, low property prices and the future adjustments in the economy as a result of transformation, the future profits of the railway corporations from

property development will hardly be as generous, therefore, there is considerable justification for the railway corporations to argue against the request for a fare reduction. The Government should therefore consider reviewing its policy for investment in transport infrastructure and bearing more construction expenses on the civil engineering projects of railway construction such as the construction of bridges and roads and tunnelling. If the railway corporations have lower investment costs, they may reduce fares and they will really be able to compete against other modes of public transport.

The Government must sense the urgency of the people and reduce public transport fares to alleviate the difficulties of the public. This is the utmost concern of the public, and I hope the Government will actively respond to this public demand. I so submit. Thank you, Madam President.

MS MIRIAM LAU (in Cantonese): Madam President, first of all, I wish to respond to a point made by Mr LEE Cheuk-yan when he spoke a while ago. I wish to say that bus companies will not take away the passengers of taxis. In fact, the taxi trade has been operating in great difficulties in the past few years, and one of the important reasons was the significant improvement in bus services that caused many passengers who used to take taxis to switch to taking buses. As a matter of fact, it is very important to strike a balance between various public transport services and an imbalance may give rise to serious discontents. As far as I can recall, the taxi trade protested strongly in consequence of the offer of concessions by a bus company to tourists a few years ago.

Concerning the motion today, Mrs Selina CHOW referred earlier to the consensus reached by the cross-party alliance on the reduction of transport fares last year. The position of the Liberal Party in support of this consensus has remained unchanged.

At that time, the eight parties and groups encouraged public transport operators to effect fare reductions and offer more concessions as far as possible in the light of the conditions of their operation mainly because we had taken the varied conditions of operation of various public transport operators into account. Nevertheless, is it not necessary for us to consider the conditions of operation of public transport operators today? In fact, we cannot say that all public transport operators are making profits because some of them have losses and some others are still at the investment stage.

Another objective fact is that, although there is a deflation in Hong Kong, the operating costs of public transport operators are not directly pegged to the Composite Consumer Price Index. According to the reference material provided by the Government, the total operating costs of the two railway corporations and three franchise bus companies have risen approximately at a rate of 6% to 24% over the past three years. There were most substantial increases in the fuel and depreciation costs, with the fuel costs increasing by 1% to 248% and the depreciation costs by 18% to 68%. Of course, different companies have had different rates of increases. Other expenditures such as insurance premiums, rents, rates and administrative charges also increased by 2% to 30%.

I do not rule out the possibility that individual operators may have room for a fare reduction, but it will be unrealistic for us to request a uniform fare reduction by all public transport operators without taking the conditions of their operation into account. The effects will range from affecting the quality of services and employees of such operators to causing operators who have small profits to incur losses and those who have some losses to suffer heavier losses or even close down at the end. Yet, as the economy is persistently in the doldrums and there is still a high rate of unemployment, the people have to bear a quite heavy burden of transport expenses. Therefore, the Liberal Party will continue to call upon all public transport operators to reduce fares or offer more concessions to passengers as far as possible in the light of the conditions of their operation.

Actually, quite a number of operators have provided interchange discounts for the use of services provided by the same operator or different operators and people can save from \$1 to more than \$10 each time. Moreover, some operators have also offered "Ride Eight Get One Free" or "Ride 10 Get One Free" concession. At present, since the concessions offered by public transport operators are restricted to some routes only or are only offered for the use of the same mode of transport or changing to another mode of transport, some people may not be benefitted because their homes or places of work are not within the network of routes offering concessions or they have to change several modes of transport. Therefore, the Liberal Party urges various public transport operators to expand as far as possible the network of routes offering concessions and enhance co-operation between various public transport operators so that the people can enjoy interchange discounts regardless of the modes of interchange. In their amendments, Mr LAU Kong-wah and Mr WONG Sing-chi have put forward various concessions that are worth making reference to and adoption by various public transport operators.

Insofar as fare reduction or offering concessions are concerned, in addition to calling upon all public transport operators to reduce fares, the Government can actually provide substantive assistance in many aspects so that public transport operators will have more room for reducing fares or offering concessions. For example, the construction of public transport interchanges should be expedited to facilitate people's changing from one bus route to another so that bus companies do not have to operate overlapping direct routes. Of course, the Government has to ensure that the bus companies concerned will provide attractive interchange discounts. The Government can also assist bus companies in route rationalization so that they can cut routes with serious losses and the wastage of resources.

Madam President, as few Members have mentioned the fare adjustment mechanism today, I am going to say a few words about it. The Liberal Party does not oppose to the conduct of a relevant study by the Government, but we wish to remind the Government that the relevant mechanism should be fair to both the public and operators. On the one hand, the mechanism must be applicable to everybody, that is, it can take the situation of various public transport operators into account; and on the other, it must be an all-weather mechanism that is applicable in different economic climates.

The Democratic Party has made a very interesting proposal similar to the "Consumer Price Index minus X plus Q" formula adopted by the privatized water supplies services in Britain. Perhaps, Mr Andrew CHENG may do us a favour and help us better understand the formula when he responds later. I have also found after studying the matter that the formula adopted by the privatized water supplies services in Britain is actually RPI plus K. In fact, K can either be a positive or negative number, slightly different from the formula just mentioned by Mr CHENG. In the formula mentioned by Mr CHENG, the number will always be positive and only X is deducted. Therefore, Mr CHENG may have to explain this further and we also hope that we can further discuss the matter. But I preliminarily think that this formula may only be applicable to capital-intensive trades with fewer variables but not to labour-intensive trades with more variables. However, most public transport operators are labour-intensive.

We are also worried that the formula may only be applicable during periods of low inflation or deflation, but not applicable during periods of high

inflation. For example, when X is 2%, given the existing deflation rate of 3%, public transport operators have to reduce fares by 5%. Yet, we should not forget that the inflation rate was 13.8% a few years ago. If public transport operators use this formula to determine fares, they can justly and forcefully say that an 11.9% fare increase should be made, and the situation would be even worse if Q is added. Nevertheless, I think it will be hard for the public to accept if public transport operators making profits ask justly and forcefully for such an extent of fare increase. Can we act inconsistently if we have quoted this formula at that time? I think the Government may not necessarily want to act inconsistently.

Madam President, I so submit.

MR WONG YUNG-KAN (in Cantonese): Madam President, the high transport fares in Hong Kong have consistently drawn much public criticism. Even the Secretary for the Environment, Transport and Works, Dr Sarah LIAO, has made similar comments after assuming office, in the hope that public transport operators can reduce their fares on their own initiative, in order to ease the burden of the people. Although the two railway corporations and the bus companies have promptly introduced some so-called concessions for passengers, not many passengers can benefit from such concessions, most of which are just "petty concessions" that are not as practical as a direct downward adjustment of the fares. So, the Democratic Alliance for Betterment of Hong Kong (DAB) hopes that various public transport operators can answer public aspirations by reducing their fares, so as to ride out the storm with the people together.

The Managing Director of the KMB, Mr John CHAN, said in public days ago that the KMB did not have room for a fare reduction for the time being and added that a number of interchange concessions had already been introduced, implying that the KMB has discharged its social responsibilities. The DAB begs to differ. With a daily ridership of nearly 3 million passengers, the KMB is one of the public transport operators with the largest patronage, and recorded a profit of over \$700 million in the first half of this year. How could it assert that there is no room for a fare reduction? Moreover, the DAB considers that there are many anomalies with the prevalent bus fares. If a review can be conducted on the fares of the existing cross-harbour tunnel routes, feeder routes and routes served by air-conditioned buses, I believe the burden of the people could certainly be alleviated.

Here, I wish to cite an example. Take the cross-harbour tunnel routes as an example. The DAB has studied the KMB's 253 air-conditioned non-cross-harbour tunnel routes and found that these routes charge \$0.38 per km on average. But the 45 cross-harbour tunnel routes charge an average of \$0.57 and they still charge at the rate of cross-harbour tunnel routes even after crossing the harbour, thus making passengers pay more for no reason at all. For example, a ride on a Route No. 106 bus from Wong Tai Sin to Siu Sai Wan costs \$9.4 for the full journey. If one takes a Route No. 106 bus at the Kowloon exit of the Cross-Harbour Tunnel at Hung Hom to Wong Tai Sin, the fare is \$5.4, but if one takes a Route No. 11K bus at the Hung Hom Railway Station to Chuk Yuen, the fare is \$4.3 only, which is \$1.1 less. So, the bus companies should expeditiously review the existing fare determination mechanism, so that passengers would not be made to pay more.

