

# **OFFICIAL RECORD OF PROCEEDINGS**

**Wednesday, 4 December 2002**

**The Council met at half-past Two o'clock**

## **MEMBERS PRESENT:**

THE PRESIDENT

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

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

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

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

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

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

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 CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

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

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

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

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

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

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

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

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

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

THE HONOURABLE LI FUNG-YING, J.P.

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

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

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

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

DR THE HONOURABLE LO WING-LOK

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

THE HONOURABLE WONG SING-CHI

**PUBLIC OFFICERS ATTENDING:**

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

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

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

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

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

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

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

THE HONOURABLE 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

**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>
Import and Export (General) (Amendment) Regulation 2002 .....	179/2002
Import and Export (Fees) (Amendment) Regulation 2002 .....	180/2002
Trade Marks Ordinance (Amendment of Schedule 1) Regulation 2002 .....	181/2002
Marine Parks and Marine Reserves (Amendment) Regulation 2002 .....	182/2002
Census and Statistics (Survey of Innovation Activities) Order .....	183/2002
Practising Certificate (Special Conditions) Rules .....	184/2002
Securities and Futures (Unsolicited Calls — Exclusion) Rules.....	185/2002
Securities and Futures (Recognized Counterparty) Rules.....	186/2002
Securities and Futures (Registration of Commission Disciplinary Orders) Rules.....	187/2002
Securities and Futures (Professional Investor) Rules .....	188/2002
Securities and Futures (Leveraged Foreign Exchange Trading — Exemption) Rules .....	189/2002

Securities and Futures (Leveraged Foreign Exchange Trading) (Arbitration) Rules.....	190/2002
Securities and Futures (Exempted Instruments — Information) Rules .....	191/2002
Tax Reserve Certificates (Rate of Interest) (No. 9) Notice 2002.....	192/2002
Public Health and Municipal Services (Amendment) Ordinance 2002 (1 of 2002) (Commencement) (No. 2) Notice 2002.....	193/2002
Public Health and Municipal Services Ordinance (Public Markets) (Amendment of Tenth Schedule) Order 2002 .....	194/2002
Declaration of Markets Notice (Amendment) (No. 2) Declaration 2002 .....	195/2002

## ORAL ANSWERS TO QUESTIONS

**PRESIDENT** (in Cantonese): Question. First Question.

### Theft Cases at Supermarkets

1. **MR WONG YUNG-KAN** (in Cantonese): *Madam President, I have learnt that many people had their handbags or wallets stolen while shopping at supermarkets. In this connection, will the Government inform this Council:*

- (a) *of the total number of theft cases at supermarkets reported by individual members of the public to the police in the past three years and, among these cases, the number of cases in which the suspects were arrested;*
- (b) *of its measures to curb such crimes; and*

- (c) *whether it will join hands with the operators of supermarkets to remind the public to take care of their belongings while shopping at supermarkets; if not, of the reasons for that?*

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

- (a) In the past three years, the number of pickpocketing occurred at supermarket and the number of such cases that were successfully detected are as follows:

<i>Year</i>	<i>Number of Cases</i>	<i>Cases Detected</i>
2000	7	3
2001	13	4
2002 (January to October)	11	3

- (b) To prevent the occurrence of pickpocketing, the police regularly remind members of the public to beware of their personal belongings by making use of the mass media, posters and pamphlets. The Crime Prevention Bureau (CPB) of the police also organize talks for citizens to highlight the effective measures in preventing crimes. Depending on the crime situation of the respective districts, the police will take appropriate enforcement actions to combat the crime, for example, stepping up patrolling of black spots of pickpocketing.
- (c) To combat crimes occurred at retail outlets, including those that happened in supermarkets, the police co-operate closely with the Security Subcommittee of the Retail Management Association. Measures for safeguarding the property of the public are discussed. On 20 November 2002, the police issued letters to retail stores to remind them of the importance to remain cautious in order to prevent their customers from becoming victims of crimes.

**MR WONG YUNG-KAN** (in Cantonese): *Madam President, the Government states in part (c) of the main reply that letters were issued to retail stores by the*



*police on 20 November this year to remind them of the importance to remain cautious. I have discussed the issue with the police, and I was told that such store operators were not co-operative and even reluctant to allow the police to put up posters in their stores. Will the Secretary inform us what measures the police can implement to enhance its co-operation with store operators?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, the CPB of the police has printed a lot of posters and labels to be put up at supermarkets. Another measure, which we consider most effective, is for supermarket operators to step up supervision by means of closed circuit television. At present, the police are still discussing the issue with the parties concerned. We certainly hope that operators will render active co-operation and support, so that our work can achieve better results.

**MR JASPER TSANG** (in Cantonese): *Madam President, the main reply of the Secretary seems to point at theft detected at general stores instead of focussing on pickpocketing occurred at supermarkets. For example, customers may leave their personal belongings in shopping trolleys while they browse around, and their property may thus be stolen easily. Will the Secretary inform us whether the authorities have carried out special promotion work targeting at such habits of customers at supermarket?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, we have studied the nature of these crimes. Firstly, we found the losses suffered by the victims of such cases were not significant, ranging from \$1,000 to \$5,000. Secondly, for the three pickpockets caught at supermarket in the first 10 months of this year, two of them claimed to be unemployed. As for the two robbery cases which occurred at supermarkets, the arrested person in one of the successfully detected cases also claimed to be unemployed. According to the figures I have just presented, the crime detection rate for purely pickpocketing cases was low. This depends on whether the criminals are arrested red-handed, whether the victims are alert to the crime, whether there are eye-witnesses, and whether closed circuit televisions have been installed. After all, customers at supermarkets should remain highly alert, and staff of the supermarkets should be vigilant against the crime. We consider it necessary to step up our publicity work.

**MR TAM YIU-CHUNG** (in Cantonese): *Madam President, as the loss involved in pickpocketing cases is not significant, does the Secretary think that the figures on pickpocketing cases are not reflecting the true picture? What are the special features found at the scenes of crime? For example, the types of supermarkets or locations that such crimes usually take place, and whether such crimes are committed when the stores are crowded with customers? Have the authorities conducted analysis relating to such situations?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, the number of pickpocketing cases is not significant in anyway. There were seven cases in 2000, 13 in last year and 11 in the first 10 months of this year. I do not have the relevant information on hand regarding which district has an especially high occurrence of pickpocketing cases at supermarkets. However, it is obvious that for the crime to be successfully committed, the victim must have failed to notice it, or as Mr Jasper TSANG said, the victim must have concentrated too much on the selection of goods that he had his personal belongings left in the trolley or on him stolen. It is also possible that the victim had only discovered his loss after he left the supermarket, but had not reported the case to the police as the loss incurred was not material. I do not rule out this possibility.

**MR LAU KONG-WAH** (in Cantonese): *Madam President, all along, store operators have been more concerned about their goods, and what worry them more is their goods being stolen rather than the property of customers being stolen. It is stated in part (c) of the Secretary's main reply that apart from supermarkets, retail stores were also reminded to take collaborative actions. In fact, the occurrence of pickpocketing is not uncommon in other stores. Will the Secretary inform us what measures the store operators have implemented after receiving the reminder, and the actual effect of such measures?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, I think the stores themselves should take some actions. I have just said, management of stores should install closed circuit televisions and mirrors at blind spots of the stores, or should deploy staff to patrol the stores. These measures will protect the property of the stores as well as the personal belongings of customers. The CPB of the police will maintain close co-operation with the Security Subcommittee of the Retail Management Association. The police will certainly step up its effort. For example, on identifying black spots for pickpocketing activities, patrolling effort will be stepped up and plain-clothes officers may be deployed. We will consider taking such measures.

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

**Persons Subject to Conditions of Stay Being Subsidized for Public Health Services**

2. **MR FRED LI** (in Cantonese): *Madam President, under the Registration of Persons Ordinance, persons who have been granted permission to stay in Hong Kong for 180 days or more, such as foreign domestic helpers and imported workers, are required to apply for the Hong Kong Identity Card (HKID Card). Besides, all holders of HKID Card, their spouses as well as their children under the age of 11 are eligible for public health services at heavily subsidized rates. Regarding the provision of public health services to those HKID Card holders who are subject to conditions of stay, will the Government inform this Council of:*

- (a) *the current total number of such persons, together with a breakdown by the type of entry visas granted to them;*
- (b) *the number of attendances for various public health services last year by such persons, broken down by the type of entry visas, and the total public expenditure thus incurred; and*
- (c) *the rationale for its decision to allow such persons to receive public health services at heavily subsidized rates, when it formulated the charging policy for public health services?*

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

- (a) As at 2 November 2002, the Immigration Department (ImmD) has issued 1 077 771 HKID Cards to persons subject to conditions of stay, with 262 929 issued to foreign domestic helpers, and 6 407 issued to workers imported under the Supplementary Labour Scheme. The ImmD does not have further breakdown for the remainder. As some of these HKID Card holders might not have surrendered their HKID Cards when they departed Hong Kong for their homeland or settlement in other places, the aforementioned figure on the number of HKID Cards issued also includes those

persons who had left Hong Kong but did not surrender their HKID Cards upon departure.

- (b) As all holders of HKID Card are eligible for subsidized public health care services, the Hospital Authority (HA) and the Department of Health (DH) does not differentiate patients into Hong Kong Permanent Identity Card holders or HKID Card holders who are non-permanent residents in their delivery of services. Neither do the HA and the DH require patients who are not Hong Kong Permanent Identity Card holders to disclose the type of entry visas they hold. As such, we do not have attendance statistics broken down by type of entry visas for patients who are HKID Card holders with non-permanent resident status.
- (c) When the Government regularized the charges on persons not eligible for subsidized public health care services in 1987 in response to concerns about how best to target public subsidies in the provision of public health care services to the community, we decided that persons who are not in possession of a valid HKID Card and could not prove a close family link (that is, spouse or children) with a person who possesses a valid HKID Card should not be eligible for subsidized public medical services. In other words, HKID Card holders, irrespective of resident status, are eligible for subsidized public medical services. The decision was based on the premises that Hong Kong's public hospital and clinic facilities are provided for Hong Kong residents and that these facilities should not be diverted to benefit visitors or non-residents at the expense of local residents. Such a policy was made having due regard to the relative contribution of non-permanent residents to the socio-economic well-being of Hong Kong.

**MR FRED LI** (in Cantonese): *Madam President, according to part (a) of the main reply, the ImmD had already issued more than 1 million HKID Cards to persons subject to conditions of stay, but the data only showed that one quarter of them were issued to domestic helpers and imported workers and there was no further breakdown for the remaining three quarters. I wish to ask why does the Government not categorize those HKID Card holders by their backgrounds?*

**PRESIDENT** (in Cantonese): Which Secretary will answer this question? Secretary for Security.

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, we have actually broken them down into several categories. In this August, the ImmD had conducted a specific statistical survey, which revealed that of the 600 000 or so people holding valid HKID Cards during their stay in Hong Kong, 240 000 were domestic helpers and 1 700 were imported workers. Another major category included one-way permit holders coming to settle in Hong Kong, there are over 250 000 people under this category. However, the conditions of stay would not be cancelled upon their arrival, since the conditions would only be cancelled after they have been residing in Hong Kong for up to seven years. Thus, they belong to the category of persons subject to conditions of stay, and their number had exceeded 250 000. Furthermore, there are over 63 000 people coming to Hong Kong for employment or working purposes, these people belong to the category of persons who have already obtained work permits, investment endorsement or who are professionals. There were about 4 600 students who came to study in Hong Kong. Some people are also subject to conditions of stay, such as dependants, and there are nearly 98 000 of them. Consequently, according to the ImmD's survey, at present, there are about 660 000 people staying in Hong Kong subject to conditions of stay.

**MR MA FUNG-KWOK** (in Cantonese): *Madam President, according to the explanation of the Government stated in part (c) of the main reply, such a policy was made having due regard to the relative contribution of non-permanent residents to the socio-economic well-being of Hong Kong. In fact, people who would be directly benefitted from the services provided by 200 000-odd foreign domestic helpers are merely the employers and their family members. Then, these domestic helpers would remit their income overseas, and the relevant employers or employees have never been asked to pay tax for that. If Hong Kong suffers from any serious budgetary deficit, may I ask whether this policy is still appropriate and will the Government consider reviewing it?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Madam President, non-permanent residents are engaging in all professions, some of them are domestic helpers. On the whole, we are reviewing the policy and studying which type of persons would be eligible for subsidized public medical services.

**MR LEUNG FU-WAH** (in Cantonese): *Madam President, just now the Secretary mentioned in part (c) of the main reply that either persons who were not in possession of a valid HKID Card or those could not prove a close family link with a person who possesses a valid HKID Card should not be eligible for subsidized public medical services. As far as I know, many people, such as those who come to work in Hong Kong, might get a HKID Card upon their arrival and would then be eligible to enjoy public medical services. Will the Government change the policy in this respect? If yes, when will the change take place?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): *Madam President, I have just answered the abovementioned supplementary. The relevant policy is now under review and we are studying which category of persons would be eligible for subsidized public medical services.*

**DR LAW CHI-KWONG** (in Cantonese): *Madam President, many countries require those so-called short-stay residents to assume certain liabilities in terms of medical insurance. Will the Government take reference from the practices of other countries by imposing certain liabilities on short-stay or non-permanent residents in terms of medical insurance?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): *Madam President, we would take into account the practices of other places in our review. At present, the purchase of medical insurance for foreign domestic helpers is required in Hong Kong, but of course the coverage of the existing medical insurance is not enough to recover the entire costs.*

**MR CHAN KAM-LAM** (in Cantonese): *Madam President, the Secretary mentioned in part (a) of the main reply that some of these HKID Card holders might not have surrendered their HKID Cards when they departed from Hong Kong for settlement in other places. I would like to make it clear whether or not the Security Bureau requires such category of people to surrender their HKID Cards upon their departure, that is, requiring them to surrender their HKID Cards to the authorities as soon as they cease staying or working in Hong Kong? If the answer is negative, is there any problem with such a practice?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, there is no legal provision requiring the relevant persons to surrender their HKID Cards upon departure. Mr CHAN Kam-lam may recall that a long time ago, all HKID Cards had an expiry date. However, after reforms had been made, no expiry date is stated on HKID Cards because it is considered unnecessary from the administrative standpoint. As to immigration control, two categories of HKID Card holders are of most significance to us from the legal perspective, that is, those who have the right of abode and those who have no right of abode. Those who have the right of abode shall have the right to land. If the entrant is a holder of Hong Kong Permanent Identity Card, there is no need for him to present his travelling document upon his arrival as he may enter Hong Kong by the mere presentation of his Hong Kong Permanent Identity Card. If the entrant is a holder of a common HKID Card instead of a Hong Kong Permanent Identity Card, he will not be able to land by the mere presentation of the HKID Card, he should also present his travelling document, from which we may determine whether a visa is needed. If he is entitled to visa-free access for six months for travelling purpose, he will be permitted to enter Hong Kong. If the relevant person is going to work in Hong Kong, he is required to obtain the employment visa. For foreign domestic helpers who had worked in Hong Kong but have departed due to termination of contract, the Immigration Control Automation System of the ImmD will show whether the person could continue staying or working in Hong Kong. Therefore, we could carry out effective immigration control without requiring, by way of a legal provision, the relevant person to surrender his HKID Card upon departure.

**MR HENRY WU** (in Cantonese): *Madam President, I would like to raise a supplementary with regards to part (b) of the main reply, that is, the relevant authorities would not differentiate patients into Hong Kong Permanent Identity Card holders or HKID Card holders who are non-permanent residents in the delivery of their services. May I ask the Government, will it consider making the differentiation under the current circumstances? If the Government is planning to make the differentiation, how and when will it be implemented? What is the rationale if the Government is not going to do so?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Madam President, in fact we are conducting a review in collaboration with the ImmD with regard to the categorization of non-permanent residents in Hong

Kong. This approach would be more effective than requiring residents who are receiving public medical services to disclose their status, that is, to disclose whether they are non-permanent residents or holders of Hong Kong Permanent Identity Card. By conducting this study, we shall be able to estimate the number of people being affected in the future and adhere to policy changes.

**MR TAM YIU-CHUNG** (in Cantonese): *Madam President, an incident took place after the authorities started to levy fees for service in the accident and emergency (A&E) department. A tourist, on finding the need for A&E service upon arrival in Hong Kong, called for ambulance service and was subsequently taken to the hospital. After discovering that he had to pay HK\$570 for the A&E service, he just walked away without even seeing the doctor. In this connection, will the Government step up publicity for visitors or non-Hong Kong residents, in order to let them know beforehand that they have to pay for public medical services without subsidy anymore, so that they may take out medical insurance before coming to Hong Kong?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Madam President, I know that the Hospital Authority is taking this into consideration and studying what means of publicity should be adopted. It would be difficult for us to predict which type of persons would come to Hong Kong for travelling purpose, therefore we have to obtain information via various channels before deciding on what kind of publicity should be made. I suppose that most visitors know that very few places provide free public medical services, therefore they should have anticipated that they will have to pay for the local medical services if they have such a need when they are travelling around. Anyway, we will consider various ways of publicizing the message.

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

### **Establishment of China-ASEAN Free Trade Area**

3. **MR HUI CHEUNG-CHING** (in Cantonese): *Madam President, it has been reported that China and member countries of the Association of Southeast Asian Nations (ASEAN) have signed an agreement which aims to establish by*



*2010 the China-ASEAN Free Trade Area (FTA), which will have a population of 1.7 billion. In this connection, will the Government inform this Council:*

- (a) whether, given the above latest development, it plans to conduct an assessment of the positive and negative impacts of the establishment of the FTA on Hong Kong economy; if so, of the details;*
- (b) of the strategy and measures to grasp the opportunities arising from the establishment of the FTA to strengthen Hong Kong's status as an international business and trade centre; and*
- (c) whether, in order to promote the establishment of the Greater China FTA, it has examined the experience that the Government of the Hong Kong Special Administrative Region (SAR) can draw from the process of establishing the China-ASEAN FTA?*

**SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY** (in Cantonese): Madam President,

- (a) China and ASEAN have signed on 4 November a Framework Agreement on Comprehensive Economic Co-operation, agreeing to establish a FTA in 10 years' time.

The agreement China and ASEAN signed recently is only a framework agreement and the contents of the FTA have yet to be negotiated and agreed by the two parties. The Government is unable to make an overall evaluation on the FTA's impact on Hong Kong economy at this stage.

The Government will closely monitor developments as well as the details of the free trade agreement. According to the rules of the World Trade Organization (WTO), the texts of free trade agreements have to be submitted to the Committee on Regional Trade Agreements for examination when the relevant negotiations are concluded. Other WTO members, including Hong Kong, China, will then have the opportunity to understand, discuss and comment on the FTA agreement between China and ASEAN. The Government will make a comprehensive evaluation on the impact of the FTA on Hong Kong's trade and economy at an appropriate time.

- (b) Both the Mainland of China and ASEAN are major trading partners of Hong Kong. Geographically Hong Kong is also located in between the two parties with much of their trade conducted through Hong Kong. In 2001, relevant re-export trade amounted to US\$13.4 billion. Our preliminary assessment is that when the trade barriers between the two sides reduce with the establishment of the China-ASEAN FTA, bilateral trade between China and ASEAN will further increase. Hence, there will be positive impacts on Hong Kong's re-export trade.

To entrench and enhance Hong Kong's status as the region's leading international trade and business centre, the Government will continue to strengthen and deepen our symbiotic relationship with the Mainland, in particular, our role as a conduit between the Mainland and other parts of the world, including the ASEAN economies. At the same time, the Government is now actively discussing with the mainland authorities the establishment of the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) with a view to further promoting trade and investment between the Mainland and Hong Kong.

On the other hand, Hong Kong will continue to promote global free trade and investment through participation in multilateral and regional trade fora.

- (c) As the Financial Secretary explained at the Legislative Council meeting on 23 October 2002, the Government is now focused 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 on the Doha Development Agenda. As such, the Government has no plan at present to engage in FTA talks with other Asian economies, countries or regional trade organizations.

Separately, the Government has not participated in the consultations on the China-ASEAN FTA and therefore the question of drawing experience from the process does not arise at this stage. Nevertheless, the Government will continue to monitor closely the

developments of the China-ASEAN FTA as well as other free trade agreements, in particular their various aspects relating to the coverage, modalities, implementation timetable as well as consistency with relevant WTO rules for reference.