I wish to cite another example to show that bus companies do have room for a fare reduction. Route No. 307 from Tai Po Centre to the Central Ferry Pier, of which the journey is 38.7 km, charges \$20.3. But Route No. 373A from Wah Ming Estate, Fan Ling, to the Hong Kong Convention and Exhibition Centre in Wan Chai, of which the journey is 52.3 km, charges \$21.4. Despite a difference of 13.6 km in distance between the two routes, the fare differential is only \$1.1. What criteria does the bus companies adopt for determining the fares of their bus routes? Moreover, since the estate coaches from Tai Wo Estate to Central charges only \$18, we can see that the fare charged by Route No. 307 is indeed too high. The DAB urges the Government to review afresh the fares of all the bus routes.

Indeed, while the bus companies have put it in a fine-sounding way by saying that the interchange concessions are introduced for the benefit of passengers, these concessions actually serve to expand the market share of the bus companies and to compete with other modes of transport for passengers. Passengers who can benefit from these concessions are small in number, for most people do not need to interchange and so, these interchange concessions are not helpful to reducing the transport expenses borne by the people. Furthermore, the interchange scheme can actually reduce the number of buses required, thus lowering the operating costs of the bus companies. Therefore, the DAB hopes that the bus companies, while offering interchange concessions to passengers, can at the same time adjust their fares downwards.

Finally, I wish to express my view on the transport fare concessions for students. At present, the Government grants travel subsidies at different

percentages to students based on the distance travelled by students from their home to school and the financial conditions of the students' families. But this mode of funding only meets the need of students going to school and neglects their need to participate in extra-curricular activities. So, it appears that the subsidies are not of much help to the low-income families. The four Branches of the DAB in New Territories East conducted an opinion poll last month on students' travel concessions and allowances. The findings show that 60% of the respondents considered that half-fare travel concessions for students is the most desirable way of providing travel subsidies to students. The DAB urges the Government to reconsider the reintroduction of half-fare travel concessions for students, in order to directly ease the burden of the students' families.

A survey conducted days ago shows the prevalence of a deflation in the cost of clothing, food, living and transport expenses. Yet, the two railways and various modes of transport have not adjusted their fares downwards over the past 48 months. Since transport expenses account for over 20% of the living expenses of the people, and given the need to meet transport expenses, how possibly will they be in the mood for spending? Therefore, I hope the Government and public transport operators will expeditiously hold meetings to look into ways to adjust public transport fares downwards.

Thank you, Madam President.

DR DAVID CHU (in Cantonese): Madam President, despite years of deflation in Hong Kong and the shrunken expenses borne by the people on clothing, food and housing, expenses on transport remain high. Transport fares have become a heavy burden on the public. At present, "cheap products are still too expensive to the purse of the poor". The transport fare for one trip might be enough to cover the expenses for a meal. While the people may choose to eat and buy less, they must rely on various means of transport. It can be said that they must "succumb to the realities". It is the aspirations of many that public transport operators can cut fares. This explains why the appeal made by Secretary Sarah LIAO for transport operators to cut fares has won applause from the public. It is really disappointing that the responses by various operators have failed to answer the public aspirations.

It was revealed that even though the MTRCL, the KCRC and the KMB have frozen their fares for the past four years, they have still managed to make

an impressive profit. Last year, for instance, the MTRCL, KCRC and KMB reaped more than \$4.28 billion, \$2.436 billion and \$1.595 billion in profits respectively. We can thus see that there is much room for these operators to lower their fares. Although these public utilities operate as commercial organizations, they operate under franchises or in a monopolizing position, and their profits are guaranteed in some measure. They should therefore assume some social responsibility. To these operators, lowering fares suitably only means reaping less profit. It will not produce any significant impact on their operation, not to mention causing layoffs or pay cuts.

Madam President, although we are now trying to make use of pressure from the community and public opinions to pressurize the public transport operators into cutting fares, this is by no means a long-term solution. The Government's transport policy should, to a certain extent, be held responsible for the persistent rise in public transport fares. Although the Government has denied that it is biased in favour of the two railways, the reality is buses often co-operate more than compete with railways. To start with, many bus routes terminate at railway stations. Second, bus routes are often rationalized in order to accommodate themselves to railways. This has resulted in a lack of direct competition between buses and railways. The MTR Tseung Kwan O Extension is a live example. Furthermore, the three bus companies are required to seek the Government's consent not only for fare increases, but also for fare reductions. Their freedom of cutting fares to attract more passengers is, to a certain extent, restrained. I am therefore of the view that the Government must review the existing transport policy with new thinking. Instead of over-protecting the two railways, it should allow more competition, including strengthening the role played by such means of transport as public light buses, taxis, and so on, as well as making use of market forces to induce public transport operators to cut fares. In addition to boosting competition, the Government should discuss with bus companies in a bid to help them introduce more sectional routes, thereby easing the burden on passengers.

It is noted that an expert has been commissioned by the Government to study the cost-effectiveness of public transport in Hong Kong. I hope the relevant study can be completed expeditiously. Furthermore, I hope the Government can, without violating the "free economy" principle, implement effective measures to encourage the public transport operators to cut fares, thus living up to its vow of "thinking in the way the people think". I am sure the Government can greatly boost its popularity if it can really do so. I so submit.

MS EMILY LAU (in Cantonese): Madam President, I rise to speak in support of Mr Andrew CHENG's motion.

Madam President, the preceding motion debate was about sustainable development. There are frequent conflicts between transport, transportation and environmental protection in terms of sustainable development. In this respect, I often side with the Government and I support it very much, but my support for the Government sometimes makes people dissatisfied. Certainly, residents want to have direct home-to-office bus services and they do not like interchanging and they like cheap and convenient services. Therefore, I have to take great pains to explain to them that we have to balance many aspects and they sometimes have to give up some conveniences. They should also be tolerant if interchanging is necessary or when there are other inconveniences because it is impossible to make it convenient to everybody. Sometimes, when planning by the Government is unsatisfactory, the Government and I will allow the residents to vent their anger and we will hold discussions afterwards. Therefore, the Government knows my views on transport affairs generally.

However, I am going to support Mr Andrew CHENG's motion today. I am very sad when I heard the remarks made by Mrs Selina CHOW and Mr Eric LI. According to what they have said, the motion may not be passed and that will be too bad. If the motion falls through, it will give the community and transport operators a fairly favourable message, for they may say that they can act arbitrarily given this Council has not supported the motion.

Some Members have referred to the September 11 incident. The eight parties and groups united and worked together at that time. We are going to hold a meeting on 1 November to discuss the budget, so I wonder why the matter cannot be discussed in that venue. We will not deny that the situation was bad after September 11. I am not sure if the Secretary has come out of her office and observed that many people are saying that the present situation is even worse than that after September 11. The economic environment was sluggish last year, but the downturn this year is even worse, therefore, some have quoted the saying that "one cannot look after a poor friend forever". We voted for the passage of a motion after the September 11 incident and Mr Jasper TSANG moved an amendment at that time. Why did Mr Jasper TSANG move an amendment to the motion of the Democratic Party? It was because we had reached a consensus. Although we have not reached a consensus on the

amendment of Mr LAU Kong-wah today, I believe we will not object to his amendment. It will be too bad if anybody really objects to his amendment.

Madam President, I suppose you also know that the community is definitely in an abyss of suffering now. Many Honourable colleagues have earlier cited some figures to illustrate that certain companies have made certain amounts of profits and some companies have reaped considerable after-tax profits. I do not intend to read out all these figures. I was away from this Chamber for a while and a Member said that the median household income in the first quarter of 2000 was \$18,600 and that it decreased by 11% to \$16,500 in the second quarter of this year. The Secretary may have heard that 60% of households have a monthly income of \$15,000 or less, and it is already the monthly income of the entire household. Nevertheless, the Secretary should know that some people spend more than \$1,000 a month on fares for journeys to their offices. What should be done? Can the problem be solved by asking public transport operators to offer concessions, just like beggars asking for alms? No, it is impossible to solve the problem that way. Now that public transport operators have made generous profits, should the Government not establish a mechanism for them to make some responses in the light of the economic conditions? Should the people be forced to take to the streets, hold a procession or even go on riots? I do not want any incident to take place, and the Government fears more than I do that any incident may take place. So, I cannot help asking how the matter has come to such a state. I think that this very important matter must be considered.

I very much support the cancellation of residential coach services by the Government because I do not support the provision of bus services to Central or other places by every housing estate. Some residents have told me that they choose residential coach services for they are convenient and cheap, cheaper than interchanging thrice. Even though I wish to assist the Government in promoting its policy, (I cannot do so because) the residents have told me that public transport services are expensive and more time-consuming. Sometimes, the executive authorities have to provide us with some "ammunition" for I can support the Government and people who wish to promote sustainable development and environmental protection only if they can give us the grounds for their actions. I am not afraid of being scolded by the public and I will support and do what I think is right just like when I dealt with the right of abode and Vietnamese boat people issues and other matters. Nevertheless, I will also look at the matter in the public's way and consider whether their demands are reasonable.

In my view, the problem is that people always ask to be given choices. I always agree that people should make more frequent use of modes of transport with railways as the backbone. Can such services comply with the reasonable requests of the public if a passenger's journey to his office involves several interchanges and takes one hour and 45 minutes because he has to take a minibus to the railway station and interchange twice when using railway services? I believe the Secretary should consider this and strive to strike a balance. But her pressing task is to answer why some people have to spend \$40 to \$50 or even \$60 to \$70 and three to four hours on bus journeys to work every day. We are not living in the Stone Age and some people have to work 11 to 12 hours a day. If they have to spend one to three hours on home-to-office journeys, Hong Kong will precisely be a hell on earth. Therefore, I hope the Secretary will consider the matter in detail after listening to our views, but she does not need to do so if Members finally vote against Mr Andrew CHENG's motion because the motion will then fall through. In that eventuality, the executive authorities do not have to make any more efforts and the bus companies, MTRCL and KCRC do not have to conduct any review. Nevertheless, I believe it is going to give a very bad message.

Lastly, Madam President, I would like to talk about the mechanism. I have not done my homework as well as Mr Andrew CHENG or Ms Miriam LAU has but I only think that we should consider an objective mechanism that takes the people's income and the Consumer Price Index into account. With such a mechanism in place, fare adjustments can be made automatically so long as Members agree and public transport operators think that it is reasonable and fair to the passengers. A Member has said that every fare adjustment should be presented to this Council, but I do not agree. If so, we do not have to deal with all other matters and we only have to discuss fare increases. If a mechanism has been established, we will no longer have to argue about the matter as what we are doing now. I hope that the Secretary will expeditiously take the matter into consideration. Yet, I think that the motion moved by Mr Andrew CHENG is reasonable and I hope the Secretary will support his motion even though some Members do not support it.

Thank you, Madam President.

DR LO WING-LOK (in Cantonese): Madam President, I think we have to approach the subject under discussion from three angles. First, we have to consider whether the public's burden in terms of transport expenses is unreasonably heavy. Second, we have to consider the causes of unreasonably

high transport expenses. Third, we have to consider how we can suit the remedy to the causes to alleviate people's difficulties.

The transport expenses in Hong Kong are not particularly high when compared with other international cosmopolitans like New York and London, but such a simple comparison is not at all meaningful. To weigh the people's burden in terms of transport expenses, a more important factor of consideration is the social and economic situation of individual areas. As indicated by the figures of the Census and Statistics Department on the Composite Consumer Price Index, the prices of food, housing and clothing among the four major aspects of people's living, namely clothing, food, housing and transport, have dropped since 1998. In particular, the prices of housing and clothing have dropped more than 10% and only the transport fares have increased rather than dropping. The high transport fares become all the more obvious when deflation persists.

The figures of a survey recently conducted by the Coalition to Monitor Public Transport and Utilities show that, for more than 20% of the interviewees living in Yuen Long and Ma On Shan, the average monthly transport expenses of each interviewee account for more than 10% of his income. They account for 30% of the income of an interviewee living in Tuen Mun, Tai Po, Sha Tin and Tai Wai and 50% of that of an interviewee living in Yuen Long and Tin Shui Wai. As to households, 45% of the interviewed households in Ma On Shan indicate that their monthly transport expenses account for more than 10% of their household income. They account for 50% of the household income of households in Tai Po, Sha Tin and Tai Wai, 60% of that of households in Tuen Mun and the North District and 70% of that of households in Yuen Long and Tin Shui Wai. We can see from the above figures that transport expenses constitute a burden to the residents of new towns indeed. This is especially so because most residents of new towns are not well off and they are caught in difficulties in the event of wage reduction, layoff or unemployment when the economy is in the doldrums. It was common for both the husband and wife to be employed in the past, but only one of them may be employed now. Since new towns can only provide the residents with accommodation but not adequate jobs or school places, the daily expenses on transport become a necessity to the residents who work in the urban area and students who attend schools in other districts.

Why do people have to bear such exorbitant transport expenses? Is the transport planning by the Government one of the important causes? It gives no cause for much criticism for the Government to make railway the core of transport planning. Generally speaking, the railway is a more environmentally

friendly mass carrier and the construction of a railway is more cost effective than the construction of a road. Has such planning caused the fares of other modes of transport to remain persistently high? Do some people have to spend more time and money on transport as a result of such planning that gives the railway a dominant position? Taking the Tseung Kwan O Line of the MTR as an example, commuters to and from Tseung Kwan O mainly relied on buses before the opening of the Tseung Kwan O Line. However, with the rationalization of quite a number of bus routes after its opening, direct services to the urban area are no longer available and the residents living further away from the MTR stations have to spend more time and money on connecting services and interchanging with MTR trains. I am not asking the Government to change its railway-centred planning, but I am asking it to remove as far as possible factors for high transport expenses during planning and fully consider the unique condition of individual areas.

In respect of town planning, the major economic activities of Hong Kong are concentrated in the urban areas on Hong Kong Island and in Kowloon while plans will be made for residential development in the more distant new towns in the long run. Therefore, many people will have to make home-to-office journeys on modes of transport from the new towns to the urban areas, causing such problems as traffic congestion, air pollution and substantial increase in transport expenses. Thinning out the mass of working people concentrated in the urban centres and introducing economic activities and job opportunities to the fringe areas, thereby reducing people's demand for and expenses on long-distance modes of transport, improving their quality of life and reducing pollution are therefore areas of work for the Government.

Besides reflecting public opinions to the Government, a more important responsibility of this Council is to monitor government administration and see whether the policies comply with public opinion and sense the urgency of the people. As far as the people's burden in terms of transport expenses is concerned, I think this Council should monitor whether government administration can create an environment in Hong Kong for the transport system to meet the needs of the community. It should consider whether the transport system can tie in with social and economic development and meet the needs of people in everyday life, whether it is environmentally friendly and whether the transport fares are affordable by the people. This Council should monitor the Government instead of the operators of individual transport organizations, and it should not tell the operators how to run their businesses.

Madam President, I so submit.

MR ALBERT HO (in Cantonese): Madam President, although the Chief Executive often says that he thinks in the way the people think and senses their urgency, it is not useful for him to merely say so, and it will be useful only if he can do what the people want him to do. Recently, there has been a strong voice in the community, and even a consensus that the fares of many large public transport operators are excessive and the organizations concerned should not decline fare reductions under the present circumstances. If the Government can handle the problem successfully, it will be able to show the people the effectiveness and capacities of its administration. It is also the best test of the accountability system for principal officials.

It will be difficult for me to accept it if anybody including the Secretary later indicates that she cannot support the motion moved by Mr Andrew CHENG today because it has violated the principles of free economy, or because we should not intervene in the operation of certain commercial organizations. First of all, we must consider what subject we are discussing before referring to a free economy. Is freedom out of the question when we are discussing franchises? Since the organizations have been given a franchise of operation, "the principles of a free economy" cannot serve as an answer to all questions. When the Government awarded the railway corporations and bus companies franchises in the past, it had not considered the matter solely on the basis of the principles of a free economy. Let us take a look at the mode of operation of a railway corporation. There is initial capital injection by the Government and the railway corporation has the priority right to land development, in particular, it has the right of development of the superstructures without tendering. Bus companies also have concessions in respect of bus depots or fuel duties. When we say that the fares of these organizations are unreasonable and hope the Government will make efforts to urge public transport operators to reduce fares through negotiation, the Government replies, to our surprise, that we should not intervene in the free operation of these commercial organizations as free trade is involved. I find it hard to accept.