**MR HUI CHEUNG-CHING** (in Cantonese): *Madam President, from part (c) of the Secretary's main reply, I learn that the Government has no plans at present to engage in FTA talks with other Asian economies, countries or regional trade organizations. However, the trend under the existing global trade framework is to form alliances, for example the existing European Union (EU), the ASEAN and the North American Alliance. May I ask the Secretary what grounds does Hong Kong have for not forming alliances with other trade areas?*

**SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY** (in Cantonese): *Madam President, Mr HUI Cheung-ching is certainly correct in saying that a number of alliances have been formed all over the world, or there are many FTAs as well as a substantial number of bilateral and multilateral agreements. In this connection, we have to consider two aspects. Firstly, in respect of the Doha Development Agenda, the role of Hong Kong has always been one that goes for multilateral agreements because by doing so, identical treatment could be accorded to all parties and everyone could be benefitted. Secondly, in respect of bilateral trade agreements, Hong Kong is actually not in a very strong bargaining position, because commodity trading in Hong Kong has basically been opened to all. As for trade in services, under a bilateral agreement, as we ask the other party to open up its market, the other side would also request us to do the same. Therefore, the present strategy of Hong Kong is to focus our attention on mainland trades because this could bring about the greatest material benefit to Hong Kong. Externally, apart from engaging in consultations with New Zealand, the Government has no plans at present to engage in free trade talks with another place.*

**MR AMBROSE LAU** (in Cantonese): *Madam President, the Secretary said in part (a) of the main reply that China and ASEAN have only signed a framework agreement on co-operation and no details have yet been laid down, so it is difficult to assess the impact of the FTA on Hong Kong. He also said that it is only after specific details have been laid down, that is, when a consensus have*

*basically been reached, then we would have a chance to air our views. Could the Government make a predictive evaluation by first predicting conditions that are most favourable and most unfavourable to us and, based on the findings of such predictions, ask the Central Government whether Hong Kong could avoid certain conditions and fight for certain conditions?*

**SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY** (in Cantonese): Madam President, the ASEAN is made up of 10 countries and such countries have set their own timetables in negotiating with China. After the framework agreement has been signed, the countries agreed that consultations on trade in goods should commence in 2003 and conclude on or before 30 June 2004, so that China could establish a FTA for trade in goods with six of the ASEAN countries in 2010. As for the new member states of the ASEAN — that is, the other four countries — Cambodia, Laos, Burma and Vietnam, they will join the China-ASEAN FTA before 2015.

Negotiations on trade in services and liberalization of investment would commence in 2003, with implementation in accordance with the timetable to be decided by all parties at a later date. In fact, apart from some so-called early harvest items — mainly items on agricultural products — no specific contents have been laid down for such negotiations. As such, we would monitor this issue continuously and would not wait until those countries have concluded their talks and submitted the texts of the agreement to the WTO. We would continue to follow the progress of the negotiation with interest and find out about the contents of the negotiations as well as the impact on Hong Kong before making an evaluation. However, as of today, no details are yet available, so we are still observing the progress of the negotiation at this stage, and the Government would only decide on the next step after it is concluded.

**MISS CHOY SO-YUK** (in Cantonese): *Madam President, does the Secretary know whether an administrative centre would be set up for the China-ASEAN FTA; if so, will Hong Kong make effort to become its administrative centre?*

**SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY** (in Cantonese): Madam President, I do not know what administrative centre is Miss CHOY referring to? Perhaps Miss CHOY could enlighten us on this.

**MISS CHOY SO-YUK** (in Cantonese): *Madam President, it is an administrative centre like the one that the ASEAN has set up in Brussels. Could Hong Kong make an effort to become the operation centre of this FTA, that is, the office of the relevant alliance?*

**SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY** (in Cantonese): Madam President, it is not the ASEAN but the EU that has set up its administrative centre in Brussels. The EU has set up its administrative centre in Brussels because Belgium is a member state of the EU. However, Hong Kong is not a member state of the ASEAN, so the chance for Hong Kong to become its administrative centre is very slim. However, at present, the ASEAN has not yet developed up to the stage of setting up an administrative centre. If it sets up an administrative centre in the future and there is a chance that Hong Kong could become one, we would try our utmost to do so, despite the fact that Hong Kong is not a member state of the ASEAN.

**DR RAYMOND HO** (in Cantonese): *Madam President, the Secretary has mentioned the CEPA. In this connection, discussions between Hong Kong and the relevant mainland authorities have been underway for more than one year, but so far, the details of the discussion have not been reported to the public. Will the Secretary please tell us how many stages are there in the relevant discussion, what stage it is in at present, what is its progress and when will the whole discussion process be concluded?*

**SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY** (in Cantonese): Madam President, the CEPA was actually a basic agreement reached between Hong Kong and China at the end, that is December, of last year when the Chief Executive went to Beijing to report on his work. Both parties indicated that detailed discussions should be conducted in this connection. The Government had answered an oral question on 23 October this year. At that time, Mr SIN Chung-kai asked a question on the CEPA and the Financial Secretary had given a reply to that question. In fact, the present situation was still quite similar to the background at that time. Does Dr Raymond HO want me to read out the answer made on that day again?

**DR RAYMOND HO** (in Cantonese): *Madam President, I would like the Secretary to briefly describe the situation to us.*

**SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY** (in Cantonese): Madam President, some substantial progress have actually been made in respect of the discussion over the CEPA, and we have conducted a number of senior official meetings and two high level meetings since the discussion started in January. During such meetings, we have made active and positive discussions on the problems involved and ways to resolve the problems, resulting in a better understanding for both parties. After the 16th meeting of the National People's Congress, Minister SHI once said in a press conference that we have made substantial progress in this area. Such discussions are very time-consuming because their coverage is very extensive and its contents are very complicated, therefore discussions between both parties are still underway. During the recent meeting of the Mainland/HKSAR Joint Commission on Commerce and Trade, the two leaders of the Joint Commission had taken the opportunity to discuss matters concerning the CEPA after the meeting, though it was not formally listed on the agenda of the meeting. It was also mentioned that in the coming year, that is 2003, negotiations over the CEPA of the two regions should be continued in the hope of striving for an early agreement.

**MR HUI CHEUNG-CHING** (in Cantonese): *Madam President, in part (b) of the main reply, the Secretary said the establishment of the China-ASEAN FTA should have a positive impact on Hong Kong's re-export trade. May I ask the Secretary, apart from the positive impact on our re-export trade, in what other way could Hong Kong be benefitted, could the Secretary give us one or two examples for illustration?*

**SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY** (in Cantonese): Madam President, I believe Hong Kong will mainly benefit from the re-export trade because over 80% of Hong Kong's trade is re-export trade, therefore, in the context of free trade agreement framework, goods that will be benefitted must certainly be goods that are manufactured in Hong Kong. As

regards trade in services, there would definitely be another series of arrangements. As for the establishment of the China-ASEAN FTA, since we could neither participate in the relevant negotiations nor are we a member state of the ASEAN, I do not think we could reap any direct benefits. After the two parties reached an agreement on free trade, I anticipate that there would be substantial increase in the volume of trade on both sides; and we should also stand to gain in respect of the actual re-export trade.

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

### **Hoisting of National Flag in Primary and Secondary Schools**

4. **MR YEUNG YIU-CHUNG** (in Cantonese): *Madam President, to promote students' understanding of the Motherland, arouse their awareness of their national identity and respect for the national flag, and promote civic education, approval has been given for government schools to hoist the national flag on the National Day and certain important days. In this connection, will the Government inform this Council:*

- (a) *of the number of primary and secondary schools which hoisted the national flag on this year's National Day and their percentage in all the primary and secondary schools in the territory; the number of primary and secondary schools which have installed flag poles but did not hoisted the national flag on that day and their reasons for that;*
- (b) *whether it will amend the Guidelines for Display of the National Flag to clearly require primary and secondary schools to hoist the national flag on the National Day and at certain important festivals or occasions; if it will not, the reason for that; and*
- (c) *apart from the hoisting of the national flag, of the measures to be taken to step up national education in primary and secondary schools in order to enhance students' awareness of their national identity and their nationalism?*

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

- (a) According to information available to the Education Department (ED), out of the over 1 100 publicly funded secondary and primary schools in the territory, approximately 60% of the schools hoisted the national flag on this year's National Day, that is, around 670 schools. Among the 400 publicly funded schools that did not hoist the national flag, around 300 had installed flagpoles.

Other than physical constraints in installation, unsuitable location of the flagpole installed, or the flagpole under repair, some schools had not hoisted the national flag because of school improvement works underway and the difficulty of individual schools in making the necessary administrative arrangement. Some schools had meanwhile organized activities to celebrate the event before or after. Around 30% of private secondary and primary schools are estimated to have hoisted the national flag on this year's National Day. Most private schools have not installed flagpole.

- (b) The ED has clearly required government schools to display the national flag on National Day and important occasions. Besides the few schools that were affected by improvement works, all government schools hoisted the national flag on this year's National Day. To arouse students' awareness of their national identity and to promote civic education, the policy of the Government is to encourage all non-government operated schools, which include all schools receiving government subsidies and private schools, to display the national flag on important days and special occasions such as the National Day. The ED has issued guidelines and annual circular to remind schools of the proper procedure for the raising and lowering of the national flag and the regional flag. In addition, aided schools may apply for the installation of flagpoles or relocation of flagpoles in their annual submission of draft estimates for major repair work or through emergency repair. Schools generally accept the present arrangement.
- (c) The Government has been taking the following measures to enhance national education in primary and secondary schools, so as to



strengthen the students' awareness of their national identity and nationalism:

(1) *Curriculum reform*

- The cultivation of students' national identity is accorded great importance in the curriculum reform and it is one of the seven learning goals of the curriculum reform.
- "National Identity" is one of the five priority values and attitudes to be cultivated among students in the promotion of moral and civic education in schools.

(2) *Strengthening elements of national education in the school curriculum*

- Apart from the existing syllabus, the promotion of national education is further strengthened in the school curriculum under the curriculum reform. For example,
  - (i) to enhance students' understanding of their nation and their sense of national identity, a new module entitled "National Identity and Chinese Culture" has been included in the new curriculum for General Studies in primary schools; and
  - (ii) related themes/topics have also been added to the present Personal, Social and Humanities Education Key Learning Area to help strengthen students' understanding of their nation and their sense of national identity. Such themes include: important features of Chinese culture and people and events that have had a significant impact on the history of the country and the nation.

(3) *Strengthening teachers' training*

- The ED will organize thematic seminars and commission local tertiary institutes to organize courses on national

education. The themes include national education, Chinese traditional culture, and the relationship between contemporary China and other nations.

(4) *Subsidy schemes*

- The ED will continue to provide schools with financial resources to organize school activities to inculcate among students a sense of Chinese identity through the Chinese Cultural Projects Incentive Award Scheme.

(5) *Learning and teaching resources*

- The ED has produced 12 sets of learning and teaching resources and 14 ETV programmes to promote students' understanding of our country.
- In the 2002-03 school year, a new programme entitled "I love China" will be produced for kindergarten students.
- The ED has developed a special topic on "national identity" in the moral and civic education website.

(6) *Research project*

- The ED will share with schools the findings of its research project on "Co-curricular activities to develop students' national identity in primary and secondary schools" in 2003.

**MR YEUNG YIU-CHUNG** (in Cantonese): *Madam President, it has been five years since the reunification but there are still 40% of the public primary and secondary schools — if government schools are excluded, that is over 50% of the aided secondary and primary schools and 70% of the private secondary and primary schools that have not hoisted the national flag on the National Day. From this we could see that it is not easy to have a national flag hoisted. May I ask the Secretary whether the Government would set an indicator on national education, to reflect the performances of students in relation to their sense of national identity on a regular basis?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, there should be no problem with government schools in relation to this aspect because nearly all government schools, only with the exception of those affected by construction works, had hoisted the national flag on the National Day. Aided and private schools, however, have got a problem for though they are subsidized by the Government, they do enjoy autonomy in respect of school management and they have very different views on this issue. When we talked to them about the hoisting of the national flag, they said since students do not have to go to school on the National Day, students would not be able to benefit from the flag hoisting ceremony even if it were held on that day. They would rather hold the flag hoisting ceremony on other occasions so that their students could have a better understanding. For this reason, our current practice is to strongly encourage all schools to hold the flag hoisting ceremony, in particular on important days.

**PRESIDENT** (in Cantonese): Mr YEUNG Yiu-chung, has your supplementary question not been answered?

**MR YEUNG YIU-CHUNG** (in Cantonese): *Yes. Madam President, my supplementary question for the Secretary was: Will the Government set an indicator for national education to reflect the performances of students in relation to their sense of national identity on a regular basis?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, we would follow up this issue.

**MR IP KWOK-HIM** (in Cantonese): *Madam President, many mainlanders would make a special trip early in the morning to attend the flag hoisting ceremony when they come to Hong Kong; likewise, we would attend the flag hoisting ceremony early in the morning when we visit Beijing. For children and students, this is a very good form of civic education and the Secretary has also mentioned this point in his main reply earlier. However, it was mentioned in part (a) of the main reply that of the 1 000-odd public schools in Hong Kong, up till the present, 100-odd schools — if my calculations are correct — have not installed flagpoles yet. It has been five years since the reunification of Hong*

*Kong and five years is a very long time, why is it that 10% of the schools, that is 100-odd schools, have still failed to perform a minor task like the installation of flagpoles? If the schools are not provided with such facilities, then how could they inculcate students with national education in this aspect?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, it is not that those schools do not want to install flagpoles but very often environmental constraints are involved. Firstly, as some schools are only operating on borrowed campus and do not have any campus of their own, the external environment could not match their needs; secondary, some schools have already installed flagpoles, but the locations, such as rooftops, are not suitable, and so there are problems. However, if the schools want to install flagpoles, there would be no problem at all. They could apply for resources from the Government and we would help them to install the flagpoles.

**MR IP KWOK-HIM** (in Cantonese): *Madam President, we would not seen schools that are operating on borrowed campus as a problem, but now there are still 100-odd schools in Hong Kong that have not installed flagpoles. Even if the flagpoles have to be installed on rooftops, it is actually possible to do so. Then, what exactly are the difficulties of the schools that render it impossible for them to do so? Why has the Government failed to install flagpoles for those 100-odd schools in the past five years, so that the flag hoisting ceremony could be held?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, most private schools have not installed flagpoles, that means most of the schools that have not installed flagpoles are private schools.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, I believe the Secretary would also agree that the sense of national identity is not something as shallow and superficial as attending the flag hoisting ceremony and should rather be something that goes deeper than that. The Secretary said that the ED has developed a special topic on "national identity" in the moral and civic education website. I have just clicked on that website and I was very disappointed when I looked at the "relevant webpage" in the website for I think that issues about*

*China have not been explored at great lengths. For example, the website of the Hong Kong Alliance in Support of Patriotic Democratic Movements of China was not found in the "relevant webpage". Could some independent websites be included in the website of the ED so that it would not be so "lopsided"? Would the Government consider this?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese):  
Madam President, I would like to thank Mr LEE Cheuk-yan for his suggestion. We would review the situation.

**MR NG LEUNG-SING** (in Cantonese): *Madam President, I am very glad because the main reply, which is very clear, indicated that the Government has really done a lot of work on enhancing national education. It was mentioned in part (c) of the main reply on the strengthening of teachers' training that the ED would organize thematic seminars and commission local tertiary institutes to organize courses on national education. May I ask the Secretary how would the Government evaluate the source and qualification of teachers who teach courses on national education in the tertiary institutes?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese):  
Madam President, as far as I understand, we would help them to conduct researches and to arrange conferences for them to release their findings.

**MR MICHAEL MAK** (in Cantonese): *Madam President, I am very glad to learn from the Secretary that many measures have been formulated on enhancing the students' awareness of their national identity and nationalism. In fact, it is very important for the students to have firsthand personal experiences. Has the Secretary ever considered organizing exchange programmes between the two places so that our students could have a better grasp of mainland nationalism?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese):  
Madam President, such programmes are already in place. Each school could apply for a subsidy at a maximum of \$50,000 for each exchange programme.

**MR CHAN KAM-LAM** (in Cantonese): *Madam President, the best time to enhance the public's awareness of their national identity and nationalism is during their schooling days. The Secretary mentioned in the main reply that the Government is now adopting an encouragement policy over the display of the national flag, while schools are given a free choice over this issue. Does the Secretary think that the current policy of allowing the schools to have a free choice is not too desirable? In fact, since the reunification of Hong Kong, not many schools have displayed the national flag. Will the Secretary formulate measures that will result in the display of national flags in schools, instead of an encouragement policy that allows the schools to have a free choice over the display of the national flag?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, initially, we hope to encourage the schools, but we have also issued guidelines to all schools and hope that they would display the national flag on important days like the National Day, Reunification Day and the New Year Day. Some schools have not displayed the national flag but it does not mean that they are against the policy of the ED. It is because they really have difficulties in this area. We have to see what their difficulties are and help them solve their problems. I believe in the few years forthcoming, with the exception of private schools, most schools would display the national flag.

**MS EMILY LAU** (in Cantonese): *Madam President, in part (c) of the main reply on learning and teaching resources, the Secretary said that in the 2002-03 school year, a ETV programme entitled "I love China" will be produced for kindergarten students. May I ask the Secretary whether or not the programme has been produced or will it soon be produced? Will it be specified in the programme that "I love China" is not equivalent to "I love the Communist Party of China"?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, I understand that the ETV programme is produced with kindergarten students in mind. I do not think kindergarten students would be able to distinguish between "China" and "the Communist Party of China". The relevant programme is entitled "I love China".

**MS EMILY LAU** (in Cantonese): *Madam President, my supplementary question was, would there be specifications in the programme, and not whether the students would be able to distinguish the difference between the two. I am worried that the students would not be able to distinguish the difference and this is exactly why I asked the Secretary whether it would be specified in the programme that "love the country" is not equivalent to "love the Party".*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, I am sorry I have not watched that kindergarten programme. Perhaps I should also watch programmes for kindergarten students. *(Laughter)*

**PRESIDENT** (in Cantonese): This Council has already spent 15 minutes on this question. We shall now proceed to the last supplementary question.

**DR RAYMOND HO** (in Cantonese): *Madam President, the Secretary mentioned in the main reply that about 100 government secondary and primary schools have not been able to make administrative arrangements for installing flagpoles. May I know what are the sort of administrative problems that have led the Government to believe that it is acceptable not to install flagpoles after Hong Kong has been reunified for five years?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, those schools should have installed flagpoles but there is a problem concerning the location for installing flagpoles. Some schools are really so old that no space could be found to install flagpoles. Even if somewhere could be found, we have to consider whether the location is suitable or not. Many schools have to install the flagpoles in their backyards or beside the slopes, and we think that those locations are not suitable for installing flagpoles. Plans are now in place for school redevelopment and we hope that all new schools would install flagpoles.

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

**Progress of Establishment of Commercial Credit Reference Agency**

5. **MR AMBROSE LAU** (in Cantonese): *Madam President, in its progress report submitted to the Legislative Council in June last year subsequent to the motion debate on "Expediting the establishment of a commercial credit reference agency (CCRA)", the Government indicated that it hoped the Working Group convened by the Hong Kong Monetary Authority (HKMA) would be able to prepare detailed proposals on the establishment of a CCRA within that year. Moreover, according to the presentation material provided by the HKMA at the Legislative Council Financial Affairs Panel meeting on 4 November this year, the Working Party, formed by the Hong Kong Association of Banks and the Deposit-taking Companies Association in May this year to follow up on the implementation details of the scheme for the establishment of a CCRA, "has made good progress on a number of issues". In this connection, will the Government inform this Council:*

- (a) *of the substantive contents of the various issues on which the Working Party "has made good progress"; and*
- (b) *as the establishment of a CCRA has important implications on the financing channels for small and medium enterprises (SMEs), of the earliest possible date for implementing the relevant proposals?*

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

- (a) The purpose of the proposal to establish a CCRA is to help enhance authorized institutions' (AIs) assessment of corporate loans, improve their credit risk management and, at the same time, help improve companies' transparency which would help them to have easier access to bank funding. The banking industry generally supported such a proposal by the HKMA and set up an industry Working Party in May this year to implement the proposal. Since then, good progress has been made by this industry Working Party on the design features of the CCRA. These include the following aspects:



Regarding participation by AIs, according to the Working Party, there would not be need for legislation to mandate AIs' participation in the sharing of customer data. Rather, all AIs would agree to participate for the good of themselves and the industry as a whole, which could be reinforced by supervisory recommendations and monitoring of participation by the HKMA.

On data subjects, the Working Party considered that SMEs are the sector for which banks' credit assessment is most hampered by the lack of information. At the same time, this sector would stand to benefit most from a CCRA scheme, in terms of enhanced credit transparency and improved access to bank funding. The Working Party therefore considered that it would seem sensible to start the scheme with the coverage of SMEs only which could be defined by reference to their annual turnover.