For the same reasons, the Liberal Party has just indicated that it will abstain from voting on this motion. I am very disappointed about this. The Liberal Party moved a motion only last week requesting government intervention in reducing terminal handling charges and it also asked the Democratic Party to support the relevant proposal. Can we say that the operators of businesses need the Government's help but the ordinary people do not? Why are there such concepts of grades or classes? I cannot accept the double standards of the

Liberal Party. Certainly, each company may have a different manner of fare reduction in the light of the conditions of its operation. Nevertheless, I believe everybody will be astonished if the Kowloon Motor Bus (1933) Limited (KMB) is the first company to step forward and say that there is no room for a fare reduction. All Members who have spoken today have mentioned the name of Mr John CHAN, Managing Director of the KMB. I believe his eyelid must have kept twitching, and I would not have shown him due respect if I do not mention his name. (*Laughter*) Indeed, he has gone too far in saying that there is no room for a fare reduction. Some Honourable colleagues have earlier cited a lot of figures to illustrate the profits of various organizations in a horizontal manner and I am now going to illustrate the after-tax profits of the KMB these few years in a vertical manner. Its after-tax profits were \$550 million in 1997, \$580 million in 1998, \$738 million in 1999, \$850 million in 2000 and \$1.6 billion last year. Although the profits of the KMB have soared in such market situations and circumstances, it still says that there is no room for a fare reduction. How will there be room for fare reduction?

Many people have also said that the business costs are high, but the KMB is really terrific, probably because of capability of Mr John CHAN. In the year 2000-01, the expenditure on spare parts, materials and fuel duties by the KMB was reduced by \$160 million and the wages of its staff were reduced by \$24 million. Given this, is it acceptable for the KMB to say that there is no room for a fare reduction? It is most disgusting for Mr CHAN to say that people who do not need assistance should not be subsidized, for it sounds as though we are begging the KMB for alms. Actually, the public at large is not begging the KMB for alms. They only hope that the KMB will not rob them or take advantage of its franchise to reap colossal profits, regardless of their hardships. We only wish to make that clear. I know the Secretary is resourceful and I hope she can lobby public transport operators to face up to the community because they are closely related to the people's livelihood.

Lastly, I want to talk about the mechanism. It is a very good long-term solution to the problem at issue. As we all know, there are only a few alternatives. First is approval by this Council. However, many people do not support this because it will politicize the issue and adopting this method will usually result in the unsatisfactory operation of the relevant organizations. The second method is the adoption of a formula. As I have said today, if the formula is "CPI minus X", there may not be sufficient increase in productivity.

What else should be considered? We should also consider the mode of operation and situation of each organization as well as the relevant factors such as the affordability of the people. In awarding a new franchise to the relevant organization, it is most important for a mechanism to be established to ensure that future fare adjustments can reflect changes in the relevant factors and that the authorities can objectively monitor the operation of these franchise organizations.

MR MICHAEL MAK (in Cantonese): Madam President, I am sure Mr John CHAN will have twitching eyelids again because I am going to denounce him for the remarks he made then. Even if Mr CHAN is watching horse racing at the racecourse now, I hope he will listen to our discussion. I also hope that members of the boards of directors of other public transport operators will listen to our discussion so that they will not be condemned by society as having no conscience.

Madam President, clothing, food, housing and transport are the four basic necessities of life, and though people can save their expenses on clothing, food and housing by lowering their quality of life, their transport expenses are essential and unavoidable, and they have no choices too. That seems to be the major reason why all public transport operators can make considerable or even colossal profits in economic adversity.

There has been a deflation in the past three years and the economic situation has not improved so far. People are facing such problems as unemployment, layoff and wage reduction and those impoverished masses who make a low income are in an abyss of sufferings. While there is a general reduction in commodity prices, the transport fares have remained high and constituted a heavy burden to the public. People living in the New Territories, in particular, have found the daily transport expenses on journeys to the urban areas a burden difficult to bear.

As regards relieving the people's burden in terms of transport expenses, though Secretary Sarah LIAO indicated after she had assumed office that she would examine the fares with public transport operators in the hope that they would offer fare concessions, it is a pity that it has all been thunder but no rain. It seems that people have gradually become less confident in and less patient with the Secretary and I hope that the popularity of the Secretary will not be adversely

affected. Among the various public transport operators, the KMB currently has seen the most considerable and unreasonable growth in profits. It had more than \$1.6 billion profits last year, approximately 90% more than its profits in 2000. The KMB was most capable of making a fare reduction, but Mr John CHAN, Managing Director of the KMB, remarked in a very cold-blooded way a few days ago that profits could not be reduced to help most people who did not need help. I do not know why he made that remark. Has he made any assessment which tells him that somebody does not need help? I believe some Members in this Chamber do not need help, but some colleagues also take public transport. I believe public transport users are in general grassroots and some of them are disturbed unemployed people in an abyss of sufferings. How could Mr John CHAN make such a cold-blooded remark? He really needs to step forward and give an account. I believe the poor people and the Secretary must have been astonished by his remarks. The shocking soar in the net profits of the Kowloon Motor Bus Holdings Limited is actually an indisputable fact. Indeed, the company has considerable profits several years in a row and the remark of Mr John CHAN has fully reflected the ugly face of businessmen, that they will put profits before everything regardless of the difficulties of the people. It has also evidently reflected that the KMB has no intention of helping people in need. Though I did not have any aversion to him, I think his remark has been disgusting and detestable.

Madam President, the Government has called on the Civil Service to endure a reduction to tide over the difficulties with the people, but have public transport operators making considerable profits ever intended to tide over the difficulties with the people? The Chief Executive has always encouraged us to share common goals, but have public transport operators tided over the difficulties with the people and shared common goals when the people are bearing a heavy burden in terms of transport expenses and calling for a fare reduction?

The so-called joint concessions such as "Ride 10 Get One Free" or "Ride Eight Get One Free" concession currently offered by public transport operators are only petty concessions that have been offered perfunctorily. They might as well reduce fares directly if they really want to help the people. In fact, I take the MTR very often, but I do not know how many times I can enjoy the "Buy 10 Get One Free" concession. I very often forget about the concession, but I will make a note of getting a free ticket next time. I can give the ticket to another person even if I am not going to use it, and I must bear in mind that I should not

be put at a disadvantage. I hope that the managing directors of public transport operators can face us with a social conscience.

Madam President, the major cause of the high transport fares today is the control of prices by the Government all along and its assurance of profits for some transport operators. Certainly, it is not excessive but essential to request a review of the mechanism that assure operators of considerable or even colossal profits. Lastly, I hope the Secretary can really succeed in fighting for the people suitable adjustments to transport fares. The grassroots have expectations of the Secretary. I so submit.

MR ALBERT CHAN (in Cantonese): Madam President, as a result of the financial turmoil, the people have had to face extreme difficulties in the past five years and they are now very angry and discontented. Whenever I discuss transport problems with the people, especially when I discuss bus services with the residents of new towns, there will usually be the sentiment that public transport operators are adding fuel to the flames. "A single spark can start a prairie fire" and the riots that took place over 30 years ago were sparked off by a fare increase of five cents by the Star Ferry. If there is any riot in Hong Kong in the near future (I certainly do not wish to see such happening), I believe it is very likely that it will be sparked off by a transport problem.

The residents of new towns are now very discontented with the transport problems. Let me cite some authentic examples for reference by the Secretary and Honourable Members. I have recently held residents' meetings in new towns such as Tung Chung and Tin Shui Wai and quite a number of residents have expressed to me their anger and dissatisfaction. There is a phenomenon that it is very difficult for the residents of new towns to land a job. When they look for a job in the urban areas, the employers will not employ them after they have told them that they live in the new towns. Let me cite a very obvious example. A resident of Tung Chung recently attended an interview in Kwun Tong and the employer told him that he would not be employed on learning that he lived in Tung Chung.

A second phenomenon is that two cases apply to many residents of new towns. First, the residents who work in the urban areas will not go home on the first few days of a week and they would rather live in their relatives' or friends' homes in the urban areas, and the fathers may only meet their children at weekend. Second, families that have moved to new towns seldom visit their

parents in the urban areas during weekends because the transport expenses are too expensive. To visit their relatives in Kowloon or on the Hong Kong Island, a family of three to four has to spend more than \$100 on transport fares, and that really discourages them.

As to the third phenomenon, I can also cite a real example. A family had moved from North Point to Tung Chung, but they rented a room in North Point a few months later because the couple work near North Point and their child attends a secondary school in North Point. To save time and transport expenses, they would rather rent a room in North Point than continuing to live in Tung Chung.

The above examples fully reflect that high transport expenses and inconvenient transport services affect the daily life of the residents seriously. When the Government deals with transport problems, especially the problems with buses, I hope it will implement more measures to improve services to protect the people's livelihood. I have endeavoured to fight for the implementation of bus-bus interchange discount schemes at the Tsing Ma Bridge and other areas for years. The Government has actually implemented such a policy and bus-bus interchange discount schemes have been implemented at Shing Mun Tunnel and Tai Lam Tunnel. I remember that when the Government implemented a bus-bus interchange discount scheme 10 years ago, it was first implemented at Shing Mun Tunnel. I strongly supported the Government at that time, but many residents who did not accept the implementation of the policy strongly criticized the Government. I fully supported the Government and bore enormous pressure, as I was a district board member, nevertheless, I supported the Government because I believed that it had done something right. However, the interchange discount scheme was only implemented at Tai Lam Tunnel afterwards but not in other areas. I have recently asked the Government to implement the interchange discount scheme at the Tsing Ma Bridge and the Government has promised to do so, but what it will do is a bit awkward. Under the interchange discount schemes at Shing Mun Tunnel and Tai Lam Tunnel, passengers can transfer free of charge if the buses charge the same fares, but under the interchange discount scheme to be implemented at the Tsing Ma Bridge, passengers have to pay \$2 extra on interchange. For instance, passengers have to pay \$2 extra even if they transfer from a bus that charges a fare of \$10 to another bus that also charges a fare of \$10. Such an additional fare increase is absolutely unreasonable and unfair to the public.

It is also inappropriate of the Government to renew the franchise automatically. Given competition, a bus company would initially be given a five-year franchise, but the Government will automatically give the bus company a 10-year franchise after negotiation at the end of the five-year term. Despite there is no reduction in bus fares or significant improvement in services, the Government just gives a bus company a 10-year franchise after they have secretly agreed upon certain terms.

Many residents of new towns have recently expressed dissatisfaction with the services of bus companies and strongly opposed the Government's extending their franchise by 10 years. In my view, what the Government has done will precisely allow bus companies to further exploit the residents in the next 10 years and it only has the interests and profits of bus companies in mind.

Madam President, I think that the former Secretary for Transport, Mr Nicholas NG, is definitely the chief culprit for the transport problems that have become so serious. For years when he was the Secretary for Transport, services worsened, monopolization intensified and fares increased. All these were the wrongdoings of the former Secretary and I hope the new Secretary can avert the situation and rectify the wrongdoings of the Government in the past. First of all, the Secretary must put an end to regional monopolization. When we had lunch earlier today, Mr Eric LI said that there is strong competition in bus services because he sees various buses on Hong Kong Island where he lives. That is certainly the case on Hong Kong Island, but we will find that there is regional monopolization if we take a look in Tin Shui Wai and Tung Chung. We will only see Citybus, Long Win and KMB buses in certain regions and there is no competition at all because these regions are inaccessible by red minibuses, green minibuses and residential coaches. Therefore, I hope Honourable Members who live on Hong Kong Island, especially those who usually drive, can go to the new towns and take a look when they have time instead of saying that the residents have a lot of choices. If Honourable Members will take a look carefully, they will find that the residents of many regions do not have choices.

Furthermore, I hope that the Transport Department (TD) will rectify its attitude and sympathize with the feelings of the people. I had a meeting with the officials of the TD until past 8 pm last evening (Here I must extend my thanks to them for having a meeting with us) and reflected to them that the residents

concerned had become angrier and angrier — I have also become angrier and angrier. Nevertheless, the officials of the TD only have administrative convenience and the operating difficulties of bus companies in mind and they have not thought about the difficulties of the residents and the people. If such a way of thinking is not reversed or rectified, I believe there will really be a riot in the near future. Public transport operators will be the principal culprits of the riot and the TD will be the accomplice. Yet, I do not wish that to happen. Thank you, Madam President.

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

MR FRED LI (in Cantonese): Madam President, I have not drafted a speech, but I feel there is really something that I must say after listening to the remarks made by Honourable colleagues. I hope that those colleagues whom I have criticized will make a volte-face after I have spoken, but I really do not understand how the matter has come to such a state.

The Breakfast Group unanimously voted in support of the motion moved by Mr Kenneth TING of the Liberal Party last week. The first part of the motion was "That this Council urges the Government to expeditiously study the specific impact of the persistently high terminal handling charges on the local economy" and there was not much problem with that, and the latter part of the motion was "and to strive to have those charges reduced to a reasonable level." The Liberal Party was obviously urging the Government to ask container terminal operators to reduce charges. Today, Mr Andrew CHENG has moved a motion that "this Council urges the Government to discuss with various public transport operators with a view to reducing expeditiously the fares of transport services". The word "discuss" is used in the motion and this Council only urges the Government to discuss with various public transport operators but we have not asked the Government to give instructions or directly urged them to reduce fares. What is the difference between these two motions? Have both motions intervened in the operation of commercial organizations?

Mrs Selina CHOW said earlier that public transport operators are listed companies. Are container terminal operators not listed companies? Is the Hutchison Whampoa not a listed company? What is the difference between this

motion and the motion asking container terminal operators to reduce terminal handling charges? I think both motions are consistent in letter and spirit. Unlike what they are doing today, Members sternly urged the Government to do something last week. The only difference is, last week, the matter was within the purview of the Secretary for Economic Development and Labour and the Secretary asked how we could intervene in commercial operation. I think Secretary Sarah LIAO will also say so today. Nevertheless, as Members of the Liberal Party thought that their voters wanted them to do something, so they worked out the motion to satisfy the needs of their voters. Are we not in the same situation? Mr Andrew CHENG has moved this motion to voice the opinions of the general public, especially the grassroots. Nevertheless, I do not know what logic these Members follow in voting against Mr Andrew CHENG's motion. I am not sure if they will abstain from voting, but I think they will definitely not support the motion. They have made such arguments as commercial intervention, administrative measures, wilful intervention in the operation of commercial organizations and forcing commercial organizations to reduce charges. Had Mr Kenneth TING's motion not forced container terminal operators to reduce charges or urged the Government to ask container terminal operators to reduce terminal handling charges? How can they explain that?

Members of the Breakfast Group supported the motion moved by a Member of the Liberal Party related to intervention in commercial operation last week, but they oppose Mr Andrew CHENG's motion that is also related to intervention in commercial operation today. I really cannot figure out why they are doing so because public transport operators and container terminal operators are similarly listed companies. I hope these Members will not force me to think that they oppose the motion because it was moved by Mr Andrew CHENG of the Democratic Party. What alternatives do I have? What else can make me feel at ease?

MS MIRIAM LAU (in Cantonese): I would like to ask Mr Fred LI to elucidate the grounds on which he thinks that container terminal operators are listed companies.

PRESIDENT (in Cantonese): Mr Fred LI, you can choose whether you will make an elucidation as requested by Ms Miriam LAU.

MR FRED LI (in Cantonese): Madam President, I have just said that Hutchison Whampoa is a listed company and I have already made an elucidation. Hutchison Whampoa is a large listed company and the group business includes mid-stream operation. I am not sure if Members have bought the shares of Hutchison Whampoa, but it is a listed company. I hope I will stay very calm but not become angry when I continue to speak. That is a fact. How has the matter come to such a state?

I have just listened to the remarks made by Mr Eric LI, Dr Raymond HO and Mrs Selina CHOW and I have also jotted down their remarks because I am afraid I may not have remembered them correctly, however, they have really made these arguments. If they are going to vote against or abstain from voting on Mr Andrew CHENG's motion because it will intervene in the operation of commercial organizations, I am sorry and I think they will damage the relationship between Honourable colleagues. Sometimes, I support the motions they moved. For example, all Members of the Democratic Party voted in support of Mr Kenneth TING's motion last week. As a matter of fact, the motion today reflects the opinions of millions of people who take public transport every day. I believe Members will agree that Secretary Sarah LIAO will surpass Secretary Regina IP and become the most popular Bureau Director. Although many colleagues have already given the reason, I am going to repeat that again. It is because she can voice the people's opinions though she has just assumed office. The opinions of the public should be reflected in this Council and we, directly elected Members, can reflect the opinions of the grassroots. We have moved this motion to ask the Government to discuss with various public transport operators and I hope Honourable colleagues will look at the wordings of the motion carefully. We have only used the word "discuss" but not "instruct" in the motion and Mr Andrew CHENG can respond to this later. I do not have the wishful thinking that Members who oppose the motion will change their mind after I have spoken, and I believe they will vote in the same way. Yet, I have expressed my personal feelings because I feel there is really something that I must say.