As to the types of collectible data, only credit related data would be collected by the CCRA. Information relating to the assets of the company or individual shareholders will not be collected. The scope of collectible data would cover both positive and negative credit data pertaining to SMEs such as the aggregate exposure information and any default record relating to an SME. The principle is that only the minimum necessary amount of information would be collected to facilitate credit assessment by AIs. Historical credit data (including past default record) prior to the implementation of the scheme would not be reported.

As regards customer consent, if the account terms and conditions do not already contain consent for disclosure, AIs will need to obtain the consent of customers to access their data held in the CCRA for credit assessment purposes and to disclose their credit data to the CCRA after the credit facilities have been granted. The HKMA would seek to ensure that AIs would not be selective in seeking the consent of customers. This is essential to ensure a level playing field among AIs and comprehensiveness of the database.

Concerning data protection, this is an important aspect of the whole scheme. The Working Party has agreed on a set of data protection

rules and principles in relation to the use of data by the data users (that is, CCRA and AIs). These rules and principles are modelled on those contained in the Privacy Commissioner's Code of Practice on Consumer Credit Data and have benefitted from the advice of the Privacy Commissioner's Office. To give force to them, the Working Party agreed that these data protection requirements should be issued by the HKMA in the form of a statutory guideline under the Banking Ordinance.

On complaints handling, the HKMA would play a proactive role to ensure that customers' complaints against AIs or the CCRA are properly handled and that the data protection rules are complied with by AIs and the CCRA.

- (b) As shown above, the industry Working Party has already made considerable progress on the design features of the CCRA. It is expected that the Working Party could finalize the framework of the scheme by the end of this year. Once the design parameters are agreed, the scheme could be put to implementation next year. However, it should be stressed that implementation itself is not a straightforward process. It would require the industry to undertake some more preparatory work before the scheme can be up and running. These would include identification of an appropriate service provider, contract negotiation with the shortlisted service provider and systems development to cater for the reporting of data. There would also be need to develop an effective customer education package to promote SMEs' understanding and acceptance of the scheme. If all things go smoothly, it is hoped that the scheme could commence service in 2004.

**MR AMBROSE LAU** (in Cantonese): *Madam President, the second paragraph of part (a) of the main reply mentioned that according to the Working Party, there would not be need for legislation to mandate AIs' participation in the sharing of data, and that participation could be reinforced by supervisory recommendations and monitoring of participation by the HKMA. May I ask the Government if the HKMA will consult the Legislative Council before the monitoring proposals get the "go-ahead"?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, I know that the Working Party will hold discussion on this again in the middle of this month and collect more views from various parties. If Mr LAU think it necessary, I believe that the Working Party will definitely brief the Panel on Financial Affairs of this Council and explain to Members the details of the plan.

**MR KENNETH TING** (in Cantonese): *Madam President, I am very glad that the Government is going to set up a CCRA. It is mentioned in the third paragraph of part (a) of the main reply that SMEs are the sector for which banks' credit assessment is most hampered by the lack of information. May I know what measure the Government will adopt to instruct SMEs on how to supply the relevant information? It is not the case that SMEs do not have the information, but can the Government instruct them on how they should supply the information so that they can obtain bank funding?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, I wish to clarify if Mr TING is asking how SMEs can provide more information to banks?

**MR KENNETH TING** (in Cantonese): *Madam President, what I mean is whether, say, accountants can prepare a simple form and give directions to SMEs on how to submit information to meet the requirements of banks, so that they can obtain funding on credit?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, if an SME is a limited company, normally it is necessary for an accountant to audit its account. Different banks have different requirements, however, I believe many SMEs will provide basic information on their businesses and financial situations to banks, therefore we cannot restrict them to submit information by way of forms. As far as I know, many banks do provide forms but it is not possible to standardize them.

**MR HENRY WU** (in Cantonese): *Madam President, the definition of SME mentioned in the main reply is different from that of the general notion, which is based on the number of people. It is mentioned in the main reply that SMEs can be defined by reference to their annual turnover and this is different from the general notion. May I know the criterion that the Government intends to adopt as the delineation if annual turnover is to be used to define SMEs in the future?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): *Madam President, in fact, the Working Party has held a lot of discussions on this subject because it is indeed difficult to define SMEs. Some companies may employ a small number of employees but have a high turnover, while others may have a very low turnover but a large number of employees. Therefore, as far as I know, the idea conceived by the Working Party for the time being is to classify according to the turnover, for example, those with a turnover of less than \$50 million will be considered SMEs. However, the Working Party certainly welcomes suggestions from the Members.*

**MR HUI CHEUNG-CHING** (in Cantonese): *Madam President, I would like to follow up this supplementary. May I know if the number of employees will be adopted as the criterion in delineating what is an SME in Hong Kong, that is, companies in the industrial sector will be classified according to a certain set of numbers while those in the commercial sector according to another set of numbers? At present, there are about 300 000 SMEs in Hong Kong. If they are classified according to the criterion suggested by the Secretary just now, that is, according to their turnovers, then how many SMEs would the Secretary guess there are in Hong Kong?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): *Madam President, I do not have the information at hand, nor do I wish to make a guess, so I will give a reply to Mr HUI in writing. (Appendix)*

**DR LUI MING-WAH** (in Cantonese): *Madam President, the ways to classify SMEs vary all over the world. However, the ILO has formulated a common criterion, that is, according to the number of people. Different industries, sectors and SMEs will be classified separately. May I ask if the Secretary will*

*study the ILO classification and whether Hong Kong would follow the practice of the ILO?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, I would like to thank Mr LUI for his suggestion. However, perhaps I have to add one point here. The HKMA conducted a survey in 2000, in which a majority of the companies that responded reckoned that the turnover should be used as the criterion in defining SMEs. Therefore, the Working Party adopted turnover as the criterion in its work. However, I will definitely follow up on the suggestion proposed by Mr LUI just now.

**MS EMILY LAU** (in Cantonese): *Madam President, concerning data protection, the Secretary said in the main reply that the Working Party has agreed on a set of data protection rules and principles in relation to the use of data by the data users. The Secretary also said that these rules and principles are modelled on those contained in the Privacy Commissioner's Code of Practice on Consumer Credit Data. However, the Secretary went on to say that these data protection requirements should be issued by the HKMA in the form of a statutory guideline under the Banking Ordinance. May I know if there is a need for the Privacy Commissioner to take part and provide guidance on the data protection requirements, or has the participation of the Privacy Commissioner already been included in the process?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, according to my understanding, the Privacy Commissioner has already required that the data should be covered by the Personal Data (Privacy) Ordinance, whereas the HKMA will be responsible for monitoring the CCRA and AIs as regards compliance with these requirements. Have I replied to Ms LAU's supplementary?

**MS EMILY LAU** (in Cantonese): *Madam President, I would like to know if the guideline is to be drawn up, should the Privacy Commissioner, who is the most well-versed and appropriate person for the task, be the one to draw up the relevant requirements? After going through the main reply, I am still not too*

*sure if the Privacy Commissioner will undertake the task. The Secretary said that reference had been made to the advice offered by the Office of Privacy Commissioner for Personal Data but the requirements would be issued by the HKMA. Could the Secretary tell us clearly if the Privacy Commissioner is the most appropriate person in issuing the guideline?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, I believe that the HKMA will follow the requirements laid down by the Privacy Commissioner so that all supplied information will comply with the relevant legislation on privacy. I believe we cannot ask the Privacy Commissioner to monitor every credit application because it is the responsibility of the HKMA to monitor the relevant institutions, in particular the AIs. However, if Ms LAU thinks that her views in this regard should be referred to the HKMA, I will be happy to do so.

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

### **Non-issuance of Government Bonds**

6. **DR YEUNG SUM** (in Cantonese): *Madam President, it has been reported that the Chief Executive has recently indicated that at present the Government will not consider issuing bonds to solve its fiscal deficit problem. In this connection, will the Government inform this Council:*

- (a) *whether it had issued any bonds in the past; if so, of the number of occasions on which such bonds were issued and the amount of bonds issued on each occasion, the respective amounts of fiscal reserve and fiscal deficit at the time of bond issuance, as well as the reasons for issuing the bonds and the usage of the funds raised therefrom;*
- (b) *whether a detailed study has been conducted on the implications of issuing bonds; if so, of the details; if not, the reasons for that; and*
- (c) *of the reasons for not considering issuing bonds at present, and the circumstances under which it will consider issuing bonds?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, during the past 30 years, the Government has issued bonds on three different occasions.

In the financial year 1975-76, the Government was forecasting two consecutive years of fiscal deficit. The deficit recorded in the financial year 1974-75 was \$304 million and the then budgeted deficit for 1975-76 was \$429 million. Fiscal reserves stood at \$2.587 billion at the beginning of 1975-76. \$250 million in government bonds were issued in 1975-76 to fund part of the capital works programme. These were fully redeemed in 1979-80.

In the financial year 1984-85, the Government also forecast two consecutive years of fiscal deficit. A deficit of \$2.582 billion was recorded in the financial year 1983-84 and a deficit of \$2.1 billion was budgeted for in the financial year 1984-85. Fiscal reserves stood at \$21.671 billion at the beginning of 1984-85. \$1 billion in government bonds were again issued in 1984-85 to fund part of the capital works programme. These were fully redeemed in 1988-89.

In the financial year 1991-92, unlike the previous two occasions, the Government had been recording fiscal surpluses for a number of years. The surplus for the financial year 1990-91 was \$3.967 billion and that for 1991-92 was budgeted at \$1.304 billion. Fiscal reserves stood at \$76.545 billion at the beginning of 1991-92. To provide funding for infrastructural projects and to develop the local government debt market, \$3.6 billion of government bonds were issued between 1991 and 1993. These were fully redeemed by 1994-95.

The concerned government bonds issued in 1975-76, 1984-85 and 1991-92 were meant to provide funding for capital works projects and/or market development purposes and not to finance recurrent expenditure.

We have had some internal discussions but considered that the issuance of government bonds or other forms of borrowing are not the answer to the current fiscal deficit situation. While borrowing will increase the Government's revenue upfront, this will be in exchange for interest and capital repayments in the future. This would not only increase the Government's fiscal burden in the future, but would also fail to address the current structural problem of insufficient recurrent revenue to cover recurrent expenditure. The adverse consequences of some overseas jurisdictions which have relied heavily on borrowings to finance their fiscal deficits provide us a valuable object lesson in

this respect. Instead, to restore fiscal balance by 2006-07, and observe the principle of prudent management of public finances, the Financial Secretary has stated in his briefing to the Panel on Financial Affairs on 25 October 2002 that we will achieve our target through reviving the economy, controlling government expenditure and implementing appropriate revenue raising measures.

As for financing the capital works programme, we have built up sufficient fiscal reserves for this purpose, unlike at the time of previous bond issues.

From a financial management perspective, our priority remains to balance the Government's revenue and expenditure accounts. Issuance of bonds remains an option to raise funds for the Government. For reasons as explained in the above, we see no need to do that at present times.

**DR YEUNG SUM** (in Cantonese): *Madam President, the Secretary has not answered part (c) of my question, particularly with respect to the circumstances under which the Government will consider issuing bonds. No problems were encountered when bonds were issued on three previous occasions. Let me quote the Secretary's remark: "The adverse consequences of some overseas jurisdictions which have relied heavily on borrowings to finance their fiscal deficits". Yet we have not seen the occurrence of such adverse consequences in Hong Kong. Many countries with abundant fiscal reserves have issued bonds to make their fiscal policies even more flexible. Is the Government convinced that Hong Kong will definitely not issue bonds in the future?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, my reply is, first, the Government has at present no plan to issue bonds. Yet I have not ruled out the possibility of such plans in the future. Second, Dr YEUNG Sum quoted me as saying: "The adverse consequences of some overseas jurisdictions which have relied heavily on borrowings to finance their fiscal deficits". I believe the incident happened in Argentina lately can best illustrate this. Due to heavy borrowings, the country was in terrible fiscal condition.

Dr YEUNG Sum also raised the question as to under what circumstances the Government would consider issuing bonds. I believe it is the earnest hope



of the market to see gradual reduction or even elimination of the fiscal deficit, because only in doing so can we boost our confidence in our fiscal situation. It might be even better if the Government can refrain from issuing bonds until then. Nevertheless, the constantly changing situation has made it impossible for me to answer in unequivocal terms as to under what circumstances the Government will definitely, or will not, issue bonds. The issuance of bonds will very much depend on market changes and the then fiscal situation of the Government.

**MR CHEUNG MAN-KWONG** (in Cantonese): *Madam President, has the Government considered that the issuance of bonds can boost its fiscal reserves, thereby relieving its fiscal deficit, stabilizing the Hong Kong dollar and giving it more time to revive the economy? The Government will be able to balance the books once the economy revives. This option is better than curbing internal spending through a substantial increase in taxation and slash in expenditure. Otherwise, the recovery of the economy will be delayed even further.*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): *Madam President, it is the Government's objective to reduce the fiscal deficit. In our opinion, a more positive approach is to balance the books by 2006-07. In contrast, issuing bonds is only like borrowing money by way of credit cards.*

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, the Government was asked in part (b) of the main question whether a detailed study had been conducted on the implications of issuing bonds. However, the Secretary has only stated in the main reply that "we have had some internal discussions". Does it mean that no studies have been conducted? Many academics advocated the issuance of bonds. Has the Government invited academics to join in its discussions? Has the operation been supposedly completed after the Government has discussed it behind closed doors and drawn up a conclusion? Is it true that no studies will be conducted? Even Premier ZHU Rongji said that it was possible for bonds to be issued in Hong Kong. Could it be said that Premier ZHU was talking nonsense? Why cannot the Government seriously study this subject? May I ask the Secretary whether concrete studies will be carried out subsequent to the questions raised today?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, we have actually had repeated internal discussions about this topic. My colleagues from the Financial Services and the Treasury Bureau have also put forward their personal viewpoints with respect to the comments made by certain academics. Interpretations might differ in terms of wordings: some Members might consider debates essential, or studies warranted, as Dr YEUNG Sum remarked. But we have indeed carried out relevant studies. We would like to explain to Mr LEE Cheuk-yan that we have really discussed and studied this matter. As regards the question raised by Mr LEE earlier with respect to whether academics have been invited to this Council to express their opinions, I can assure Mr LEE that we have already done that. Actually, yesterday I met with an academic who advocated the issuance of bonds. I can therefore assure Mr LEE that we have done our part. Of course, we will continue to listen to more opinions in a bid to pool collective wisdom.

**MR JAMES TIEN** (in Cantonese): *Madam President, certainly, interest can be earned if we invest our reserves in foreign bonds. If we opt for issuing bonds, however, we will have to pay interest. What is the difference between these two options? Will the interest required to be paid for the issuance of bonds exceed the interest to be earned from investing in foreign bonds? Should we resort to issuing bonds then?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, I would like to seek elucidation. Did Mr James TIEN mean the interest required to be paid for borrowing will exceed the income to be earned from investing in foreign bonds? If we invest our money in 30-year treasury bonds issued by the United States Government, we can expect a return of approximately 5%. As we have not issued bonds yet, I have no idea how much interest will be required to be paid for issuing bonds. Since this supplementary question is hypothetical in nature, it is impossible for me to answer it. Nevertheless, since our rating is lower than the American treasury bonds, I am quite certain that the interest required to be paid for issuing bonds should be higher than the return to be yielded as a result of investing money in 30-year treasury bonds issued by the United States Government. The possible gap between the two options suggests that "losing the difference in money terms" is possible.

**DR LUI MING-WAH** (in Cantonese): *Madam President, the Government can borrow money through issuing bonds. In other words, money could be made available for immediate use, and the loan could be repaid over a long period of time in the future. Given the fact that the fiscal deficit confronted by Hong Kong at the moment is structural in nature, does the Government's reluctance to issue bonds imply that it is not very confident in our economic prospect?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): *Madam President, the truth is just the contrary. We have great confidence that the fiscal deficit can be resolved and that it is not necessary for us to eke out our livelihood through borrowings. The truth is therefore precisely contrary to the remark made by Dr LUI Ming-wah.*

**MR JAMES TO** (in Cantonese): *Madam President, I would like to follow up the supplementary question raised by Mr James TIEN earlier. Is the Secretary aware of the fact that our reserves and foreign exchange comprise mainly foreign currency bonds? The Secretary was referring to the interest to be earned from foreign currency bonds, while Mr TIEN was talking about Hong Kong dollar bonds. Apparently we should opt for issuing Hong Kong dollar bonds only, as the repayment will be made in Hong Kong dollar in the future. Was the Secretary well aware of these two points when putting forward his "losing the difference in money terms" theory?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): *Madam President, I do not quite understand the part referred to by Mr James TO in his follow-up question with respect to Hong Kong dollar and foreign currency. May I ask Mr TO if he is willing to explain more clearly?*

**MR JAMES TO** (in Cantonese): *Madam President, I am willing to further explain my point. According to my understanding, Mr James TIEN has not stated directly in his supplementary question the monetary values of the bonds in our possession and the bonds presumably to be issued in the future. Nevertheless, It is quite obvious that the amount of Hong Kong dollar offshore bonds in our possession is very limited. Almost all the bonds in our possession are in the form of foreign currency bonds. If we decide to issue bonds, we can*

*certainly borrow United States dollar, Euro or Japanese yen. However, according to the experiences of many overseas jurisdictions and ours, we should apparently opt for borrowing Hong Kong dollar. This means that bonds should be issued to the public and organizations in Hong Kong dollar. As such, is the "losing the difference in money terms" or "losing the difference in interest terms" theory put forward by the Secretary earlier actually based on the calculation of a common monetary value unit? Or does a question of fundamental difference exist in the gap between the two options?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, I would like to remind Honourable Members that Hong Kong dollar is pegged to United States dollar. The gap in terms of interest between the two currencies is extremely narrow.

**MR JAMES TO** (in Cantonese): *Madam President, did the reply gave by the Secretary just now imply that all the foreign currencies in our possession are denominated in United States dollar? If not, can the Government provide us with the relevant figures? The Secretary stated earlier that Hong Kong dollar is pegged to United States dollar. Yet we are actually in possession of a large amount of Euro and Japanese yen.*

**PRESIDENT** (in Cantonese): Mr James TO, you are only required to state which part of the supplementary question has not been answered.

**MR JAMES TO** (in Cantonese): *Madam President, the Secretary has not answered my question with respect to whether all the so-called foreign currency bonds mentioned by the Secretary are denominated in United States dollar?*

**PRESIDENT** (in Cantonese): Secretary, is there anything you wish to add?

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, I have nothing to add.

**MR HENRY WU** (in Cantonese): *Madam President, the Secretary has drawn an analogy of "spending money reserved for the future" to "borrowing by way of credit cards". I think this is definitely not what we would like to see. Nevertheless, if we look back at our experience of issuing bonds on the three previous occasions, the issuance of bonds on each occasion lasted for a relatively short period of only several years. The interest paid on the previous two occasions stood at approximately 5%. The objective of issuing bonds in the past was to fund part of the capital works programme. Although it is against Members' wish for the Government to "borrow by way of credit cards", will the Secretary consider issuing short-term bonds at this stage, particularly after the problem of fiscal deficit is resolved, issuing short-term bonds to fund part of the capital works programme?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, as I remarked earlier, we have no intention to issue bonds for the time being. Given that events may overtake at any time, the proposal might be reconsidered in future. But still I would like to make an additional point with respect to the supplementary question raised by Mr Henry WU earlier. Weeks ago, I stated in this Council that the private sector would be encouraged as far as possible to collaborate with the Government to undertake works projects in order to reduce the Government's capital expenditure. This is the point which I would like to remind Honourable Members.

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

**DR RAYMOND HO** (in Cantonese): *Madam President, concerning the point raised by the Secretary with respect to expenditure on capital works, the Government has indeed accumulated sufficient reserves to meet the expenditure required. May I ask the Secretary whether recurrent expenditure on these capital works is also covered by the reserves? If not, it will be the same as requiring individual Policy Bureaux to raise funds to meet their recurrent expenditure, as stated by the Secretary in an internal circular issued to all policy bureaux on 30 August. Such being the case, it will be the same as saying that no works projects can be commenced. Is the Secretary aware of the relevant situation?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, the guideline, issued on 30 August, referred to by Dr Raymond HO earlier is an internal guideline, the objective of which is to hope that every Bureau Director could understand that they had to take into account recurrent expenditure possibly incurred in future when considering expenditure on capital works; in doing so, the Government could be enabled to come up with more systematic budgeting. I would like to clarify that this is not a rigid requirement. Flexibility can be exercised.

**DR RAYMOND HO** (in Cantonese): *Madam President, the Secretary has not answered my question. He stated that the Government had accumulated sufficient reserves to meet expenditure on capital works. Does that cover recurrent expenditure as well?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, as recurrent expenditure is to be met by recurrent expenditure accounts, Bureau Directors were therefore reminded to take into account how the relevant works projects would affect recurrent expenditure when scrutinizing those projects. We understand that the amount of recurrent expenditure involved in each project will affect the "operating envelope" of the relevant department. It is therefore necessary to attend to the full details in this area.