I so submit.

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

(No Member responded)

PRESIDENT (in Cantonese): Mr Andrew CHENG, you may now speak on the two amendments and you have five minutes.

MR ANDREW CHENG (in Cantonese): Madam President, I am going to discuss the two amendments and the first one is moved by Mr LAU Kong-wah. I said that Mr LAU Kong-wah was concerned earlier on and he said that I was enthusiastic in response. That being the case, I will certainly not criticize his amendment because both of us are concerned and enthusiastic and we have consistent objectives. Although the Democratic Party and the Democratic Alliance for Betterment of Hong Kong had very different opinions on many political topics in the past, our attitude towards this subject on the people's livelihood today is no different from our attitude towards it in the past. In our view, Mr WONG Sing-chi should further amend many parts of Mr LAU Kong-wah's amendment on behalf of the Democratic Party but, on the whole, various public transport operators should make reflections and improvements.

Madam President, when we met Secretary Sarah LIAO for the first time in August, we already submitted a document and put forward 10 proposals on the overall transport policy of Hong Kong. The contents of the amendment of Mr LAU Kong-wah today actually cover some of the proposals. The 10 proposals we made include: first, reducing transport fares by 10% and it is particularly pinpointed at the KCRC, MTRCL and KMB with considerable profits. Second, establishing a fare adjustment mechanism, which is also an important topic in the motion debate today. Third, implementing sectional bus fares, that is, the fares should be reduced once every two stops. It is a very specific proposal. I visited Hokkaido this summer. There is a small city called Sapporo and there is a small difference in the fare for each stop though the place is not big. With the adoption of a technology similar to the Octopus system, bus routes are divided into sections so that there are more reasonable fares for passengers on longer and shorter journeys. I do not understand why the same cannot be done in Hong Kong. I remember that there were sectional fares when I was small and lower fares would be charged for stops that were closer to the terminus. Nevertheless, it seems that we have gone farther and farther away from the more reasonable mechanism we had. Fourth, consolidating the fares of the two railways. Although we are not discussing a merger of the two corporations today, we should consider a consolidation of the fares of the two railways. Fifth, expanding the interchange discount schemes. Sixth, simplifying the bureaucratic procedures so that fare reductions and interchange schemes can be

implemented upon notification instead of application. As some Members have just said, even though some bus companies want to reduce fares, they cannot do so because a decision has to be made by the Transport Department. In fact, the making of applications is open to question. Seventh, introducing one-week, one-day and weekend common travel passes and it is consistent with the proposal on monthly tickets put forward by Mr LAU Kong-wah today. Eighth, constructing the Northern Link early. Ninth, establishing a tunnel and bridge authority. Tenth, establishing air quality control zones in Admiralty, Central and Sheung Wan.

Madam President, we have put forward these proposals again to tie in with the amendment today. We hope that the mechanism for transport fares can at least embody three principles. Firstly, an environment for fair competition in fares must be created while ensuring that priority is given to the development of the railway system; secondly, there must be a fair and reasonable mechanism for the determination of fares; thirdly, road resources must be reasonably allocated. These principles must be considered in the context of transport policies.

I have listened carefully to the remarks just made by Dr LO Wing-lok who has touched upon these matters, but it appears that he opposes my motion, which is disappointing to me. Madam President, Ms Emily LAU has just said that she also hopes that the Secretary will support my motion even if the original motion and the amendments are not passed today. Moreover, quite a number of Members have referred to the popularity of the Secretary. I hope that the Secretary will not only be concerned about her popularity and I believe she is not that type of Bureau Director. I hope the Secretary will seriously discuss the specific contents of the original motion and the amendments with various public transport operators, and if the original motion and the amendments are not passed, I hope the Secretary will continue to make efforts.

Thank you, Madam President.

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, I have heard a lot of suggestions raised by Honourable Members today on the fare adjustment of public transport, as well as many interesting arguments. This is indeed a good opportunity of learning to me. On the political front, I must admit that I am still a new learner. I have definitely no intention to seek momentary glory. I only wish I can do what I should do in a progressive manner.

It occurred to me immediately after I took office that the expenses incurred by the people on public transport were high when compared to their living expenses. We can easily see this simple fact by just looking at the deflation data and the persistently high transport fares. Moreover, I understand that transport is indispensable to the people in their daily life. Under the current economic circumstances, the people's aspiration for lower fares is completely understandable. At the same time, we are aware that it is the people's demand that transport services should be maintained at a high level in terms of quality, safety and efficiency. This is precisely what the people ask for.

Insofar as overall public transport and transportation is concerned, the Government has originally provided us with an excellent business environment. To ensure that public transport can develop in a healthy manner and satisfy public demand, the Government must uphold a free business regime, encourage market competition and provide the public with suitable choices. We hope, in doing so, public transport operators can have faith and make long-term investment in keeping with Hong Kong's sustainable development. On the other hand, they may, in response to changes in the market and the environment, take appropriate measures and provide the public with quality service at reasonable fares. Broadly speaking, the Government must maintain the safe, reliable, efficient and competitive public transport system we are enjoying at the moment.

The policy can help achieve balance and equilibrium. There are various types of public transport in Hong Kong. They include trains, buses, public light buses, taxis, ferries, trams, and so on. Over the past two months, I have met with a number of deputations and listened to the voices of people from different walks of life and industries. I have realized it is not going to be easy to play the balancing role. In addition, it takes time to work out a mechanism to encourage various sides to co-operate in reducing fares or upgrading service. The Government is still adhering to its long-standing principle of providing no subsidy for the operation of public transport. Therefore, all operators must compete directly in the market. The Government certainly does not want to see small operators cease operation as a result of the loss of equilibrium among modes of public transport because of excessive government pressure. As mentioned by a number of Members earlier, operators have made substantial profits. We do hope these operators can make profits while continuing to invest and make constant improvement to public transport services.

Insofar as fare adjustment is concerned, the Government is certainly playing a regulatory role in balancing commercial interests against the interests of commuters. In times of deflation, the Government has to safeguard the overall interests of the territory. This explains why I am faced with a thorny issue: What can I do after taking office? I have divided what I have to do into two parts. First, I have heard the voices of the people and sensed their urgency. As a short-term measure, therefore, I have urged all operators to provide concessions. In the light of the concern of Honourable Members and public concern over transport fares, my colleagues have taken the initiative to contact various public transport operators to reflect to them public concern over transport fares, as well as encouraging and assisting them to lower fares or provide concessions in the light of their conditions of operation. In this connection, I have listened to the information supplied by a number of Members earlier. We have indeed been working in this direction.

The two railway corporations are making another attempt to provide concessions. Some Members hold the view that the concessions are little more than sweeteners and that people might not care. Some Members do not even have time (or they simply do not care) to redeem free tickets. Yet to many people, these concessions can already temporarily relieve their burden in meeting transport expenses. In addition to the launching of the concession schemes by the two railway corporations on 2 September, the Octopus concessionary fares were also retained. I have indicated to the MTR Corporation Limited (MTRCL) that I hope the concessions can be retained until a long-term plan is in place. I would elaborate on this point later.

Insofar as franchised bus companies are concerned, I have taken note of the remarks made by Mr Albert CHAN and a number of Members that people living in remote parts of the New Territories are paying particularly exorbitant fares because they have to make several bus interchanges every day. We hope the Kowloon Motor Bus Company (1933) Limited (KMB), as a major bus operator, can take radical actions starting from September with respect to its high-fare routes. It is currently operating 43 permanent bus interchange concession schemes, under which 130 bus routes are involved. Commuters can save up to \$3.5.

Though I have not had a chance to discuss with Honourable Members in detail, many people living in remote areas, such as those living in Tung Chung, have reflected to me that the exorbitant fares have deterred them from visiting

their children. I have therefore proposed that we follow the examples of some overseas cities in providing special concessions at weekends to allow members of the same family to share one ticket. This is because buses are not as crowded at weekends. This arrangement will not seriously affect the operation of bus companies. In this connection, a study is being undertaken to determine which option is the best. It has also come to our notice that, owing to their nature of work, some people, such as home helpers, have to travel to and from different areas. Yet their incomes are relatively low. So we have discussed with the bus companies to examine if it is possible for half fares or special concessions to be offered to these people. Members should have heard Mr TAM Yiu-chung say that an agreement has been reached with the Vocational Training Council (VTC) and relevant arrangements would be made. Under the agreement, fare concessions will be provided by 300 bus routes operated by the KMB to holders of identification papers issued by the VTC. I would like to stress that I hope people affected most by transport fares can be identified during the initial period, so that relief can be given to them as early as possible.