**PRESIDENT** (in Cantonese): Time for oral question ends here.

## **WRITTEN ANSWERS TO QUESTIONS**

### **Regulation of Motor-driven Bicycles and Skateboards**

7. **MR ANDREW CHENG** (in Chinese): *Madam President, in an open letter issued on 19 December last year, the Transport Department provided information on the relevant legislation concerning the licensing of mini-motorcycles, motor-driven bicycles and motor-driven skateboards. In this connection, will the Government inform this Council whether:*

- (a) *any persons who used the above-mentioned vehicles illegally were prosecuted in the past two years; if so, the respective numbers of such prosecutions and those which were successful each year;*
- (b) *any such vehicles have been subjected to Vehicle Type Approval Examination or Vehicle Pre-registration Examination; if so, the number of such vehicles which were examined or registered in the past year; if not, the reasons for that; and*
- (c) *it will consider introducing legislative amendments to license the use of the above-mentioned vehicles on roads; if so, the timetable for such legislative amendments; if not, the reasons for that?*

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

(in Chinese): Madam President, the number of prosecutions against the use of mini-motorcycles, motor-driven bicycles and motor-driven skateboards on the road were nine and 13 in 2000 and 2001 respectively. Drivers involved in these cases were all convicted after trial.

According to the Road Traffic Ordinance (the Ordinance), all motor vehicles including mini-motorcycles, motor-driven bicycles and motor-driven skateboards must be registered and licensed by the Transport Department before they can be used on the road. Prior to registration and licensing, the Department would carry out vehicle examinations to ensure that the vehicles are roadworthy and comply with all the requirements including the design and construction standards set out in the Ordinance.

During the past two years, the Transport Department has not received any application for registering a mini-motorcycle, a motor-driven bicycle or a motor-driven skateboard and therefore has not conducted any pre-registration vehicle examination for these types of vehicles.

The existing legislation has set out the requirements for registration and licensing of vehicles. As in the case of other classes of motor vehicles, mini-motorcycles, motor-driven bicycles and motor-driven skateboards can be registered and licensed for use on the road if they meet the requirements set out in the Ordinance.

### **Hotlines of Public Organizations and Government Departments**

8. **DR TANG SIU-TONG** (in Chinese): *Madam President, it has been reported that callers to the hotlines of some public organizations and government departments (including the 1823 Citizen's Easy Link (CEL) operated by the Efficiency Unit) have to wait for a long time before they are answered and, in respect of calls to the Consumer Council and the Housing Department hotlines, the longest waiting time recorded was over 30 minutes, causing much inconvenience to users of such hotlines. In this connection, will the Government inform this Council whether:*

- (a) *a performance target has been set for 1823 CEL in terms of response time for an incoming call; if so, the performance target and the attainment percentage of the target;*
- (b) *any publicity efforts have been made to raise public awareness of the above hotline; if so, the details;*
- (c) *it has assessed the effectiveness of the above hotline; if so, the assessment results;*
- (d) *it plans to include the performance report on the above hotline in the Controlling Officer's Report under "Head 142 — Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary" in the Budget; and*
- (e) *it knows what improvement measures the Consumer Council and the Housing Department have adopted respectively to address the long waiting time for calls to their hotlines?*

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

- (a) The performance target set for 1823 CEL is that 80% of incoming calls should be answered within 12 seconds. Since the soft launch in July 2001, the call centre has taken over the enquiry hotline services of 11 participating departments in four phases. Up to the present, about 65% of incoming calls are answered within 12 seconds.



The full development of the hardware and software of a computer telephony system was completed in October 2002. We are now in the process of fine-tuning the system to enhance performance and reduce the response time further. We will also continue to review the call patterns with a view to rearranging staff deployment to enhance call handling efficiency. With all these efforts, we expect our performance target to be achieved and maintained good in the first quarter of next year.

- (b) We have over the past 12 months or so publicized the work of 1823 CEL through the press and other public relations events. We have also set up a homepage for 1823 CEL at <http://www.1823.gov.hk> so that the public can better understand the work of the call centre and its relationship with participating departments. We plan to launch a larger scale publicity programme within the next couple of months which will include television and radio APIs, publicity posters, and visits by press, Legislative Council Members and District Council members to the call centre.
- (c) The establishment of the 1823 CEL has provided members of the public with convenient single-telephone-number access to properly trained personnel able to provide correct and consistent answers to a full range of enquires and complaints round the clock. Apart from the 1823 hotline, the centre also handles enquiries and complaints through mail, fax and e-mails.

Currently an average of over 100 000 calls and 4 500 e-mails are handled per month. About 90% of the enquiries can be resolved at the first call.

- (d) The Head, Efficiency Unit plans to include the performance targets and indicators of 1823 CEL in the Controlling Officer's Report under "Head 142 — Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary" in the Budget.
- (e) The 16 hotlines which the Consumer Council operates may sometimes be fully occupied during peak hours, especially on

Mondays and after long holidays. To avoid the long waiting time, the Council encourages consumers to leave a message for the hotline officers to return call when the system is less busy. The hotline officers will answer recorded messages daily at regular intervals.

As for the Housing Department, the manpower at its call centres would be strengthened during peak hours, usually before and after long holidays. The Department will closely monitor the effectiveness of the service enhancement and has undertaken a comprehensive review of the existing work processes with a view to introducing further service enhancement.

### **Notices-To-Quit Issued by Housing Department**

9. **MR ALBERT HO** (in Chinese): *Madam President, regarding those cases in which notices-to-quit were issued by the Housing Department (HD) to recover public rental housing flats from residents who had defaulted on rental payments, will the Government inform this Council:*

- (a) *of the rate of default on rental payments, the number of notices-to-quit issued due to such default and the number of flats eventually recovered, in each quarter of the past three years;*
- (b) *of its procedures for handling residents' appeals against notices-to-quit;*
- (c) *whether the HD has discretionary power to handle those default cases with special circumstances (such as cases in which the tenants, who have cleared all outstanding rent arrears on receipt of the notices-to-quit and the tenancies are subsequently reinstated, subsequently default on rental payments again); and of the details of the guidelines issued by the HD to its staff in handling these cases; and*
- (d) *whether the HD will, given the present economic downturn, consider relaxing the guidelines mentioned in (c) so that the HD can have more discretionary power in handling the cases concerned?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Chinese):  
Madam President, my reply to the four-part question is as follows:

- (a) Most tenants who fail to pay rent on time will subsequently do so upon the HD's warnings or provision of necessary assistance. The annual rent default rates are calculated on the basis of the number of notices-to-quit issued. Quarterly statistics on the number of notices-to-quit issued due to rent default, annual rent default rates calculated on the basis of notices-to-quit issued and the number of flats eventually recovered every year in the past three years are set out at the Annex.
- (b) Tenants defaulting on rent who are issued with notices-to-quit may appeal within 15 days. On receipt of an appeal, the secretariat of the independent Appeal Panel will arrange hearing. If the tenant concerned has cleared all rent arrears before termination of tenancy and has undertaken to pay rent on time in future, the HD would usually exercise discretion to cancel the notice-to-quit and inform the Appeal Panel secretariat that the case has been satisfactorily resolved without the need for hearing. However, for tenants who fail to settle the rent arrears before termination of tenancies, the Appeal Panel secretariat will continue to arrange hearings, which normally takes three to four months.

At the appeal hearing, the HD's representative and the tenant are given ample opportunity to present their cases and advance their arguments. After understanding the actual circumstances and any special reasons leading to rent default, the Appeal Panel will consider the case and reach its judgements independently.

- (c) Before issue of notice-to-quit, the HD will first try to understand the reasons of rent default and would exercise flexibility in handling tenants beset with special circumstances. If a tenant encounters economic difficulties, if all household members are elderly, or if there are changes in his family conditions, and so on, provided he is not a habitual rent defaulter, HD staff would consider exercising discretion to postpone issue of notice-to-quit and render assistance as appropriate, such as suggesting the tenant to apply for 50% rent reduction under the Housing Authority's Rent Assistance Scheme.

No written guidelines had been issued on these discretionary arrangements, although in practice they had all along been used by housing estate management staff.

- (d) In view of economic downturn, the HD has recently reviewed the procedures for handling rent default cases with a view to building in a greater measure of flexibility. New guidelines have been promulgated to clearly set out the arrangements for handling and assisting families in genuine difficulties. For families in rent arrears due to economic difficulties or special circumstances, the HD would consult the Social Welfare Department instead of issuing notices-to-quit immediately.

In addition, before enforcing a notice-to-quit confirmed by the Appeal Panel, if there are changes to the tenant's circumstances which merit additional assistance, the HD may exercise discretion to regrant the tenancy.

#### Annex

##### Rent default of public rental tenants in the past three years

			<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i> <i>(up to 30</i> <i>September)</i>
Number of notices-to-quit issued due to rent default	First Quarter		497	487	493	677
	Second Quarter		451	477	510	831
	Third Quarter		446	471	611	770
	Fourth Quarter		479	488	469	-
	Total		1 873	1 923	2 083	2 278
Annual rent default rate calculated on the basis of notices-to-quit issued			0.31%	0.33%	0.36%	-
Number of flats recovered as a result of rent default			478	521	600	725

### **Supporting Infrastructure of LPG Vehicles**

10. **MS MIRIAM LAU** (in Chinese): *Madam President, in reply to a question asked at the Legislative Council meeting on 28 November 2001, the Government indicated that the Electrical and Mechanical Services Department had commissioned a consultancy study on the feasibility of replacing light passenger/goods vans and light goods vehicles with models that were run on liquefied petroleum gas (LPG). The scope of the study included examining whether the available LPG terminal storage capacity, LPG filling stations and other related supporting infrastructure would be adequate to meet the requirements of such vehicles; moreover, the consultant was finalizing the study report and the Council would be briefed on the detailed findings of the study once the report was completed. In this connection, will the Government inform this Council:*

- (a) *whether the report has been completed; if so, when this Council will be given a detailed briefing; if not, the reasons for that; and*
- (b) *of the current number and geographical distribution of LPG filling stations available; whether it has any plans to encourage oil companies to increase the provision of such facilities; if so, of the details?*

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

(in Chinese): Madam President,

- (a) The consultancy study on introducing LPG light vans and light goods vehicles into Hong Kong has been completed. We are considering the draft report and plan to brief Members on the detailed findings of the study at a joint meeting of the Environmental Affairs and Transport Panels shortly.
- (b) At present, 41 LPG filling stations are in operation. Among them, 12 are dedicated stations and the rest are existing petrol filling stations retrofitted with LPG facilities. Their geographical locations are set out in the Annex. Two more retrofitted stations at Castle Peak Road in Kwai Chung and Tai Po Road in Sham Shui Po will be commissioned in the next two months or so, while another one at Ho Man Tin is scheduled for commissioning by end-2003.

In terms of refilling capacity, these 44 LPG stations will already adequately serve the whole fleet of 18 000 taxis as well as the entire fleet of some 6 500 public and private light buses even if they all switch to LPG vehicles. Where safety requirements can be met, we will require new petrol filling stations on sites sold under the Land Sale Programme to be equipped with LPG facilities. The LPG filling network will further improve when more new petrol filling stations come into operation.

## Annex

## LPG Filling Stations in Operation

- |  |  |
|--|--|
| <ol style="list-style-type: none"> <li>1. Fung Mat Road, Sheung Wan</li> <li>2. Wai Lok Street, Kwun Tong</li> <li>3. Cheung Yip Street, Kowloon Bay</li> <li>4. Tak Yip Street, Yuen Long</li> <li>5. Hang Yiu Street, Ma On Shan</li> <li>6. Yuen Chau Tsai, Tai Po</li> <li>7. J/O Kwai Chung Road and Kwai On Road</li> <li>8. J/O Fung Yip Street and On Yip Street, Chai Wan</li> <li>9. Yip Mong Road, Tuen Mun</li> <li>10. Marsh Road, Wan Chai</li> <li>11. Ngo Cheung Road, West Kowloon</li> <li>12. Sham Mong Road, Mei Foo</li> <li>13. Yuen On Street, Siu Lek Yuen, Sha Tin</li> <li>14. Shek Kong, Kam Tin Road, Yuen Long</li> <li>15. J/O Pak Wo Road and Yat Ming Road, Fan Ling</li> <li>16. Fung Yip Street, Chai Wan</li> <li>17. Kam Tin Road, Yuen Long</li> <li>18. Java Road, North Point</li> <li>19. Pokfulam Road</li> <li>20. South Bay Road, Repulse Bay</li> <li>21. Tai Po Road, Shatin Height</li> <li>22. Clear Water Bay</li> <li>23. Sha Tau Kok Road, Fanling</li> <li>24. Fung Shing Street, Po Kong Village</li> <li>25. Stanley Village Road</li> <li>26. 5 Kai Fuk Road (East Bound), Kowloon Bay,</li> <li>27. 8 Kai Fuk Road (West Bound), Kowloon Bay</li> <li>28. Airport Passenger Terminal, Chek Lap Kok</li> <li>29. On Shan Lane, Ma On Shan</li> <li>30. Tsing Yi Road West</li> <li>31. 682 Castle Peak Road, Kwai Chung</li> <li>32. 7 Kai Fuk Road (East Bound), Kowloon Bay</li> <li>33. 4 Kai Fuk Road (West Bound), Kowloon Bay</li> <li>34. 99 Castle Peak Road, Kwai Chung</li> <li>35. Tong Yan San Tsuen Road, Yuen Long</li> <li>36. Hiram's Highway, Sai Kung Tuk</li> <li>37. On Ping Street, Shek Mun, Sha Tin</li> <li>38. Po Lam Road, Tseung Kwan O</li> <li>39. Po Hong Road, Tseung Kwan O</li> <li>40. Wong Chuk Hang Road, Aberdeen</li> <li>41. 739 Castle Peak Road, Tsuen Wan</li> </ol> |  |
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**Operation of Vehicle Repairs**

11. **MR FREDERICK FUNG** (in Chinese): *Madam President, will the Government inform this Council:*

- (a) *of the current number of shops on the ground floor of residential buildings in Hong Kong being used for vehicle repairs;*
- (b) *whether the operation of vehicle repairs has to be licensed before; if so, of the licensing conditions and the number of licences issued in each of the past three years; if not, the reasons for that;*
- (c) *of the number of complaints received by the authority in each of the past three years about the nuisance caused by garages to the public's life and to the living environment as well as the details of follow-up actions taken in such cases;*
- (d) *whether it has drawn up any safety code for vehicle repairs in order to reduce their impact on residential areas; if it has, of the details and the measures in place to ensure that operators comply with the code; if not, the reasons for that; and*
- (e) *whether it has considered providing places, such as vacant industrial building blocks, to put together garages which currently operate in shops on the ground floor of residential buildings, so that they can operate at one location and thus reduce their nuisances to residential areas?*

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

(in Chinese): Madam President,

- (a) We estimate that about 600 shops on the ground floor of residential buildings in Hong Kong are being used for vehicle repair operations.
- (b) Currently these vehicle repair operations are not required to be licensed. However, they are subject to controls under various environmental ordinances including the Air Pollution Control

Ordinance, the Noise Control Ordinance, the Water Pollution Control Ordinance and the Waste Disposal Ordinance. They also have to comply with the requirements in other ordinances related to safety including the Gas Safety Ordinance, the Fire Services Ordinance, the Dangerous Goods Ordinance and the Factories and Industrial Undertakings Ordinance. The above ordinances safeguard the interests of members of the public, particularly those living in the neighbourhood of these vehicle repair operations.

- (c) We do not have a central record of public complaints against these vehicle repair operations. The Environmental Protection Department (EPD) received 426, 462 and 376 complaints against environmental nuisances caused by such operations in 1999, 2000 and 2001 respectively. The EPD had investigated these complaints and, where they were substantiated, the Department had required the concerned operators to mitigate the nuisances. In some cases, it had taken prosecutions against the operators where environmental ordinances were contravened. As regards complaints against other nuisances not related to the purview of work of the EPD such as fire hazards, excessive storage of dangerous goods, obstruction of public places, industrial safety and public hygiene problems, the Fire Services Department, the police, the Labour Department or the Food and Environmental Hygiene Department had investigated them and taken suitable enforcement actions against the operators under the relevant legislation as appropriate.
- (d) The Administration has not drawn up a safety code specifically for vehicle repair operations. However, we have published general codes of practice and guidelines setting out safety precautions that should be taken for hazardous processes. The "Code of Practice on Safety and Health at Work for Gas Welding and Flame Cutting" and the "Code of Practice on Safety and Health at Work for Manual Electric Arc Welding" are examples of these that are applicable to vehicle repair operations.
- (e) As in the case of other business operations, we believe that the decision on where vehicle repair operations should be located should best be left to individual operators who will take into account market demand. As mentioned in (b) above, various existing ordinances



will keep any nuisance caused by these operations under control and safeguard the interests of members of the public.

### **Chinese Medicine Out-patient Clinics**

12. **MR MICHAEL MAK** (in Chinese): *Madam President, the Administration announced in October last year its plan that the Hospital Authority (HA) would set up 18 Chinese medicine out-patient clinics in various districts by the end of 2005, with the first to be set up in 2002-03. In this connection, will the Government inform this Council:*

- (a) of the detailed arrangements of the above plan, including the timetable for setting up the clinics, as well as the location, number of staff and supporting facilities in respect of each clinic, and so on;*
- (b) of the HA's annual expenditure on providing the new services; and*
- (c) as the HA will be in deficit this financial year, how the Administration will help it seek funding for the plan?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Chinese): Madam President, we plan to provide Chinese medicine out-patient services with a view to promoting the development of Chinese medicine practice through clinical research, systematizing the knowledge base of Chinese medicine, developing standards in Chinese medicine practice and developing models of interface between Western and Chinese medicine.

- (a) The Chinese medicine out-patient clinics will be set up in phases, with the first one commencing operation in early 2003. These clinics will be attached to hospitals or health centres in various parts of the territory to facilitate patients' attendance. The HA is discussing with the hospital clusters, the universities and the non-government organizations to decide on the precise distribution and location of the clinics.

The Chinese medicine clinics will be manned by a team of multi-disciplinary staff, comprising Chinese medicine practitioners,

nurses, pharmacists, dispensers and other supporting staff. The number of staff in each clinic may vary, depending on the scale of operation considered suitable for individual clusters.

Each clinic will have a number of consultation and treatment rooms, a pharmacy, a workshop and an office with ancillary facilities. A Chinese medicine information system will also be set up in each clinic to facilitate service operation and record management.

- (b) As the proposed Chinese medicine out-patient service will be implemented in phases, the HA's annual expenditure for providing the new service will vary from year to year, depending on the number of clinics in operation during a year. The HA is working out a detailed budget for the provision of this service.
- (c) The Government has earmarked the funding needed for the operational model proposed for the Chinese medicine clinics, which is in addition to that for subventing the HA's existing services.

### **Applications for Land by Private Treaty Grant**

13. **MISS CHOY SO-YUK** (in Chinese): *Madam President, will the Government inform this Council whether, up to the present, there are any groups or organizations which have applied to the Government for land by private treaty grant but have not yet been informed of the outcomes; if so, the number and names of these groups or organizations, the size and premium per sq ft at the current market value of the land concerned, and the relevant land lease term proposed by them?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Chinese): Madam President, the Lands Department is currently processing 16 private treaty grant applications submitted by non-profit-making organizations. The total area of land involved is about 21 hectares. A breakdown is at Annex. These 16 applications are being processed and it is, therefore, not appropriate to divulge the applicants' names at this stage.

The applications are related to the provision of educational, religious, recreational/sports and institutional/community facilities. Land leases for such purposes are granted to non-profit-making bodies only. These leases are subject to stringent conditions, including specific uses and absolute prohibition against alienation. These leases, being confined to specific uses, therefore, have no market value.

Under current policy, the normal term of newly granted land leases for educational, religious and institutional/community facilities is 50 years. For recreational/sports facilities and private independent schools, the normal terms of new land leases are 21 years and 10 years respectively.