Meanwhile, the Citybus Limited (CTB) is operating a travel scheme to allow elderly people to pay only \$1 for a bus trip at weekends or on holidays. According to an officer-in-charge of the company, no losses have been incurred as a result of the concession. On the contrary, the company was benefitted. This is because elderly people going out will usually be accompanied by young family members. As a result, young people will make more frequent use of buses. This explains why I often tell bus companies that concessions might be helpful to less popular routes.

Bus companies operate a great many bus routes. While some of them make profits, some incur losses. Franchised buses are unique in the sense that they must provide all the bus routes required by the people, irrespective of whether the routes are profitable. I guess District Council members understand this very well. Very often, some of the bus routes operated in response to the demand of the public turn out to be non-profitable. They might even incur losses, owing to the relatively low patronage. We hope to discuss with the relevant bus companies to see if these bus routes can be handed over to public light buses. It might be possible for a win-win situation to be achieved since it is unnecessary for these routes to be operated by buses with a huge capacity.

We will make more active efforts to promote bus interchange schemes. As Members should be aware, Hennessy Road, Central and Nathan Road are

always extremely congested, with buses occupying the entire road surface. This has also caused environmental problems. For this reason, we hope to actively promote the interchange schemes, for it can not only lower bus fares, but also ease traffic congestion. In this connection, the three bus companies have separately operated their own interchange routes. Two of them have worked in collaboration to successfully provide concessions, though the concessions are still few in number. These schemes will be operated as an ongoing exercise. As two bus companies are involved, it will take a longer time as they will have to calculate which one of them is subsidizing the other more.

Some small operators such as public light buses are also prepared to provide interchange concessions. Ferries and buses serving Discovery Bay will even provide concessions in the form of discounts in the hope that the pressure on the public can be alleviated.

A lot of constructive ideas were raised by Honourable Members earlier. Sectional fares, for instance, are under consideration at the moment. Owing to the use of Octopus, it is easily imaginable that in case some commuters get off a bus earlier, each bus will have to install two Octopus machines to ascertain the time commuters alight from the bus. Bus companies have in fact indicated that they expect to encounter difficulties in monitoring. This is because there will be a need to ensure commuters use their Octopus cards when they get off the bus, not earlier. We have been trying to work out details of co-ordination with the bus companies in addressing the monitoring problem.

Furthermore, we have been given an opportunity to, in the light of the changes in the operation environment and bus routes, operate a pilot scheme to allow bus routes to compete freely upon the commissioning of the Tseung Kwan O Extension. As a result, bus fare has been lowered from \$13.3 to \$12.8. Despite the substantial reduction, the operation of the MTR has not been affected. The MTR still manages to retain many commuters, mainly because there is a difference between buses and the MTR in terms of journey time. Therefore, competition between these two modes of transport is, to a certain extent, different. While I hope these concessionary schemes can continue, we will work hard to formulate long-term plans. Bearing in mind short-term concessions are not going to completely resolve the problem, we will, in addition to encouraging various operators to cut fares, highlight to them the fact that all developed countries and cities must do this for the purpose of maintaining corporate images and discharging social responsibilities. While seeking to

alleviate the hardship of the public, we will definitely not compromise the business environment of free economy.

I have also heard some voices from the operators. They said great difficulties were encountered every time they applied for fare increases over the past several years. I have never taken part in this exercise before. It has been argued that since it is possible for fares to be raised, it should be possible for fares to be cut. As pointed out by Ms Emily LAU earlier, it will be harmful to social harmony and the business environment if transport fare adjustment is turned into a political debate on every occasion. For this reason, we embarked on a plan to form a study group on fare determination in mid-August. I am not an economist. I must therefore seek expert analysis and advice on these policies which have far-reaching impact. Careful consideration must be made before the mechanism can be set up. In the course of doing so, we will consult economists, the Consumer Council, the public and this Council. The study group will examine the overall economic problem facing public transport operation and get an understanding of the competition environment. As pointed out by Members earlier, the market does not operate in a completely free manner. There will be a certain degree of control. We will also examine ways to balance the room for survival among various operators. After considering suggestions from all parties, I hope Members can participate in the process through communicating more with the Government and putting forward their suggestions. Furthermore, we have made reference to the mechanisms adopted by a number of major cities worldwide in the hope of setting up a clear and specific fare mechanism, which can enable fares to be raised or reduced in the light of the economic situation, the affordability of the people and the operational situation. I hope the study report can be completed by the end of this year. We are now studying each and every aspect. As Hong Kong economy is not yet fully improved, I hope Honourable Members, the people and the Government can, under the prerequisite of maintaining social prosperity, stability and harmony, contribute their ideas and work in concerted efforts to create a desirable environment and reinforce Hong Kong's status as the hub of the Asia-Pacific Region.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the amendment, moved by Mr WONG Sing-chi to Mr LAU Kong-wah's amendment, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

Mr Howard YOUNG rose to claim a division.

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

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

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

Functional Constituencies:

Miss Margaret NG, Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mr SIN Chung-kai, Mr WONG Yung-kan, Dr LAW Chi-kwong, Ms LI Fung-ying, Mr Michael MAK, Mr IP Kwok-him and Mr LAU Ping-cheung voted for the amendment.

Dr Raymond HO, Mr Eric LI, Dr LUI Ming-wah, Mr Bernard CHAN, Mr Henry WU and Dr LO Wing-lok voted against the amendment.

Mr Kenneth TING, Mrs Selina CHOW, Mrs Sophie LEUNG, Mr Howard YOUNG, Ms Miriam LAU and Mr Tommy CHEUNG abstained.

Geographical Constituencies and Election Committee:

Ms Cyd HO, Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Dr YEUNG Sum, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr Albert CHAN, Mr WONG Sing-chi, Mr Frederick FUNG, Ms Audrey EU and Dr David CHU voted for the amendment.

Mr NG Leung-sing voted against the amendment.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 22 were present, 10 were in favour of the amendment, six against it and six abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 22 were present, 20 were in favour of the amendment and one against it. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negatived.

MRS SELINA CHOW (in Cantonese): In accordance with Rule 49(4) of the Rules of Procedure, I move that in the event of further divisions being claimed in respect of the motion on "Reducing Transport Fares" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mrs Selina CHOW be passed. Does any Member wish to speak?

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): 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.

I order that in the event of further divisions being claimed in respect of the motion on "Reducing Transport Fares" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the amendment, moved by Mr LAU Kong-wah to Mr Andrew CHENG's motion, be passed.

PRESIDENT (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr Howard YOUNG rose to claim a division.

PRESIDENT (in Cantonese): Mr Howard YOUNG has claimed a division. The division bell will ring for one minute.

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

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

Functional Constituencies:

Miss Margaret NG, Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mr SIN Chung-kai, Mr WONG Yung-kan, Dr LAW Chi-kwong, Ms LI Fung-ying, Mr Michael MAK, Mr IP Kwok-him and Mr LAU Ping-cheung voted for the amendment.

Dr Raymond HO, Mr Eric LI, Dr LUI Ming-wah, Mr Bernard CHAN, Mr Henry WU and Dr LO Wing-lok voted against the amendment.

Mr Kenneth TING, Mrs Selina CHOW, Mrs Sophie LEUNG, Mr Howard YOUNG, Ms Miriam LAU and Mr Tommy CHEUNG abstained.

Geographical Constituencies and Election Committee:

Ms Cyd HO, Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Dr YEUNG Sum, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr Albert CHAN, Mr WONG Sing-chi, Mr Frederick FUNG, Ms Audrey EU and Dr David CHU voted for the amendment.

Mr NG Leung-sing voted against the amendment.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 22 were present, 10 were in favour of the amendment, six against it and six abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 22 were present, 20 were in favour of the amendment and one against it. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negatived.

PRESIDENT (in Cantonese): Mr Andrew CHENG, you may now speak in reply. You still have six minutes 33 seconds.

MR ANDREW CHENG (in Cantonese): Madam President, I still have more than six minutes to respond.

I must admit that I can hardly hide my disappointment. Mr LAU Kong-wah seldom passes me short notes in this Chamber. (*Laughter*) This is indeed the first time he did so. I am going to spend a few seconds reading out the contents of his note. It reads: "Brother Foo, you have turned heartless, merciless and ungrateful, Kong Wah". Some Members might have been absent from this Chamber earlier. As we should all understand, the mover of a motion will naturally get upset when their motion is amended by someone else. Yet I praised Mr LAU Kong-wah for his "concern". In response, Mr LAU described me as being "enthusiastic" in the beginning of his speech. As regards the amendment moved by Mr WONG Sing-chi, the Honourable Member described himself as being "moral". Madam President, though the voting result turned out to be 30 to 7 — that is to say, 30 Members voted in favour of the amendment and seven against — it was not passed. Some Members have indeed turned heartless, merciless and ungrateful. Earlier on in the debate, some of my fellow members of the Democratic Party recapitulated that we really found it hard to understand the ideas raised by certain colleagues from the Breakfast Group and the Liberal Party as well as their reasons for opposing the motion.

Mr Kenneth TING was not in this Chamber earlier. He is now pointing his finger to his head and brain. I must repeat my point in front of Mr TING, as I still have six minutes to respond anyway. The wording of the motion moved by Mr TING last week is clear and specific. It reads: "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". I can as well adapt the wording of this motion and come up with a similar one: "That this Council urges the Government to expeditiously study the profound impact of the persistently high transport fares on the public, and to strive to have those fares reduced to a reasonable level". So what is wrong with that? It appears to me that Members of the Liberal Party fully demonstrate that they will not hesitate to ask for government intervention whenever the interests of consortia are involved. However, they play the card of "free economy" when it comes to transport fares, a matter of public interest. In my opinion, they are adopting double standards devoid completely of social obligation. While it occurred to Mr LAU Kong-wah that I had turned heartless and merciless, it is a pity that the party to which he belongs has formed a ruling coalition with the Liberal Party, though the coalition is on the verge of disintegration today.

I would also like to respond to Mr Eric LI's speech. If I got it correctly, Mr Eric LI is a director of the Kowloon Motor Bus Company (1933) Limited (KMB). He declared his interest earlier. I think Mr Albert HO was right in providing us with a lot of data concerning the KMB. I believe Mr John CHAN's eyes must have been twitching fiercely today. There is one point I would like to reiterate. When delivering his speech earlier, Mr Eric LI made the same mistake as Mr John CHAN did. At the same time, Mr LI has misled this Council. While repeatedly mentioning the rising costs, he also repeatedly asked this question: We are to slash the salary of the staff, are we not? I hope Mr LI can take a look at the KMB's annual report. When it comes to staff costs, the relevant expenditure in 2001 was \$3.1287 billion, compared with \$3.3 billion in 2000. In other words, expenditure on staff costs has diminished. As for spare parts, material and fuel consumption, Mr John CHAN has often complained of exorbitant fuel and staff costs. While his claim concerning high staff costs was refuted by me earlier, it is even more ridiculous for him to suggest that fuel costs a lot. Expenditure on fuel stood at \$669.5 million in 2001, compared with \$830.5 million in 2000. Similarly, there has been a drop in expenditure on fuel. Let me give Mr Eric LI another piece of information. The level of 2001 was the same as that of 1994. In 1994, expenditure on fuel stood at around \$690 million. What was the turnover of the KMB in 1994? The answer is a mere \$3.5 billion. In 2001, the company's turnover nearly doubled, reaching up to \$6.8 billion. Upon comparison, staff and fuel costs dropped 100% in percentage terms. In other words, operating costs accounted for 10% of the turnover in 2001, but 20% in 1994. Even though Mr Eric LI

keeps on shaking his head, there is nothing I can concur with him in this area. Of course, he will not share my view.

I would also like to spend some time responding to the speech delivered by Ms Miriam LAU. According to Ms LAU, it is a matter of criterion and K should be adopted in the formula for calculation in the water supply service in the United Kingdom. She is right. However, we find that K should be the difference of Q minus X. As Q must be greater than X, the result must be a positive figure. In any case, our proposed criterion is that we hope the Government can use the operating cost and productivity of individual organizations and, most importantly, the affordability of the people in Hong Kong, as its basis. Many Members have pointed out that the people are in deep distress when it comes to their affordability. Dr LO Wing-lok provided us with a lot of data to substantiate his argument that people in remote areas are living in miserable conditions. After listening to what he said, I thought he was going to support my motion. It was really surprising that, at the end of the day, he said it was inappropriate for the Government to intervene. I am really heart-broken. I hope Dr LO can understand that, in addition to urging profit-making public transport operators to cut their fares, we also seek to urge the Government to set up a reasonable fare determination mechanism so that this subject will no longer have to be brought before this Council for political debate so often. I believe Honourable Members do not wish to see this happen as well. I was criticized by many of those Members who oppose my motion for frequently raising this matter for debate in this Council. Excuse me, this is not really the case. I am very disappointed. This is because Mr Eric LI has not mentioned any discussions in connection with the mechanism. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Andrew CHENG, as set out on the Agenda, be passed.

PRESIDENT (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr Kenneth TING rose to claim a division.

PRESIDENT (in Cantonese): Mr Kenneth TING has claimed a division. The division bell will ring for one minute.

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

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

Functional Constituencies:

Miss Margaret NG, Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mr SIN Chung-kai, Mr WONG Yung-kan, Dr LAW Chi-kwong, Ms LI Fung-ying, Mr Michael MAK, Mr IP Kwok-him and Mr LAU Ping-cheung voted for the motion.

Dr Raymond HO, Mr Eric LI, Dr LUI Ming-wah, Mr Bernard CHAN, Mr Henry WU and Dr LO Wing-lok voted against the motion.

Mr Kenneth TING, Mrs Selina CHOW, Mrs Sophie LEUNG, Mr Howard YOUNG, Ms Miriam LAU and Mr Tommy CHEUNG abstained.

Geographical Constituencies and Election Committee:

Ms Cyd HO, Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Dr YEUNG Sum, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr Albert CHAN, Mr

WONG Sing-chi, Mr Frederick FUNG, Ms Audrey EU and Dr David CHU voted for the motion.

Mr NG Leung-sing voted against the motion.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 22 were present, 10 were in favour of the motion, six against it and six abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 22 were present, 20 were in favour of the motion and one against it. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the motion was negatived.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 30 October 2002.

Adjourned accordingly at eight minutes to Nine o'clock.

Appendix I**WRITTEN ANSWER****Written answer by the Secretary for Economic Development and Labour to Dr Raymond HO's supplementary question to Question 3**

After consulting the Environment, Transport and Works Bureau and the Airport Authority (AA), I am please to provide the following information:

In September 1996, the AA entered into two supplemental agreements relating to the contract for the construction of the Passenger Terminal Building (PTB) and the contract for the building services of the PTB. Apart from settling claims which had arisen under these two contracts, the supplemental agreements also covered newly agreed works. The total sum paid under the two supplemental agreements was \$1,897 million, of which only \$937 million was related to the settlement of claims and has already been included in the total claim settlement amount of \$5,620 million in relation to the projects of the AA.

Appendix II**WRITTEN ANSWER****Written answer by the Secretary for Economic Development and Labour to Mr James TO's supplementary question to Question 3**

I was advised by the Airport Authority (AA) that, as a matter of standard practice, it has incorporated in all its employment contracts a confidentiality provision. Apart from preventing employees from divulging confidential information, professional or trade secret relating to the AA's activities and business affairs, the provision also prevents employees from using for his/her own purposes such information. The provision has no time limit and continues to apply after the termination of the employment contracts. If a former employee is found to be breaching this confidentiality provision, the AA will consider legal proceedings (for example, injunction or civil action) if on review such a course of action is considered to be necessary or appropriate to protect its interests.

The AA advises that its experience to date suggests that the above arrangements are adequate. At present, the AA has no plan to consider imposing additional constraints in its employment contracts. The AA will keep the matter in view and will devise appropriate measures if this becomes necessary.

Appendix III

WRITTEN ANSWER

Written answer by the Secretary for Economic Development and Labour to Dr Raymond HO's supplementary question to Question 3

The ratio of the claim settlement amount to the total expenditure in relation to the Airport Core Programme (ACP) projects undertaken by the Government, the Airport Authority (AA) and the MTR Corporation Limited (MTRCL) respectively are as follows:

<i>ACP Projects</i>	<i>Funds actually expended up to 30 September 2002 (A) (HK\$ Million)</i>	<i>Amount of claim settled up to 30 September 2002 (B) (HK\$ Million)</i>	<i>Ratio (B)/(A)</i>
Government ACP Projects	47,766	1,977	4%
New Airport (AA)	49,345	5,620	11%
Airport Railway (MTRCL)	33,477	3,399	10%