Annex

Private Treaty Grant Applications  
(Submitted by Non-profit-making Organizations)  
under Processing  
(as at 25 November 2002)

<i>Location of site under application</i>	<i>Area (hectare)</i>
1. Shum Wan Road, Aberdeen	1.16
2. Kong Sin Wan Tsuen, Pok Fu Lam	1.46
3. Gascoigne Road, Ho Man Tin	0.97
4. Area 90B, Ma On Shan	1.25
5. Area 11, Shek Mun, Sha Tin	0.62
6. Cornwall Street, Kowloon Tong	0.77
7. Area 6B, Sheung Shui	0.23
8. Tsing Chung Koon Road, Tuen Mun	5.9
9. Yuen Chau Kok, Sha Tin	0.12
10. Tai Tong Borrow Area, Yuen Long	3.47
11. Tai Mei Tuk, Tai Po	0.28
12. Gordon Hard South, Castle Peak Road, Tuen Mun	1.24
13. Tai Mong Tsai, Sai Kung	1.44
14. Justice Drive, Admiralty	0.78
15. Junction of Jordan Road and Ferry Street, Jordan	0.27
16. King's Park Rise, Ho Man Tin	0.71
Total area:	20.67

**Review of Telecommunications Licence Fees**

14. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, the Office of the Telecommunications Authority, operating as a trading fund, has all along been financed mainly by revenue from telecommunications licence fees. According to the Office of the Telecommunications Authority Trading Fund Report 2001-2002, its profit after tax for that year amounted to \$58 million whilst the rate of return on fixed assets was 25.3%, exceeding the target rate of return of 14.5% per annum as determined by the Financial Secretary. In this connection, will the Government inform this Council:*

- (a) *of the respective costs of issuing the various telecommunications licences, as percentages of the telecommunications licence fees concerned;*
- (b) *whether it will reduce the various telecommunications licence fees next year; if so, of the levels of reduction of the various fees; if not, the reasons for that; and*
- (c) *whether it will set up a mechanism for regular reviews of telecommunications licence fees, so as to prevent the high level of telecommunications licence fees from increasing the burden on the operating costs of the various telecommunications licence holders and the telecommunications industry; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY** (in Chinese): Madam President,

- (a) The Office of the Telecommunications Authority Trading Fund (OFTATF) adopts a cost recovery approach in setting the relevant licence fee when a new licence is introduced. Thereafter, the OFTATF will regularly review and adjust the licence fees taking into account factors such as productivity improvement, prevailing economic climate, and growth of the telecommunications market. Due to the fact that licences were introduced at different times, and

the cost structure continues to change, the OFTATF does not have a detailed breakdown of the current costs of issuing and administering each type of its licences as a percentage of the respective licence fee. The OFTATF is now reviewing the costs of administering the licences with the assistance of a consultant.

- (b) It is an established practice for the OFTATF to review its licence fees periodically and adjust the fees whenever it is in a position to do so.

Members may wish to note that the OFTATF has established a track record of reducing licence fees. For public mobile services licences, which account for the majority of the OFTATF's revenues, the OFTATF has since 1999 reduced three times the annual public mobile services licence fee per mobile station from \$75 to \$55 on 1 May 1999, from \$55 to \$30 on 1 May 2000 and from \$30 to \$24 since 1 May 2002. The cumulative reduction is \$51, or 68% in percentage term.

It is worth pointing out that the OFTATF's financial performance for 2001-02 has not reflected any impact of the most recent reduction of the licence fee in May 2002. According to the latest projection, the return on net fixed assets for 2002-03 will decrease to 14.6% after taking into account the fee reduction in May this year. The OFTATF is now reviewing the costs of administering its licences. Pending this review, it is premature to say whether the OFTATF will adjust its fees next year.

- (c) The OFTATF has an established mechanism to review regularly the licence fees it levies with a view to achieving the financial objectives set out in the Trading Funds Ordinance (TFO). Under the TFO, the OFTATF is required to meet expenses incurred in the provision of its service and finance its liabilities out of its income, and to achieve a reasonable return determined by the Financial Secretary on the net fixed assets employed. In the preparation of its annual budget, the OFTATF forecasts its income in the coming year and, having regard to the expenditure of its budgeted activities and its target rate of return, considers the need for adjustment of its fees.

**Protection of Abandoned Plough Oxen**

15. **MR ALBERT CHAN** (in Chinese): *Madam President, I notice that, with the decline of the agriculture industry in Hong Kong, an increasing number of plough oxen are abandoned in rural areas. In this connection, will the Government inform this Council:*

- (a) *whether it has statistics on the current total number of plough oxen in the territory, and the number of abandoned ones; if so, of the details;*
- (b) *whether it has devised measures to protect and ranch these oxen; if so, of the details of such measures and their implementation; if not, the reasons for that; and*
- (c) *as there are many plough oxen abandoned in Tai O, whether it has formulated policies particularly for the protection of these oxen, or considered keeping them in country parks for nature education purpose; if so, of the details; if not, the reasons for that?*

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

- (a) There are some 750 cattle and 150 buffalos in Hong Kong. With the exception of less than 10 cattle kept by farmers and 90 cattle kept in dairy farms, the remaining 800 head are feral animals. These feral cattle and buffalos consist of animals which were originally abandoned by earlier villagers and farmers, and offspring of those animals.
- (b) The local cattle and buffalos are not protected animals and have no significant conservation role in our ecosystem. Hence, in the context of our conservation policies, there are no specific measures to protect or ranch these feral animals. However, the Agriculture, Fisheries and Conservation Department (AFCD) would catch these animals if they cause nuisances. Since January 2002, the AFCD has caught a total of 282 cattle and 49 buffalos.

- (c) There are no feral buffalo in Tai O, but there are some feral cattle there. As cattle are not protected animals, there is no plan to conserve them for nature education purpose. The AFCD welcomes discussion with local communities who are interested in protecting the animals on programmes to manage the feral cattle around their villages.

### **Air Quality Inside Enclosed Railway Stations**

16. **MR LAU KONG-WAH** (in Chinese): *Madam President, regarding the air quality inside enclosed railway stations, will the Government inform this Council whether:*

- (a) *it knows:*
- (i) *the details of the cleaning and maintenance works carried out regularly on the ventilation systems of these stations;*
  - (ii) *the number of breakdowns of the ventilation systems in such stations in the past five years, and the relevant details; and whether the railway corporations concerned had informed the passengers through the public address systems in such stations upon the breakdowns;*
  - (iii) *the respective numbers of complaints received from passengers by the two railway corporations in the past three years about the stuffy air inside these stations making them sick; and*
  - (iv) *the respective measures the two railway corporations have to improve the air quality inside these stations;*
- (b) *it has monitored the air quality of these stations on a regular basis; if so, of the relevant details in the past three years; if not, the reasons for that; and*
- (c) *the air pollution problem inside such stations has reached an unacceptable state?*

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

(in Chinese): Madam President,

- (a) (i) The Kowloon-Canton Railway Corporation (KCRC) and the MTR Corporation Limited (MTRCL) regularly maintain and cleanse the ventilation systems of their enclosed railway stations. They cleanse and where necessary replace the filters of the systems every one to two weeks, and cleanse essential equipment, such as air handling units, fan coil units and cooling towers, every three to six months. They carry out additional cleansing and maintenance work during busier periods with higher than normal passenger volume. Equipment lubrication and overhaul are arranged annually to ensure proper functioning of the systems.
  - (ii) According to the records of the two railway companies, there has not been any breakdown of ventilation systems at their enclosed railway stations in the past five years.
  - (iii) The two railway companies have not received any complaint about passengers feeling sick because of poor air quality or ventilation inside their enclosed railway stations in the past three years.
  - (iv) The MTRCL and the KCRC will maintain the air quality inside their enclosed railway stations at a satisfactory level through their ventilation system maintenance and cleansing programmes as described in part (i) above.
- (b) The two railway companies are responsible for monitoring the air quality inside their own enclosed railway stations.
  - (c) We consider that the air quality inside the enclosed railway stations is acceptable.

**Plastic Bags (Domestic) Recover Trial**

17. **DR RAYMOND HO** (in Chinese): *Madam President, regarding the Plastic Bags (Domestic) Recover Trial implemented by the Environmental*



*Protection Department in late August this year, will the Government inform this Council of:*

- (a) the total weight of plastic bags discarded in the past three years;*
- (b) the reasons for not launching the trial scheme until August this year;  
and*
- (c) the details of the trial scheme?*

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

(in Chinese): Madam President,

- (a) We estimate that in 1999, 2000 and 2001, about 386 000, 301 000 and 280 000 tonnes of plastic bags were disposed of at landfills respectively.
- (b) In the past, our focus was more on reducing the use of plastic bags. The Environmental Protection Department has carried out a number of campaigns to promote the use of reusable shopping bags and reduce the distribution of plastic bags by supermarkets and newsstands. Earlier this year, in view of the increased public awareness and use of the waste separation bins, we considered it opportune to examine whether recycling of plastic bags would be practical and economically viable. We therefore carried out a trial scheme on plastic bags collection in August 2002.
- (c) Under the trial scheme, 164 plastic bags collection bins are placed at eight public/private housing estates and 109 convenient stores/supermarkets in their vicinity. Special publicity campaigns are also carried out at these estates to encourage residents to dispose of used plastic bags in the bins. So far, the results have been encouraging. The trial scheme will be completed in February 2003. We will then review the scheme's cost-effectiveness and viability, and will consider if the scheme should be extended to cover more housing estates.

**Impact of Expenditure Reduction on ICAC**

18. **MS EMILY LAU** (in Chinese): *Madam President, in August this year, the Financial Secretary asked Directors of Bureaux to reduce the estimates of operating expenditure for the 2003-04 fiscal year of the departments under their portfolios by a uniform 1.8%. Moreover, the Administration is reviewing the priority of the public works projects for which funding approval has yet to be granted. Regarding the impact of expenditure reduction on the Independent Commission Against Corruption (ICAC), will the executive authorities inform this Council:*

- (a) *of the current number of corruption cases reported to the ICAC which are outstanding, how long these cases have been left outstanding on average, and the expected impact of the reduction in operating expenditure on the backlog situation;*
- (b) *whether they have assessed how the ICAC's corruption investigation and prevention work will be affected by the reduction in operating expenditure; if so, of the conclusion; and*
- (c) *of the current progress of the project to construct the ICAC Headquarters Building, the anticipated completion date of the Building, and how the above-mentioned review will affect the project?*

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

- (a) As at 20 November 2002, the ICAC have 1 645 ongoing cases, of which 196 (or 11.9%) have taken more than 12 months to investigate. Although the figure falls short of the ICAC's pledge that 90% of investigations should be completed within 12 months, it has nothing to do with the proposed reduction of operating expenditure by 1.8% for the coming financial year. Rather, the ICAC has reaffirmed its commitment to combating corruption and pursuing thorough investigations into cases filed to the Commission.

- (b) To achieve the target of reducing expenditure by 1.8% in the 2003-04 financial year, the ICAC will, like other government departments, undertake various cost-savings measures and initiatives to enhance efficiency, whilst safeguarding its effective services to the public.

To quote a few examples, the Operations Department of the ICAC is conducting an internal review with a view to achieving the target saving through restructuring, natural staff wastage, and streamlining logistic support and administrative work. By optimizing the use of information technology and rationalizing its operational procedures, the ICAC believes that the professionalism and effectiveness of its investigative work would remain unaffected.

On the corruption prevention front, the ICAC will prioritize its assignment studies and, in consultation with government departments, focus its examination of procedures on the more corruption-prone areas. In addition, its Corruption Prevention Department will publish a series of Best Practices Packages to help government departments to improve their work procedures. Such initiatives will enhance work efficiency and help maintain the quality of the ICAC's corruption prevention services.

On the educational front, the Community Relations Department (CRD) of the ICAC will achieve the saving target through restructuring, redeployment of resources and outsourcing part of its media productions work. The CRD will continue to tap community resources and enhance partnership with district organizations, professional bodies and other interested parties in disseminating anti-corruption messages in the community.

- (c) Following consultation with the relevant District Council, the ICAC has identified a suitable site at Java Road which was rezoned to "Government, Institution/Community" for the development of the ICAC Headquarters Building in March 2002. Subject to completion of formal site allocation, the ICAC aims to consult the relevant Legislative Council Panel and the Public Works Sub-Committee on the capital project, before seeking funds from the Finance Committee in mid-2003. Subject to funding approval, the construction project should commence in end 2003 for completion in mid 2007.

**Regional Headquarters and Offices of Foreign Companies in Hong Kong**

19. **MR HUI CHEUNG-CHING** (in Chinese): *Madam President, according to the Report on 2002 Annual Survey of Regional Offices Representing Overseas Companies in Hong Kong, as at 1 June this year, there were a total of 3 119 regional headquarters and regional offices in Hong Kong of companies incorporated outside Hong Kong (foreign companies). The figure represents a drop of 3.6% from the number of 3 237 for last year, which is also the first decline recorded since the compilation of such statistics in Hong Kong. In this connection, will the Government inform this Council:*

- (a) *whether it has assessed the reasons for the decline in the number of foreign companies' regional headquarters and regional offices in Hong Kong;*
- (b) *whether it knows the cities to which these companies have relocated their offices;*
- (c) *of the total number of staff currently employed by the foreign companies' regional headquarters and regional offices newly established in Hong Kong in the past three years, and the total amount of local investments made by these offices in the same period; and*
- (d) *whether it knows the changes, in the past three years, in the number of regional headquarters and regional offices in Shenzhen, Guangzhou, Shanghai and Singapore established by companies incorporated in other territories?*

**SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY** (in Chinese): *Madam President, we have published the "Report on Annual Survey of Regional Offices Representing Overseas Companies in Hong Kong" since 1991. In 1998, the number of regional headquarters and regional offices set up by foreign companies in Hong Kong decreased by 2.6%, from 2 514 in 1997 to 2 449 in 1998. Hence, the decrease in the relevant statistics in 2002 is not a first record.*

- (a) The statistics for 2002 recently published show that the number of regional headquarters set up by foreign companies in Hong Kong increased from 944 in 2001 to 948 in 2002, whereas the number of regional offices dropped from 2 293 in 2001 to 2 171 in 2002. According to our assessment, the reasons for the decline include:
- (i) the global economic downturn, especially in the aftermath of the September 11 incident, prompting some foreign companies to wind up or reorganize their regional business; and
  - (ii) the economic difficulties in Japan, resulting in some Japanese companies scaling down their overseas business. The survey finds that the number of regional offices set up by Japanese companies decreased from 533 in 2001 to 471 in 2002, accounting for half of the decline for all companies.

We also figure that some foreign companies might have downgraded their regional offices in Hong Kong into local offices. As a matter of fact, the number of local offices set up by foreign companies in Hong Kong increased from 1 230 in 2001 to 1 748 in 2002 (+42.1%).

- (b) Relevant information is not available because the surveyed companies which moved away Hong Kong did not reveal the destination of their relocation.
- (c) According to survey findings, as at 1 June 2002 there were a total of 3 119 regional headquarters and regional offices set up by foreign companies in Hong Kong, with total employment of 165 324 persons. A comparison with the respective figures in the past three years is shown below:

<i>Date</i>	<i>Regional Headquarters and Offices in Hong Kong set up by Foreign Companies</i>	<i>Employment Size</i>
June 2001	3 237	172 952
June 2000	3 001	133 487
June 1999	2 490	113 792

The survey did not collect information on the amount of investment made by these companies in Hong Kong.

- (d) We do not have any statistical data on regional headquarters or offices of foreign enterprises in neighbouring cities.

### **Regulation of Ice-making Plants**

20. **MR FRED LI** (in Chinese): *Madam President, in reply to a question on the regulation of ice-making plants raised in this Council on the 6th of last month, the Government advised that the Food and Environmental Hygiene Department (FEHD) had been taking samples of edible ice cubes from restaurants and other food premises for bacteriological examination and was reviewing the regulatory framework, including the need to introduce legislative amendments for regulating ice-making plants. In this connection, will the Government inform this Council:*

- (a) *of the current total number of plants that manufacture edible ice in Hong Kong;*
- (b) *whether the samples of ice cubes taken by the FEHD for testing come directly from the containers for ice cubes in the restaurants or food premises; if not, when the test results show that the level of bacteria in the samples exceeds the statutory limit, how the FEHD determines that the results are not caused by cross-contamination; and*
- (c) *of the anticipated timing for completing the review of the regulatory framework?*

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

- (a) According to a recent survey conducted by the FEHD, there is only one ice-making plant in Hong Kong that manufactures ice intended for human consumption.

- (b) The ice-cube samples collected by the FEHD from food business premises for bacteriological examination are taken directly from containers for ice cubes.
- (c) The regulatory review for ice-making plants that produce edible ice will take some nine months to complete. In the process, the FEHD will gather information on the operation of ice-making plants and consult health experts and the catering trade.

## **BILLS**

### **First Reading of Bills**

**PRESIDENT** (in Cantonese): Bills: First Reading.

#### **HOUSING (AMENDMENT) BILL 2002**

#### **EDUCATION (AMENDMENT) BILL 2002**

**CLERK** (in Cantonese): Housing (Amendment) Bill 2002.  
Education (Amendment) Bill 2002.

*Bills read the First time and ordered to be set down for Second Reading pursuant to Rule 53(3) of the Rules of Procedure.*

### **Second Reading of Bills**

**PRESIDENT** (in Cantonese): Bills: Second Reading.

#### **HOUSING (AMENDMENT) BILL 2002**

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese):  
Madam President, I move the Second Reading of the Housing (Amendment) Bill 2002 (the Bill).

The purpose of the Bill is to implement a recommendation of the Report of the Committee on the Review of the Institutional Framework for Public Housing that the Secretary for Housing, Planning and Lands should become Chairman of the Hong Kong Housing Authority (HA).

Under the Housing Ordinance, only non-official members of the HA are eligible for appointment by the Chief Executive as Chairman of the HA. To implement the relevant recommendation of the Report of the Committee on the Review of the Institutional Framework for Public Housing, we propose to amend the Housing Ordinance so that the Chief Executive may appoint either an official or a non-official HA member to become Chairman of the HA. The new arrangement whereby the Secretary for Housing, Planning and Lands becomes Chairman of the HA will serve to integrate the operations of the HA into the Government's overall policy-making process concerning housing.

Separately, section 7A of the Housing Ordinance empowers the Secretary for Housing, Planning and Lands to appoint an appeal panel to hear appeals against termination by the HA of public housing tenancies. To prevent a possible challenge by an appellant that the appeal process is not an independent and objective one after the appointment of the Secretary for Housing, Planning and Lands as Chairman of the HA, we propose to amend section 7A to transfer the power of appointment of appeal panel to the Chief Executive, and to transfer the power to make rules regulating the appeal process to the Chief Executive in Council.

With these remarks, Madam President, I appeal for Members' support for the Bill. Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the Housing (Amendment) Bill 2002 be read the Second time.

In accordance with the Rules of Procedure, the debate is now adjourned and the Bill referred to the House Committee.

## **EDUCATION (AMENDMENT) BILL 2002**

**SECRETARY FOR EDUCATION AND MANPOWER:** Madam President, I move that the Education (Amendment) Bill 2002 (the Bill) be read the Second time.



The Bill aims to put in place a participatory, open, transparent and accountable school-based management (SBM) framework for all aided schools.

The Government has been promoting SBM since 1991, and schools are encouraged to participate on a voluntary basis. Given the significant amount of government subvention to aided schools (about \$38 million and \$19 million respectively for an aided secondary and an aided primary school each year) and with the greater autonomy and flexibility devolved to schools in the delivery of education and deployment of resources, we need to ensure that there are proper checks and balances to govern the spending of government funds and the performance of schools. To this end, the Education Department (ED) has set up the Advisory Committee on School-based Management (the Advisory Committee) under the Board of Education in 1998 to draw up an SBM framework for aided schools. The Advisory Committee conducted a two-month public consultation exercise in 2000. The feedback indicated a strong support of the proposed school governance structure by the general public, including teachers' associations and parents' groups. However, a fair number of school sponsoring bodies expressed reservation about aspects of the proposed framework, in particular, the devolution of responsibilities to school management committees and the election of parent and teacher members to these management committees.

The Advisory Committee had then revised its recommendations as far as possible to address the concerns raised by the school sponsoring bodies by reducing the number of elected teacher and parent managers from two or more to one or more and by allowing a five-year (instead of three-year) transitional period for the implementation of the framework. The Advisory Committee put up its final proposal on the SBM governance framework in February 2001 and the Administration has accepted in full the recommendations.

The main objects of the Bill are, first, to provide for the incorporation of the management committee of a school as a separate legal entity to be known as incorporated management committee (IMC) and to define the roles of the school sponsoring bodies and the IMCs.

Second, the Bill requires the establishment of an IMC in every operating aided school within five years from the enactment of the Bill, and to require the establishment of an IMC in every planned aided school before the school commences operation. The Bill also allows a school that has joined the Direct

Subsidy Scheme and "a non-aided school in receipt of government subsidies" to establish an IMC for the purpose of managing the school. The Bill provides that the Government may terminate the sponsorship agreement if an IMC is not established as required in an aided school.

Third, in order to enhance the transparency and accountability of school management and to ensure that there is participatory decision-making by all key stakeholders in schools, the Bill provides for the composition of IMCs to include the following categories of school managers: the school sponsoring body managers (must not exceed 60% of the maximum number of managers of the IMC), elected parent managers, elected teacher managers, the school principal (ex-officio member), alumni and independent managers.

The Bill provides that the IMC in each school should have its own constitution. Flexibility is allowed for schools to address in the constitution specific matters including the composition of the school management committee and its membership, the tenure of office, arrangement for filling vacancies, selection of principal and the means by which the constitution may be amended.

At present, school managers may attract civil liabilities in the course of their duties. The Bill provides clear statutory protection for individual managers by stipulating that they will no longer incur civil liability whilst carrying out duties, provided that they act in good faith. This will better protect school managers.

To facilitate the monitoring of schools' compliance with the Education Ordinance, the Bill empowers the Director of Education to give directions to IMCs and to appoint managers to the IMC if any provision of the Education Ordinance has been contravened in respect of a school.

To enhance the transparency of the operation of the IMC, the Bill provides that the ED will register the school managers and make their information (including name, tenure and representing sector) available to the public. In addition, the Bill provides that managers shall declare to the IMC any personal interests which may conflict with their duties as managers.

To ensure a fair and open selection procedure, the Bill provides for the establishment of a principal selection committee for the purpose of nominating a suitable candidate to be the principal of a school. The selection committee will

include representatives from the school sponsoring bodies, the IMC and independent co-opted members.

The Bill also provides for the smooth transfer of contractual agreement and continuance of terms and conditions of employment after the establishment of the IMC. It provides as well that the functions performed by the supervisor under the existing Education Ordinance and Education Regulations will be transferred to the IMC, the principal or the IMC chairperson, where appropriate. The Bill also includes detailed transitional arrangements for the school management companies set up under the Companies Ordinance upon their establishment as IMCs.

The Bill has included a number of provisions to address the concerns of the school sponsoring bodies. To ensure the monitoring of the management of their sponsored schools, the Bill provides that the school sponsoring body shall be responsible for setting the vision and mission for the school and maintaining full control of the use of funds and assets owned by it. The Director of Education will have discretionary power such as to allow full-time staff employed by the school sponsoring bodies to oversee the management of schools to serve on five or more IMCs; to waive the formation of a principal selection committee upon application and sound justification from the school sponsoring bodies, and to allow the IMC to leave vacant certain categories of managers for specific grounds, for example, alumni managers in primary or special schools.

We believe that the proposed SBM governance framework laid down in the Bill represents a reasonable balance between the interests and sensitivities of different stakeholders, whilst upholding the underlying principles of SBM, that is, enhanced transparency and accountability of school management along with the increased autonomy and flexibility for schools.

Madam President, I commend the Bill to Honourable Members.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the Education (Amendment) Bill 2002 be read the Second time.

In accordance with the Rules of Procedure, the debate is now adjourned and the Bill referred to the House Committee.

## MEMBERS' MOTIONS

**PRSIDENT** (in Cantonese): Members' motions. Two motions with no legislative effect. I have accepted the recommendations of the House Committee on the time limits of Members' speeches. As Members are already very familiar with the time limits, I shall make no repetition here.

First motion: Desalination.

## DESALINATION

**DR LUI MING-WAH** (in Cantonese): Madam President, water is essential to human survival. But the fresh water resources of the Earth are fast drying up. At present, 1.2 billion people worldwide live in a shortage of potable water, and every year, the consumption of unclean fresh water causes the death of about 25 000 people. The shortage of water sources not only affects people's health and economic development, but also determines the survival or otherwise of cities and nations and even carries a bearing on world peace. It is no longer a remote possibility that nations, in order to gain control of valuable water sources, may go to war with one another, or armed conflicts may break out.

There is an acute shortage of water resources in China, and the per capita share is 2 200 cu m, or just one fifth of the average world standard. Of all the 699 cities in the country, 400 experience water shortage the whole year round. Besides, the distribution of water sources in China is very uneven, with a heavier concentration in the south. That is why there is a need to divert water from the south to the north.

The annual water consumption of Hong Kong now stands at 900 million cu m, and the combined capacity of all of its 17 reservoirs is close to 600 million cu m. But because of insufficient precipitation as well as the over-concentration and uneven distribution of rain areas, Hong Kong has to rely on the supply of Dongjiang water, which started in 1965, for over 80% of its potable water consumption. By now, the people of Hong Kong, who have long forgotten the plight of having just four hours of water supply every four days in 1963, have lost all their awareness of a water shortage crisis.

The motion today is based on the following considerations:

First, the water consumption of Hong Kong will continue to rise as a result of incessant population growth and commercial development, at a rate of about 1% per annum. Our annual importation of about 800 million cu m of raw water from Dongjiang in Guangdong Province is exerting considerable pressure on the water sources, both in terms of demand and management.

Second, besides the people of Hong Kong, those in Shenzhen, Dongguan and Huizhou, totalling 30 million, also rely on Dongjiang for their supply of drinking water. Owing to rapid economic development and population increase, the demand for fresh water in the Mainland is also rising continuously.

Third, while Dongjiang is able to meet the demand of the entire region in terms of quantity, its water quality poses a heavy headache. The industrial development along Dongjiang has seriously polluted its water. As estimated, the pollution is expanding upstream at a speed of 100 m a year. If this continues, there will come a day when even the source is also polluted. The Guangdong Provincial Government and the Government of the Hong Kong Special Administrative Region (SAR) are no doubt investing huge resources and making positive joint efforts to ameliorate the pollution of Dongjiang, including the construction of a closed aqueduct, and so on. But as indicated by the test results of raw water, the situation affords no optimism thus far.

Fourth, Dongjian water is exorbitant: several other places in the world now also need to import raw water, but the prices pay by them vary a great deal. According to a research report of the Legislative Council Secretariat, the price Hong Kong pays for the raw water from Dongjiang has undergone 12 adjustments since 1987, up from \$1.03 per cu m then to \$3.08 per cu m in 1999. When expenses on treatment, electricity, depreciation and staff costs are factored into the computation, the total cost of water consumption per cu m in Hong Kong will be \$10.3, even higher than the \$6.3 of Sydney, Australia. The main reason for this is the worsening pollution of Dongjiang water, which necessitates heavy treatment and other relevant expenses. Singapore has to import 70% of its potable water from Malaysia, and the raw water price it pays is \$0.33 per cu m. New York City likewise has to import water from distant places, but because of the fine quality of raw water, the city does not need to carry out any filtration and is thus able to save the expenses on filtration plants and management. New York City needs only to pay the expenses on the agricultural plans in the

catchment areas at a rate of \$0.15 per cu m, which is roughly equal to the water filtration costs of \$0.103 in Hong Kong.

To tackle the shortage of water resources, China has implemented the Water Law since 1 October, putting in place a water-drawing licence system and a water resources fee system to cope with the situation. In Singapore, where circumstances are similar to those in Hong Kong, the three major ways of reservoir expansion, desalination and water reclamation are adopted to open up water sources. Besides, Singapore also promotes the invention of water-saving products and encourages water conservation. Back in Hong Kong, the Government has done nothing to tackle the issue other than seeking to ensure the supply of Dongjiang water and protect water quality. It has completely ignored the possible problems associated with having just one single source of water, such as inadequate supply, declining water quality and incessant increases in the prices of raw water. It must reflect seriously on its approach. As the ancient saying goes: "A danger foreseen is half avoided". Is the truth of this saying not borne out clearly by the current situation in Hong Kong?

The above analysis indicates clearly that Hong Kong must put in place a policy on management of drinking water. First, it should seek to cut down water usage. The Government must start fresh negotiations with the Guangdong authorities on a flexible supply of water whereby whenever there is an adequate storage of water in Hong Kong reservoirs, the volume of import Dongjiang water should be reduced. For three years in the past, Hong Kong had had to discharge water into the sea due to the overflow of its reservoirs: 120 million cu m in 1999, 40 million cu m in 2000 and 163 million cu m in 2001. As a result, as much as \$1 billion was wasted.

On the cutting down of water usage, the people of Hong Kong should be educated on the need to conserve drinking water and made aware of a possible water shortage crisis. It is suggested that an progressive pricing policy be implemented, so as to encourage people to conserve every single drop of water.

On the opening up of additional water sources, the Government of Hong Kong should set down a definite policy which focuses on three major directions, namely, the construction or extension of catchment areas to increase local water supply, studying the recycling of waste water, and conducting studies on desalination as well as the manufacture of the equipment required.

The annual water consumption volume in Hong Kong had increased to 919 million cu m by 1995 over a span of 30 years, up from 185 million cu m in 1965 (The consumption volume last year was 946 million cu m). There were two major reasons for this: population growth and the prosperous development of industry and commerce. In 1997 and 1998, the volume of water consumption started to stabilize, going down to 913 million cu m and 916 cu m respectively, mainly due to the more or less stabilized demand for water following the outward shift of local manufacturing industries. Given the right kind of weather, and if the reservoirs can be fully utilized, it will already be enough to import about 300 million cu m of raw water from Dongjiang. But in 1997 and 1998, the quantities of Dongjiang water purchased were 698 million cu m and 760 million cu m respectively, meaning in other words an excess of about 300 million cu m a year. Does this not indicate that the SAR Government has to do more in the construction of catchment areas and reservoirs and enhance its management of reservoirs?

The use of specially treated waste water for domestic purposes does represent a feasible direction, for there is already the successful experience of Singapore. However, the use of recycled waste water will require the construction of a whole system of ducts, which is very costly and not at all feasible in the urban areas. But this is possible in new towns and new development areas.

Owing to the shortage of water sources, desalination as a means of providing water for domestic purposes has been put on the agendas of many countries or cities. Hong Kong has had an unsuccessful experience in this. In 1975, a desalination plant was constructed in Hong Kong with the purpose of solving the drought problem. However, the operation of the plant was halted in 1982, and it was subsequently dismantled and sold in 1991, mainly because it was no longer economically efficient to operate the plant, given the soaring oil prices at that time, which made desalination extremely costly. Times have changed, however; with rapid advances in technology, many breakthroughs in desalination have been achieved, making the process much less costly than it used to be 20 years ago. And, the quality of desalinated seawater has also become acceptable.

Twenty years ago, desalination was mainly a process of manufacturing pure water through the vapourization and then condensation of seawater (distillation, in other words). The technologies applied in this method include MSF, MED and MVC, all of which have to consume huge quantities of fuels, and are thus extremely costly. That is why only oil-producing countries in the

Middle East can afford the large-scale operation of such desalination plants (As many as 25 such plants are reportedly operating in just one single state of Saudi Arabia). However, the invention of new materials has made it possible to use the technique of Reverse Osmosis in the process of desalination since the 1970s. The theory behind Reverse Osmosis is very straightforward: the seawater inside a Reverse Osmosis installation is compressed by a high pressure pump, so that seawater molecules are squeezed to the other side of the semi-permeable membrane, leaving behind the salt and other impurities. This process requires far less energy than conventional distillation and has a smaller degree of impact on the environment.

The key component in the Reverse Osmosis process is the semi-permeable membrane. This is a porous membrane, allowing water molecules to pass through, but retaining the larger salt crystals. Since a salt molecule crystal measures 5.6 Å (1 Å being one tenth of a nanometre), the pores of the semi-permeable membrane must each be smaller than 5.6 Å in size to prevent salt crystals from passing through. In practical design, the Reverse Osmosis process of desalination can take two phases. In the first phase, a pressure of 525 psi is applied, and water molecules are moved to the other side of the semi-permeable membrane, carrying with them only 12% of the salt molecules. In the second phase, a pressure of 250 psi is applied to enable water molecules to pass through a nanometre membrane. The pure water thus produced is of a better quality.

In order to ensure water supply, the Singaporean Government announced in 1997 a plan to construct an MSF desalination plant with a daily pure water output of 136 000 cu m. A desalination plant of such a design is best constructed next to a power plant, because it is most economically efficient to use the cooling water of the power plant to heat up seawater.

The States of California, Florida and New Jersey, United States have seen the most rapid development in the application of desalination technologies. In all these States, large-scale desalination plants are either in operation or under construction. The cost of constructing a desalination plant with a capacity of 95 000 cu m in Tampa Bay, Florida is US\$100 million. Its capacity, calculated on basis of the volume of water consumption in Hong Kong in 1998, can serve 250 000 people. The price per cu m in the first year of operation will be US\$0.45 (HK\$3.51), and that in the remaining 29 years is US\$0.55 (HK\$4.29). There is now a plan to construct a desalination plant with a capacity of 60 million cu m in San Diego, Southern California. The price of water within 25 years will be US\$0.203 per cu m.



Taiwan depends basically on rain water as its source of fresh water supply. But since droughts are frequent, the reservoirs have become unable to meet the demand for fresh water. For this reason, the Taiwan Government has decided to construct eight large-scale desalination plants in the coastal areas, so as to supply water to a number of industrial areas and ensure their smooth operation.

The desalination technologies adopted by various countries are already very mature, and there is never any lack of seawater. The total cost of desalination has become lower than that of using Dongjiang water. And, with advances in desalination technology and improved efficiency, the cost of desalination will go down still further in the future. That is why desalination as a means of obtaining pure water is good to Hong Kong and financially viable. Besides, the floor area required by a desalination plant using Reverse Osmosis is relatively small. That is why these plants can be constructed in different areas, thus doing away with the pressure of long-distance water transportation. Geographically speaking, this is especially suitable for Hong Kong, which is surrounded by the sea on three sides. More importantly, owing to the component design of desalination equipment, it will be easy to expand production and possible to make investment on a progressive basis.

As reported, desalination, waste water filtration and the equipment and membranes required will constitute a big business worth US\$600 billion in the next 10 years. It is small wonder that some American investors have constructed desalination plants in places with water shortage, supplying pure water as a commodity to meet an enormous demand. The SAR Government should promptly carry out studies on the technologies and equipment of desalination, so as to promote economic development. Moreover, the membranes used in Reverse Osmosis now are made of plastic. The manufacture of precision membranes requires a very high level of technology in which the United States, Canada, Australia, Western Europe and Japan have assumed leading positions in the relevant research and production of various kinds of membrane. The Hong Kong University of Science and Technology has successfully made carbon nanotubes with a minimal internal diameter of 4 Å. Since carbon nanotubes are hard and durable, if they can be further developed and used in desalination equipment at reasonable prices, there will be unlimited market prospects.

New desalination technologies are already very advanced and able to meet costs requirements. Desalination using Reverse Osmosis has been adopted in Europe and the United States for many years with operational success. This proves that desalination technologies and equipment offer practical value, and their markets in the world are expanding continuously. Hong Kong possesses the personnel and ability to conduct the relevant research, so we should grasp the opportunity and start working now. Therefore, I do not agree with Mr Fred LI's idea that we should first explore whether any studies should be conducted. This will only reduce the whole thing to mere talks, make us irresolute, and waste our time and resources. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Dr LUI Ming-wah, please move your motion.

**DR LUI MING-WAH** (in Cantonese): Yes, Madam President, I beg to move my motion.

**Dr LUI Ming-wah moved the following motion: (Translation)**

"That this Council urges the Government to expeditiously mobilize scientific and technological personnel and provide funding for research on the latest desalination technology and equipment, with a view to solving in the long run the problem with the source of potable water for Hong Kong and easing the resultant financial burden, and facilitating the development of the desalination equipment manufacturing industry, as well as promoting economic development."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Dr LUI Ming-wah be passed.

**PRESIDENT** (in Cantonese): Mr Fred LI will move an amendment to this motion, as printed on the Agenda. The motion and the amendment will now be debated together in a joint debate.

I now call upon Mr Fred LI to speak and move his amendment.

**MR FRED LI** (in Cantonese): Madam President, I move that Dr LUI Ming-wah's motion be amended, as printed on the Agenda.

Madam President, no sooner had I talked about electricity than I had to talk about water. No matter if a cat is black or white, it is a good cat as long as it can catch mice. No matter whether it is desalination, effluent recycling or other kinds of new technology, the ultimate goal of the Democratic Party is to see a reduction in the public's expenditure on water.

At present, 80% of the potable water in Hong Kong comes from Dongjiang. Hong Kong people are relying more and more heavily on Dongjiang water, from 50% in 1985 to 80% at present. It has become a vital source of water for Hong Kong. The Government, in its report entitled "Strategy for Long-term Fresh Water Resource" published in April this year, pointed out that Hong Kong will continue to rely on Dongjiang water in the next 20 years.

The Democratic Party has always been grateful to the Mainland for its supply of water to Hong Kong to quench its water shortage so that Hong Kong people no longer have to live the difficult days of water rationing. However, everyone knows that to import water from Dongjiang does not mean that all the problems have been solved. We still have to monitor the quality of Dongjiang water and deal with the problem of its quality, as well as face the problem of a lack of flexibility in the agreement on supply of Dongjiang water reached with Guangdong Province, under which Hong Kong people have to pay for surplus Dongjiang water even though our reservoirs are overflowing.

Concerning the issue of water supply, I have four questions: firstly, with the continuous economic development on the Mainland, the demand for fresh water will also increase. Will the Mainland still be able to maintain a stable supply of water to Hong Kong in the future?

Secondly, there has been a continual drop in the quality of Dongjiang water in recent years. Even though there will be an enclosed aqueduct in the future, will it be able to solve the problem of water quality completely?

Thirdly, with the economic development in Guangdong and an increasing number of factories, will the quality of Dongjiang water still make it suitable for export to Hong Kong 20 years from now?

Fourthly, will the extent of pollution by then require the Government to make even greater investments and spend more money to purify the water? The Democratic Party believes that the Government, as an accountable government, should consider the long-term needs of Hong Kong.

Therefore, we believe that the Government should continue to explore the feasibility of developing different sources of water supply, and desalination is one of them. However, the relevant history was unfortunately a painful experience. The Government built a desalting plant in 1977 but announced its temporary closure a year later because of high costs. In 1982, the Government further announced the formal closure of the desalting plant. The reasons were that the costs of the desalting plant were high and the plant was not cost-effective.

However, with advances in technology, on which Dr LUI Ming-wah has provided a lot of information, the cost of desalination is decreasing. In Florida, United States, the largest desalting plant in the country now under construction will be commissioned this month to provide 2.5 million gallons of water every day. Instead of using the process of distillation as in the past, the plant uses the process of Reverse Osmosis, thus saving on the electricity required in the evaporation process. The company now estimates that with the adoption of the Reverse Osmosis process, the cost of each gallon of water can be reduced from US\$1 to US\$0.6. A study further pointed out that if improvements are made to the design of the desalting plant, it is possible to further reduce the cost of each gallon of water.

In fact, representatives from Singapore and Australia have made study trips to Florida. I believe it will be very useful and totally harmless for the Hong Kong Government to go there and learn from this experience. With more studies, better preparations can be made.

Therefore, although we have sought to amend Dr LUI Ming-wah's motion, it does not mean that we object to exploring the feasibility of desalination. However, we do have reservations about requesting the Government to provide funds rashly and straightaway — the word is "expeditiously" in the motion — and to actively intervene and assist in mobilizing scientific and technological personnel to hasten the birth of an industry.

As I have said, the goal of the Democratic Party is to reduce the Government's financial burden on supplying water and ultimately, to reduce the burden borne by the public and industrial and commercial consumers. Therefore, we have doubts about why desalination should be considered the only option. Among the many industries, why do we choose to support an industry in particular? When everything is still uncertain, is it reasonable to request the Government to dig into its pocket and lend its support?

I wish to stress that we have analysed this motion and also reviewed some of the motion debates in the past. The Breakfast Group has always emphasized no intervention in the operation of the market. In debating the motion moved by Mr Andrew CHENG on reducing transport fares, Honourable colleagues from the Breakfast Group spoke very staunchly and vociferously. For example, Dr Raymond HO said, to this effect, "in a free economy, only companies that adapt to changes in the market can survive, and those that cannot will be eliminated by the strong". Mr Eric LI also said, to another effect, "the Legislative Council should not send the signal to the business sector that it will directly interfere with business matters".

While these words are still ringing in our ears, the Breakfast Group has requested the Government to extend a visible hand and decide which industry should be developed today. Is this not a repeat of the Cyberport saga? Does it not smack of contradictions?

The Democratic Party proposed a reduction in power and gas tariffs because we believe that there is an imbalance in the power and gas markets where a situation of monopoly or quasi-monopoly has disabled effective market regulation. We have never requested that trades closely related to the public's livelihood, such as eateries, bakeries or garment shops reduce their prices because these trades are all regulated by the market mechanism of supply and demand and there is total competition.

I wish to reiterate that the Democratic Party also hopes that the desalination equipment manufacturing industry will be developed in the future, so as to give impetus to economic development in Hong Kong. However, our attitude one of prudence and we believe that we should not casually ask the Government to expend money and effort on financing a certain industry. We hope that the Government can further study and examine this issue to avoid wasting the Treasury's already straitened "water resources" (finance).

Madam President, the Financial Secretary published his first Budget in office in March this year. In the Budget, one of his measures is to reduce the water and sewage charges for domestic and non-domestic consumers for one year to alleviate the public's hardship and reduce the operating costs of various trades and industries.

The Democratic Party welcomes the Government's offer of concession on water charges to the public and to commercial consumers. In the long run, we hope that the Government can find a solution to reduce the cost of water supply. The total capacity of all reservoirs in Hong Kong is 163 million cu m. If the cost of Dongjiang water is calculated at a price of \$3.085 per cu m, the overflow of reservoirs last year has in fact wasted \$500 million. Furthermore, if the reduction in supply from Guangdong Province and the volume of water discharged from the Muk Wu Pumping Station are included, the amount of money wasted last year as a result of the inflexibility of the water supply agreement entered into by the Government is estimated to be as much as \$1 billion. The water supply agreement will expire in 2004, earlier than the scheme of control agreement reached with the two power companies, which will expire in 2008. Therefore, we are watching closely and hope that the Government can demand greater flexibility when entering into an agreement with the Mainland, in order to reduce wastage and save on expenses.

At the same time, the Democratic Party hopes that while exploring the desalination technology, the Government can also actively study other options, such as effluent recycling, from various perspectives in the hope of eventually finding more sources of inexpensive and stable water supply.

With these remarks, Madam President, I move the amendment.

**Mr Fred LI moved the following amendment: (Translation)**

"To delete "expeditiously mobilize scientific and technological personnel and provide funding for research on the latest desalination technology and equipment" after "That this Council urges the Government to" and substitute with "conduct a feasibility study on desalination"; to delete "facilitating the development" and substitute with "relieving the burden of water charges on the public and various industries and trades; and to explore the viability"; and to delete ", as well as" after "of the desalination equipment manufacturing industry" and substitute with "with a view to"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Fred LI to Dr LUI Ming-wah's motion, be passed.

**MR TOMMY CHEUNG** (in Cantonese): Madam President, Hong Kong relies mainly on buying Dongjiang water from Guangdong Province and its own reserve of water in local reservoirs for its water supply, and the former accounts for nearly 80% of the water consumed in Hong Kong. However, with the rapid development of the Pearl River Delta Region in recent years, the quality of Dongjiang water has experienced a gradual deterioration. Moreover, the demand for water in the region is also on the increase. Naturally, this has aroused everyone's concern, including that of the Secretary for the Environment, Transport and Works, Dr Sarah LIAO, on whether Dongjiang can continue to be a stable and reliable source of water supply for Hong Kong in future.

The motion on desalination moved by Dr LUI Ming-wah today is obviously based on the similar consideration of planning ahead early for Hong Kong's future sources of water. The Liberal Party believes that from the viewpoint of sustainable development, it is understandable that Dr Sarah LIAO and other people are concerned about the long-term water supply for Hong Kong, but we should not be overly pessimistic about the quality of Dongjiang water or the stability of water supply in the future, since the Guangdong authorities have also become aware of this problem and launched a series of works to improve the quality of Dongjiang water. If we can maintain continuous monitoring of the water quality, I believe there will not be any major problem.

Madam President, concerning the issue of exploring new sources of water, the Water Supplies Department has completed a study on water supply for the next 20 years and drawn a conclusion. After considering three options of developing new potable water sources, that is, expanding catchment areas, desalination and effluent recycling, it has found that the expenditures incurred by these three options are all higher than the cost of purchasing Dongjiang water. Among them, the cost of desalination is \$7.7 per cu m, which is 70% higher than that of treating Dongjiang water, which is \$4.5 per cu m. Therefore, the conclusion of the study is that purchasing Dongjiang water is more inexpensive and cost-effective. In the next 20 years, Hong Kong will still rely on Dongjiang water as its main source of potable water supply.

At the mention of desalination, I believe all of us will remember that some years ago, the Government built a desalting plant in order to reduce our reliance on Dongjiang water. However, because of the high costs and the lack of cost-effectiveness, the desalting plant remained a long-term backup facility and was not used for most of the time, thus becoming a real white elephant. It was eventually blown up in 1991.

Although the technology on desalination has seen significant progress in recent years and the Water Supplies Department mentions in its report that the latest technology can be employed to reduce cost of desalination, the cost is still far higher than that of purchasing Dongjiang water. In Singapore, although the cost of desalination is slightly lower than that in Hong Kong, which is \$7.7 per cu m, basically it is still higher than that of purchasing Dongjiang water. So the motion's allusion to using desalination as a means of easing the financial burden is somewhat self-contradictory.

Furthermore, unlike Singapore, which is obliged to develop desalination to ensure the stability of its potable water supply because of its complicated political situation and considerations of its relations with neighbouring nations, we have the support of our country. For many years, our country has supplied water to us steadily. Therefore, we have reservations about today's motion, which calls for conducting research on desalination and even develop desalination projects regardless of their cost-effectiveness.

It must be noted in particular that Hong Kong is facing a \$70 billion deficit. We believe that before committing any resources, careful consideration must be given to such action, with particular attention to the cost-effectiveness in order to avoid aggravating the deficit problem. In addition, since the water supply agreement between Hong Kong and the Guangdong Government will not expire until 2010, and with the present oversupply of water in Hong Kong, I am afraid the launching of a further project on desalination will only lead to even greater wastage.

Madam President, if we are really worried that there may be problems with the quality and supply of Dongjiang water, we can simply open discussions with the Guangdong Government to find an alternative source of water supply other than Dongjiang. Moreover, the Liberal Party also supports formulating a policy with financial incentives offered by the Government to encourage the



public and the commercial sector to conserve water as well as reducing the demand for water, rather than always adopting the punitive option of increasing water charges to achieve the purpose of water conservation. However, I wish to stress that unless we reach a new water supply agreement, no matter how the public conserves water, this may not necessarily bring down the water charges.

Due to restriction by the terms of the water supply agreement, even if the rainfall in Hong Kong is abundant and the reservoirs are overflowing, we still cannot reduce the volume of water purchase unilaterally. Furthermore, with the relocation of industries across the border, the increase in water consumption has been far lower than expected. For this reason, in the three years between 1999 and 2001, as much as 3 million cu m of water went down the drain for nothing and over \$1 billion was wasted. The present price of Dongjiang water is \$3.085 per cu m. Compared with the price of less than \$1 paid by Macao to purchase Xijiang water, I believe there is room for a downward adjustment in the price of Dongjiang water.

Therefore, the Liberal Party hopes that the SAR Government can continue its earnest discussions with the Guangdong authorities and strive to reduce the price of Dongjiang water and formulate a water supply package is more flexible, so as to reduce the burden borne by Hong Kong in purchasing water on the one hand, and to avoid wasting water on the other. Only in this way can we look forward to a reduction in water charges and an alleviation of the burden of the general public and the commercial and industrial sectors.

Finally, I wish to reiterate that while the Government says that it will implement the "user pays" principle, it purchases the more expensive Dongjiang water and then transfers the cost onto consumers in Hong Kong. If the Government, in addition to this, wants to study the adoption of desalination as a source of water supply, thus further increasing the cost of supplying water, it will definitely increase the burden on the general public of Hong Kong, and in particular that on trades consuming large volumes of water, such as the catering industry. With the prevalent economic recession, the catering industry will definitely find this hard to swallow. I hope the Government will be prudent in planning for water supply.

Madam President, I so submit.

**DR RAYMOND HO** (in Cantonese): Madam President, water is very important to us. It can not only sustain our lives, but also affect our economic development. Actually, Hong Kong has owed its development into an advanced city to its industrial development, which is, to a certain extent, influenced by the supply of water. Thanks to the supply of inexpensive and abundant water, the local industrial development started to take off in the '70s, laying a foundation for our economy. Dongjiang water has undeniably eased the problem of water supply facing the territory, but can we rely on it in the long run? In my personal opinion, we cannot. Therefore, we should explore other solutions with a view to resolving the problem of water supply in the long run. Desalination might offer one such solution.

Hong Kong faced a serious water shortage in the 1960s and effected water rationing of four hours in every four days. Subsequently, a desalting plant was built to tackle water shortage. Nevertheless, the supply of Dongjiang water by the Mainland resulted in the abandonment of the study on desalination. Eventually, the desalting plant was pulled down. Hong Kong has since relied entirely on Dongjiang water. However, the price of Dongjiang water has continued to rise over the years. The costs for treating, purifying and disinfecting Dongjiang water have also continued to climb. At the same time, there is a tendency for the quality of Dongjiang water to drop. For these reasons, I think our reliance on Dongjiang water must be lessened. In the long run, the best solution is to become self-sufficient.

Being a small country, Singapore lacks sources of water. Owing to its reliance on Malaysia for the supply of raw water, it is politically restrained by Malaysia. Politically, Hong Kong's reliance on the supply of Dongjiang water by the Mainland is different from Singapore. Broadly speaking, however, China also lacks water resources. In northern China alone, for instance, some 300 counties and 475 cities have to do with a shortage of water resources. The large population of China, coupled with its industrial take-off, has led to a huge demand for water. Therefore, from the angle of Hong Kong or our Motherland, we must reduce our reliance on Dongjiang water.

One of the reasons for the Hong Kong Government to abandon its desalination programme was exorbitant costs. However, with advances in technology and the increasingly sophisticated desalination technology, the costs have dropped substantially compared with two decades ago. I therefore believe desalination can, in the long run, provide Hong Kong with fresh water at a more

inexpensive cost and offer a more economical option than purchasing Dongjiang water.

Desalination can not only alleviate the problem of water supply, but also help our economic development. To start with, desalination can create job opportunities, thus producing a positive effect on the current unemployment problem. Secondly, it can provide impetus to the development of other trades and industries. Examples are industries related to the desalination equipment, such as the manufacture of machinery.

Of course, consideration should also be given to the mode of implementation. For instance, the Government might consider adopting the Build, Operate and Transfer approach, Design, Build and Operate Approach, or even Private Funded Initiatives.

For the reasons mentioned above, I believe Hong Kong can benefit from the desalination plan, and we should study it to gain a better understanding. Water is closely related to our life and Hong Kong economy. A solution to the water supply problem can guarantee us a better future.

Madam President, I so submit.

**MISS CHOY SO-YUK** (in Cantonese): Madam President, at the mention of desalination, Members will probably remember the existence of a desalting plant, Lok On Pai Desalter, in Castle Peak in the '70s. Costing taxpayers \$460 million and taking three years to conceive, the miserable, short-lived "white elephant" had lived only three years, before lapsing into a coma and terminal death four years after. It was not until 1989 that the Government decided to demolish it and lay it to rest. During the 10 years or so when this white elephant was in existence, it was actually serving more an ornamental purpose than a practical one. At a time when resources are so scarce today, should the Government spend a large sum of money to produce yet another short-lived white elephant, the responsible officials will definitely be caught and "executed by a firing squad" instantly. Nonetheless, I am convinced that the Government will definitely not make the same mistake today.

Madam President, today's motion has not only brought some memory back to me but also given me an opportunity to think about the importance of

water to us. It has also brought forth an issue that warrants examination: Will water be available for use by the next generation?

I believe no substance in the world can compare to water in terms of significance. Although 70% of the Earth surface is covered by water, less than 1% of the water is suitable for human consumption. According to an investigation report compiled by the United Nations last year, over one third of land on earth falls in the dry zone, where water is in short supply. In the foreseeable future, at least 14% of the world population will face the terrible plight of having no water to consume. The United Nations has even estimated that war might erupt in up to 300 regions across the world because of conflicts over sources of water.

Countries all over the world are endeavouring to search for more water sources to meet their needs. What about Hong Kong? Hong Kong is indeed blessed, though there is a shortage of natural rivers. Following the execution of an agreement with the Mainland in 1963 over the purchase of Dongjiang water and the formal supply of water since 1965, our problem with potable water can be considered largely resolved. To many of us, the last large-scale water rationing is a remote event. I was an innocent girl at that time. In recent years, however, the Government has been forced to drain away water bought into the sea due to the inflexibility of the agreement. For many places, such as the remote regions in the northern part of our Motherland, this is inconceivable and a waste.

Now we can still purchase water, but what will happen in the future? I note that the Water Supplies Department has compiled a consultancy report, in which the costs of water from different sources have been analysed. It is finally concluded that purchasing water is the least costly option. Apparently, Hong Kong will still rely chiefly on the purchase of water as a source of potable water in the coming two decades.

Though I dare not doubt the scientific base or accuracy of the report, I would like to point out that even the Mainland itself is faced with water shortage. At present, the per capita water resources share in the Mainland is already low when compared to international standards. It is estimated that the existing level will reach the internationally-recognized water shortage alarm level as a result of the rising population in two decades. Even the situation in Shenzhen, our water supplier, is not optimistic. Although there are a number of rivers in Shenzhen, the city has been facing acute water shortage in recent years due to its rapidly

growing population and industrial boom. It is understood that the Shenzhen Municipal Government has formulated a number of proposals in the hope that the problem of inadequate water supply can be effectively eased before 2010.

Madam President, even our "big supporter" has to "appeal for water everywhere". Will it be possible for Shenzhen to have no water for sales because of water shortage? Or will prices soar owing to short supply? I have really no idea. However, I am convinced that if we continue to overly rely on Dongjiang water, Hong Kong will be put in an extremely passive position should there be any trouble with Dongjiang water. In the opinion of the Democratic Alliance for Betterment of Hong Kong (DAB), we must actively explore different water sources from now on to ensure water supply for our future use. Therefore, we agree to Dr LUI Ming-wah's motion and Mr Fred LI's amendment that the Government should expeditiously conduct research on the latest desalination technology and examine other means of exploring water sources. Although desalination costs more than purchasing water at present, the cost is expected to drop with the rapid scientific and technological advances. In spite of the expensive costs today, it is always possible for things considered impossible to become possible in the event that the costs plunge sharply because of a new invention tomorrow.

Nonetheless, I still consider today's motion inadequate as it is confined to desalination only. In the opinion of the DAB, in addition to desalination, the Government should also explore other water sources. For instance, sewage recycling is worth studying. Even in Singapore, also a member of "Asia's four small dragons", sewage-recycled products were presented in a high profile. As it has been mentioned by Honourable colleagues before, I do not intend to repeat it. I am also aware that, in addition to Singapore, many other countries, such as Finland, resort to recycling sewage as another source of water. Just now, I mentioned that Shenzhen had examined a number of proposals "in pursuit of water", and one of them is related to recycling of sewage. This shows that the potential of sewage recycling is indeed enormous. The Secretary has earlier on proposed to make use of sewage for purposes of flushing, irrigation, horticulture, and so on. This proposal can indeed expand the sources of water. It is therefore necessary for Hong Kong to examine more options and come up with an integrated proposal to provide the territory with cheaper and sustainable water sources.

Madam President, I so submit.

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

(No Member responded)

**PRESIDENT** (in Cantonese): Dr LUI Ming-wah, you may now speak on Mr Fred LI's amendment.

**DR LUI MING-WAH** (in Cantonese): Madam President, I am glad that four Honourable Members have spoken on this motion which is a very boring topic. In fact, whether or not this motion will be carried is of very little importance, because what matters most is that it has already aroused our attention and concerns about the water supply problem in Hong Kong.

I would like to speak on several points, the first being the argument advanced by Mr Fred LI. He said that the Breakfast Group had voted against motions in connection with increases in fees and charges on several occasions. With regard to calling for government support for a study on desalination, I consider that there are some fundamental differences. The reason is that in the world of knowledge-based economy, every country has to spend money and manpower on the development of the new economy, if Hong Kong fails to do so, it will miss a significant opportunity. However, with regard to the fee and charge increase proposals of various public utilities, our considerations were made from a different perspective, as all public utilities are bound by agreements and would be absolutely unacceptable if they should raise the fees and charges before the expiry of the agreements. I think Honourable Members should agree with that viewpoint.

Another argument was brought up by Mr Tommy CHEUNG. He pointed out that the cost of desalination in Singapore was very expensive. In fact, he has not conducted any study on the subject of desalination technology. The cost is expensive in Singapore just because Singapore has not adopted the Reverse Osmosis process. We can therefore take note of another shortcoming of this Council, that is, we are actually short of research capability, as a result, we could only express our views according to ideas or presuppositions. In fact, it will not be helpful to the discussion.

I am glad that several Members agree that we should seek alternative sources of water supply and that desalination is one of the directions.

Thank you.

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

(in Cantonese): Madam President, I am very grateful to Dr LUI Ming-wah for proposing this motion. As Hong Kong has been supplied with Dongjiang water over the past decades, such issues as water resources, water conservation and the value of water have seldom been topics of heated debate. Indeed, water resources are important not only to Hong Kong. They are also very important to the entire region. As mentioned by a number of Honourable Members earlier on, maintaining an adequate supply of potable water in Hong Kong is a key to Hong Kong becoming an international metropolis. I think insofar as the indicators of sustainable development are concerned, many Members will consider that the indicator relating to potable water occupies a top position.

In this connection, the Water Supplies Department (WSD), apart from giving this a lot of thoughts, attaches great importance to such issues as the development of new sources of water, treatment of raw water, cost-effectiveness, and so on. In 2001, the WSD conducted a preliminary technical study on developing new sources of water in Hong Kong, which covered, *inter alia*, desalination, sewage recycling and development of resources. Details of the study were also reported in the press. Earlier on, a number of Members also mentioned the findings of the study. The major consideration at that time was cost.

It was found in the study that the cost of desalination was \$7.7 per cu m, whereas treating raw water imported from Guangdong Province cost \$4.5 per cu m. This \$4.5 included the cost for purchasing Dongjiang water. So, we can see that the cost of desalination was more expensive. But as technology develops, the various desalination technologies, such as membrane and Reverse Osmosis technologies, can now fully replace the traditional distillation method. As mentioned by many Members earlier, these technologies are adopted in different places of the world and even in oil producing countries. It is because in the past, several gallons of oil were required for distilling 1 gallon of water, which was by no means value for money. The now decommissioned Lok On

Pai Desalter also used the distillation method. So, it was practically impossible for desalination to see popular application.

But thanks to new developments, many advanced countries have now begun to apply desalination technologies. The effectiveness of desalination technologies and the Reverse Osmosis Membrane in producing fresh water varies, depending on the water quality and the environment. In this connection, I have discussed with colleagues of the WSD on several occasions to look into what we should do in this regard. We have conducted an analysis on the cost and found that firstly, a very important element in the process of desalination is energy, for the Reverse Osmosis process entails a large consumption of electricity and therefore, water and electricity are inseparable. Dr LUI quite rightly pointed out earlier that we had discussed electricity in the last meeting and in this meeting, water is under discussion. If we can bring down the cost of electricity, the cost of Reverse Osmosis for the purpose of desalination could then be substantially reduced. Certainly, we will conduct tests on the feasibility of different methods of electricity generation, such as the use of renewable energy. If renewable energy can be made to work well with desalination, then desalination would be a feasible option. But such test is not as simple as it seems to be on the surface, for we must have regard for both areas. Secondly, the water intake point. It is because the salinity level of the water is very important in the Reverse Osmosis process. Sea water can be salty, and less salty. Some sea water has a higher salt content, while some may be lower. If we collect water at the estuary of a river, the water will contain less sea water and hence a lower level of salinity, in which case the cost will be lowered accordingly. But if the intake point is located very far away, the electricity consumption for the purpose of water pumping will then increase accordingly.

Lastly, the transportation network. If water is caught and used *in situ*, say, if desalination is performed in a small community, the cost of desalination may be lowered. Better still, the treated water can be consumed as potable water, because the water so produced will be clean. Dr LUI Ming-wah also mentioned a unitary approach, pointing out that small-scale facilities can be used in small communities, thus obviating the need to build large-scale desalters. This is also worthy of consideration. According to our assessment, a detailed study of this scale may take two to three years, in order to prepare a more precise budget for desalination and examine the details of various technologies, including nanotechnology suggested by Dr LUI Ming-wah in a motion debate before. Nanotechnology can be used in the production of membranes, but there



is still a long way to go before this technology can be applied in Reverse Osmosis. This technology can be used to soften water and obviously, its application in desalination is also viable in principle. If the study can find the answers in respect of environmental impact, relief measures, financial viability and siting, then we can certainly map out a long-term strategy on water resources in Hong Kong, thereby providing a clearer and sustainable direction for development.

In this regard, significant progress has been made recently by such advanced countries as the United States, Western European countries and Japan. Should we proceed with such a study, we would hope to minimize the cost. We should learn from other countries and draw on their experiences, and then clearly work out the calculations on the desktop, that is, on paper, as far as possible before proceeding to actual tests. We also hope to identify a new development area, so that tests could be conducted simultaneously. In the long run, when desalination becomes a financially viable option in Hong Kong, the relevant industries can then play their part in promoting the economic development of Hong Kong in accordance with the established policies.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the amendment moved by Mr Fred LI to Dr LUI Ming-wah's motion be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(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 three minutes.

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

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

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr SIN Chung-kai, Dr LAW Chi-kwong, Ms LI Fung-ying, Mr Henry WU, Mr Michael MAK, Mr LEUNG Fu-wah and Mr IP Kwok-him voted for the amendment.

Dr Raymond HO, Dr LUI Ming-wah and Mr Bernard CHAN voted against the amendment.

Mr Kenneth TING, Mr James TIEN, Mrs Selina CHOW, Mrs Sophie LEUNG, Dr Philip WONG, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Tommy CHEUNG and Mr LAU Ping-cheung abstained.

Geographical Constituencies and Election Committee:

Ms Cyd HO, Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Kong-wah, Miss CHOY So-yuk, Mr SZETO Wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr Albert CHAN, Mr Frederick FUNG, Ms Audrey EU, Dr David CHU and Mr YEUNG Yiu-chung 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, nine were in favour of the amendment, three against it and 10 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): Dr LUI Ming-wah, you may now reply. You have one minute 41 seconds.

**DR LUI MING-WAH** (in Cantonese): Madam President, I really do not have anything specific to say, for Members have already heard what I would like to say, that is, Hong Kong needs a new source of water supply and if we do not think about it now, problems may arise in the future. It would be too late if we start to think about it then.

As to what is the best technology for, I would think that the Government should start looking for it and conduct studies for such purpose. If a decision is made to go ahead with it, then action should be taken at once and we should not delay. Therefore, that is why I hope that the Government should take immediate actions to organize and study into the issue. Thank you.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Dr LUI Ming-wah, as set out on the Agenda, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr Fred LI rose to claim a division.

**PRESIDENT** (in Cantonese): Mr Fred LI 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:

Dr Raymond HO, Dr LUI Ming-wah, Mr HUI Cheung-ching, Mr Bernard CHAN, Dr Philip WONG, Ms LI Fung-ying, Mr LEUNG Fu-wah and Mr IP Kwok-him voted for the motion.

Mr CHEUNG Man-kwong, Mr SIN Chung-kai and Dr LAW Chi-kwong voted against the motion.

Mr James TIEN, Mrs Selina CHOW, Mrs Sophie LEUNG, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Henry WU, Mr Tommy CHEUNG, Mr Michael MAK and Mr LAU Ping-cheung abstained.

Geographical Constituencies and Election Committee:

Ms Cyd HO, Mr LEE Cheuk-yan, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Jasper TSANG, Mr LAU Kong-wah, Miss CHOY So-yuk, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr Frederick FUNG, Dr David CHU, Mr NG Leung-sing and Mr YEUNG Yiu-chung voted for the motion.

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr James TO, Dr YEUNG Sum, Mr SZETO Wah and Mr Albert CHAN 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, 21 were present, eight were in favour of the motion, three against it and 10 abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 21 were present, 13 were in favour of the motion and seven 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.

**PRESIDENT** (in Cantonese): Second motion: Maintaining infrastructural investments.

### **MAINTAINING INFRASTRUCTURAL INVESTMENTS**

**DR RAYMOND HO** (in Cantonese): Madam President, I move that the motion, as set out on the Agenda, be passed.

Although the unemployment rate has somewhat improved recently, that the unemployment rate for August to October as announced last month has dropped slightly to 7.2%, it is still very high. As the external political and economic conditions are still very volatile, plus the fact that the domestic consumption of Hong Kong is very weak, it is expected that the unemployment rate is unlikely to fall drastically in the near future. Moreover, a worrying fact is that in some sectors which are the hardest hit by unemployment, such as the engineering and construction sector which I am familiar with, not only has the situation not improved, but it is on a trend of deterioration. This sector employs a total of more than 300 000 workers, professionals and technical staff and the unemployment rate is as high as 12%. Some people in the industries have even estimated that the unemployment rate will rise to 17%. Recently, as the progress of public works launched by the Government is getting slower and slower, more people in the industries are facing the prospects of unemployment.

Ever since the onset of the Asian financial turmoil, the property market in Hong Kong has plummeted and the number of construction projects in the private sector has decreased sharply. Moreover, the subsequent gradual completion of

airport core projects has seriously affected the construction industry. Over the past few years, professionals like engineers and workers have been facing such problems as salary reduction, underemployment and layoff. In view of this, I have been urging the Government through various channels including this Council to increase infrastructural investments and expedite the implementation of infrastructure projects.

In the year 2000, with the support of two Members of this Council, namely, Mr LAU Ping-cheung and Mr Abraham SHEK, I initiated an invitation to 12 related professional bodies and trade unions to form the Public Projects Concern Group. These organizations include professional bodies like the Hong Kong Institution of Engineers, the Hong Kong Construction Association, the Hong Kong E&M Contractors' Association Limited and the Hong Kong Construction Industry Employees General Union which has a membership of more than 200 000 people. The main functions of the Concern Group are to reflect the views of the industry to the Government and to urge the Government to expedite the pace of public works.

Last year, in the seven consensus measures proposed to the Government by the cross-party coalition on relieving the hardships of the people included a suggestion made by me, that is, to expedite the infrastructure projects, commence the projects left over by the two former Municipal Councils, and undertake extra maintenance and repairs works for the ageing infrastructure facilities so as to create more employment opportunities.

The Chief Executive responded to this suggestion in the policy address delivered by him in October. He pledged that \$600 billion would be spent on infrastructure projects over the next 15 years. Senior government officials also expressed unanimously that every effort would be put into simplifying the administrative procedures involved in vetting and approving the works projects and streamlining the entire process. These positive messages served to arouse some optimistic sentiments in the sector for a while.

However, there are signs that have made people in the sector become more skeptical about the ability of the Government to launch the infrastructure and public works projects that it has undertaken, not to say launching more of such projects. This policy shift of the Government in infrastructural investments and public works projects can thus be traced.

There is a disparity between the undertaking made by the Government and the actions that it is taking. Recently, the pace of launching infrastructure projects has been slowing down and when it comes to the projects left by the two former Municipal Councils, the situation is even more disappointing. On the other hand, the principal officials are constantly sending out balloons to test public reaction, hinting that the unnecessary infrastructure projects will be called to a halt in a bid to reduce deficits.

First of all, at the beginning of this September, there were reports that Mr Frederick MA, Secretary for Financial Services and the Treasury, had issued an internal circular to the departments to require that a fresh review be made of the existing works and expenditure and to postpone or terminate those works which were considered to be not necessary.

Not long afterwards on learning about the report, I made an attempt to contact Dr Sarah LIAO, Secretary for the Environment, Transport and Works. I tried to invite her to meet representatives of the Concern Group and myself. The main purpose of the meeting was to enable people from the construction industry to learn the latest position of the Government with regard to the implementation of infrastructure projects and the works programme. The representatives might also have a chance to inform Dr LIAO of the critical situation of the construction industry. Unfortunately, Dr LIAO used the reason that co-ordination work had to be made on the related policies and declined to meet us. It was only after much delay that we met her finally on the 21st of last month.

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

During the time when we were still waiting to meet Dr LIAO, another principal official made some remarks which were very worrying to the construction industry. Mr Antony LEUNG, Financial Secretary, made some remarks on 14 October on abandoning some works projects. This served to impose new conditions on the launching of the public works programme. According to him, investments would only be made on those projects which have economic benefits or in other words, those which would make money. As to those which do not have any economic benefits or whose economic benefits are little, they should be postponed, cancelled or even abandoned. Such remarks further added to the industry worries about the Government's intention to slow down or reduce infrastructure projects.

After noting such remarks, I made the instant move of criticizing the Government's position through various media. In my capacity as the Chairman of the Public Works Subcommittee of this Council, I also expressed dissatisfaction with the remarks made by the Financial Secretary. In fact, many Honourable colleagues of this Council were also worried that the Government was using the pretext of economic benefits to delay or cancel some works projects, thus dealing a further blow to the labour market which is already very weak.

It is not known whether or not the Government had sensed public reactions to this or due to some other reasons that three days after making those remarks, the Financial Secretary wrote to me. That is the letter mentioned in the motion. In his letter he said that the Government had set aside about \$147 billion as expenditure for public works stated in the Budget delivered in March this year. That means an annual expenditure of about \$29.4 billion on average over the period from 2002-03 to 2006-07. It was also mentioned that the Government had no intention to reduce the level of expenditure on public works from now to 2006-07. He also pointed out that the Government would update the information on those projects for which applications for funding had been made to the Legislative Council and on those projects currently in progress. However, no projects would be shelved without good grounds.

Despite the fact that the Government is facing a problem of fiscal deficit, I would still hope that the Government can adhere to this pledge, for infrastructure facilities are vital to our future development. If Hong Kong is to continue to enjoy an edge in infrastructure, the Government must maintain its investments in this regard. Moreover, the commencement of these public works projects will also bring new employment opportunities and give impetus to the recovery of Hong Kong economy.

As to those projects for which no funding provisions have been made by the Public Works Subcommittee of this Council or which involve a smaller amount of funds and so do not need to apply for funds, I understand that often times the Government has to take into account the social conditions and cost estimates to make an annual update of the project information and to make a full-scale review of their priorities. But when the Government reviews the allocation of resources for these public works projects, it should not only consider their economic benefits or make profits the only consideration.



As a matter of fact, economic benefits or profits cannot be adopted for all infrastructure projects as the only factor to decide whether or not they should be launched. The launch of an infrastructure project is meant to meet the needs of the people in the first place. Take the 160-odd projects left over by the two former Municipal Councils as an example, irrespective of the fact that they are about sports grounds, libraries, markets, sitting-out areas, and so on, they are all related to the quality of people's life. Another thing is that these projects have to meet the practical needs of economic development and those of the businesses and industries. For example, road networks will facilitate the transportation of goods and conduct of business and industrial activities; cross-boundary works will facilitate the mutual development of Hong Kong and the Mainland. Of course, there are also projects on school construction and on maintenance and repairs.

When a decision is to be made on launching these projects, not only should we consider whether these projects will make any profits, but also the social benefits they may bring, which are also an important consideration. For example, more sports facilities may encourage the people to take part more in sports and make their bodies healthy, thus eventually helping prevent diseases and reduce expenditure on health care. Another example is that libraries can provide a good place for the public to further their education or to spend their leisure time. So this kind of benefits to the public cannot be measured in terms of financial returns.

Although the prevalent financial situation of the Government is not satisfactory, the Government still has the obligation to maintain and repair aged infrastructure facilities. These include buildings on government land, electrical and mechanical facilities, slopes, water pipes, roads, bridges, tunnels, and so on. The maintenance and improvement of these existing facilities will solve the problem of ageing of infrastructure which is becoming a serious problem. In addition, such works will help create more favourable conditions for our future development.

These projects, because of their small scale, lower complexity and labour-intensive nature, will present opportunities of participation to local companies and professionals. The launching of these projects will bring a lot of employment opportunities. There were reports earlier that these works were most likely to be suspended because they had the least economic benefits. If this is true, then more local construction companies and employees in the

construction industry will have to face even bleaker prospects. The recent introduction government policies to save the property market, such as those on the suspension of the production of Home Ownership Scheme flats and the moratorium on the invitation to tender for the residential property projects of the two railway corporations, would impact adversely on the local construction industry. If the Government calls a halt to these works projects of a smaller scale, it will definitely aggravate the predicament faced by the local construction industry and force more professionals and workers in the industry into unemployment.

Undoubtedly, the fiscal deficits that we have been facing over the past few years do warrant our concern. However, we are still financially capable of making infrastructural investments. If the Government is to bow to this pressure to reduce the deficits and slash its infrastructural investments, that would be a very short-sighted move and the price it has to pay in future would be very heavy indeed. When the economy turns for the better, these infrastructure facilities would be unable to meet the new demand and that would have direct impact on the pace of our economic recovery. On the other hand, this adverse impact would also be felt among the public in their day-to-day activities. For example, when there are inadequate roads or when poor maintenance leads to the bursting of water mains, losses in time and economic terms for society as a whole would be incurred.

In the face of financial stringency, the Government should consider resorting to other means to build more infrastructure facilities. Private sector participation in large-scale infrastructure projects can be encouraged by the adoption of methods like BOT (Build, Operate and Transfer), DBO (Design, Build and Operate) or PFI (Private Funded Initiatives), and so on. Such modes of infrastructure development will kill many birds with one stone. For not only can the financial commitment on the part of the Government be reduced, but that efficiency in managing these projects later would be enhanced. Moreover, when the economy turns for the better, there will be enough infrastructure facilities to meet the needs of development.

Madam Deputy, infrastructural investments are a long-term commitment made on the part of the Government to the community. The Government should never slash its investments in the future in a bid to reduce deficits, as this will only undermine our competitiveness in the long run. The launching of works projects of various scales will help boost employment and contribute to economy recovery in the short run. I implore Members to support the motion proposed by me. Thank you.

**Dr Raymond HO moved the following motion: (Translation)**

"That, as the local economy remains in the doldrums and the unemployment rate is high, this Council urges the Government to adhere to its commitment to infrastructural investments, and to invest in the coming five years an amount no less than the total funding of about \$147 billion earmarked for public works projects, that is, an average annual expenditure of around \$29.4 billion for the period 2002-03 to 2006-07, as stated in the Financial Secretary's letter dated 17 October 2002 to the Chairman of this Council's Public Works Subcommittee; furthermore, in reviewing the allocation of resources for public works projects, the Government should not only focus on the economic benefits generated by the projects concerned, but must also take into account their social benefits, as well as their effectiveness in stimulating the economy and providing more employment opportunities."

**DEPUTY PRESIDENT** (in Cantonese): I now propose the question to you and that is: That Dr Raymond HO's motion be passed.

**DEPUTY PRESIDENT** (in Cantonese): Mr Albert CHAN will move an amendment to the motion, as set out on the Agenda. The motion and the amendment will now be debated together in a joint debate.

I now call upon Mr Albert CHAN to speak and move his amendment.

**MR ALBERT CHAN** (in Cantonese): Madam Deputy, I move that Dr Raymond HO's motion be amended, as printed on the Agenda.

Madam Deputy, I have proposed this amendment basically due to two aims. The first is that I hope infrastructure projects in Hong Kong, in particular, the work procedures of large-scale infrastructure projects, should all be undertaken in Hong Kong subject to not violating any related international practice. This is meant to bring in a little vitality and vigour to the sluggish economy and enhance the development of the local economy. This is totally in line with the economic policies of the Government and the work which the Government has recently

emphasized that has to be done. The second aim is that the large-scale infrastructure projects should employ as much local staff as possible. This will ease the severe unemployment problem a bit and increase the employment opportunities of the jobless workers and the related staff.

In recent years, it is a common trend in Hong Kong to look northward to the Mainland and this trend is not only prevalent in politics but more so in economic development. The senior government officials, including the Chief Executive and the Financial Secretary, have even encouraged the people of Hong Kong to start businesses in China. Such actions would further weaken the Hong Kong economy which is frail indeed. It is because these senior government officials are making such an unexpected move of encouraging those with assets and capital to go to other places for development. Many of the work procedures in many of our infrastructure projects have therefore been relocated to the Mainland. In housing construction, for example, many of the prefabricated parts of our public housing units are made on the Mainland and many of the parts required by drainage works and facilities are also made there. As for the Tsing Ma Bridge which was built a few years ago and has become our pride ever since, the entire bridge itself was made of prefabricated parts manufactured in Dongguan and towed by boats to Hong Kong and then hauled to the bridge for assembly section by section.

It can thus be seen that over the past years, the Mainland instead of Hong Kong has been the ultimate place benefiting from the major infrastructure projects, where the job opportunities are created. Countless other industries have been relocated to the Mainland. The backup services and other ancillary services of many banks and credit card centres have moved to the Mainland. The repairs services for aeroplanes have moved to Fujian. Thousands of other factories have been relocated to the Mainland. Yesterday, I met the owner of a large Hong Kong garment manufacturing factory. According to him, his factory in Hong Kong has only about 100 staff while close to 20 000 staff are located in areas outside Hong Kong, many of whom are on the Mainland. However, the factory is still using the Hong Kong quota. The Government should rectify this trend of relocating businesses to the Mainland, instead of giving a boost to it. The motion moved by Dr Raymond HO precisely offers the Government an opportunity to rectify this past mistake and make use of our competitive edge and wealth to create employment for the Hong Kong people and to restore vitality to our economy.

We have proposed this amendment basically in support of the intention espoused in Dr HO's motion. We hope that the Government can have more commitment to the infrastructure works and ensure that the expenditure for the works projects should not be less than the amount previously undertaken by the Government. Besides this pledge, a more important thing is that the economic activities and investment plans should all be undertaken in Hong Kong subject to compliance with the related international agreements.

The reason advanced by Dr HO to oppose our amendment is that it would be cheaper if some of the work procedures are not carried out in Hong Kong. But my question is: Who will stand to benefit? If this justification of cheaper costs will lead to even more adverse economic conditions and more unemployment, then we would not think that this can be regarded as a justification. For the ones who will ultimately benefit are the contractors, professional bodies and the persons in charge or directors of these professional bodies. The benefits so generated will not be shared by the people of Hong Kong, especially the general public. We will not agree that the interest of the people of Hong Kong should be compromised to prevent contractors and professional bodies from making less profits when the work procedures are undertaken in Hong Kong and local people are employed.

It is obvious that the moving of this motion by the Breakfast Group and their opposition to our amendment is to defend the interest of their particular trades. I would like to give a serious warning here that when any independent body is only mindful of its own interest and disregards the overall interest of Hong Kong and that of the working class, it will stand to lose in the end. For even as they may reap short-term interest and wealth, when problems arise in society, especially when the socio-economic fabric is undermined or shattered, they may not be able to enjoy the interest they may reap. The ruling coalition is in fact officials serving the Government and the Government already possesses much authority. Some time ago, I said to members of the Breakfast Group like Mr Abraham SHEK, Mr NG Leung-sing and Mr Eric LI that I was going to honour the members of the Breakfast Group as the royal guards of Hong Kong charged with the mission of silencing dissenting voices and purging the opposition in the Legislative Council and pave the way for the full-scale implementation of government policies.

I would like to issue a serious warning again that if they harbour such a mentality, they will certainly become enemies of the people. I do not wish to see such a thing happen. Earlier on, the Breakfast Group caused a lot of repercussions in society for their opposition to reducing the transport fares. I hope that besides taking their interest into account, they can also take care of the interest of the public as well. Before the reunification in 1997, there were a lot of independent Members in the Council, such as Mr Ronald ARCULLI, Mr Edward HO and the late Mr Samuel WONG, who all commanded my respect. It is because apart from taking care of the interest of their own respective trades, they also took public interest into their consideration. As to the reason advanced by Dr Raymond HO to oppose the amendment, I would think that this is a disregard of the predicament of the unemployed in Hong Kong, the economic crisis we are now in and the overall interest of the community. Therefore, if my amendment is negated, I will oppose the original motion.

Thank you, Madam Deputy.

**Mr Albert CHAN moved the following amendment: (Translation)**

"To delete "furthermore" after "as stated in the Financial Secretary's letter dated 17 October 2002 to the Chairman of this Council's Public Works Subcommittee;" and substitute with "the Government should also ensure that subject to the principles of the World Trade Organization Agreement on Government Procurement, all the work procedures of such projects will be undertaken in Hong Kong and priority will be given to employing local workers; at the same time"; to delete "should not only focus" after ", in reviewing the allocation of resources for public works projects, the Government" and substitute with ", apart from focusing"; to delete "but must also" after "on the economic benefits generated by the projects concerned," and substitute with "must"; and to add "local" after "as well as their effectiveness in stimulating the economy and providing more"."

**DEPUTY PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment moved by Mr Albert CHAN to Dr Raymond HO's motion be passed.

**DR TANG SIU-TONG** (in Cantonese): Madam Deputy, when the Financial Secretary answered a reporter's question in October this year, he said that the Government would carry out infrastructural projects that it should carry out but if the overall economic return of the infrastructural projects was not high, he thought that the projects should be delayed. The media described the Secretary as "halting the projects" in making those remarks and his remarks have caused heated discussions by the community and Members of this Council. The dilemma lies in the fact that the fiscal deficit problem has already become critical and it is really necessary to take resolute measures to "stop bleeding" and prevent all ills from becoming incurable. Moreover, the infrastructure projects are closely related to the economic development of Hong Kong in future and essential to promoting the economic restructuring and the integration with the Pearl River Delta. They also have direct effects on the quality of life of the people and the job opportunities in the construction industry sector. Therefore, some people have remarked that a reduction of infrastructure projects should not be employed as a means to reduce the fiscal deficits in order that the economy and the people's livelihood not be affected. In my opinion, infrastructural investments are vital to economic development and very closely related to the people's livelihood. Nevertheless, under the circumstances of very limited financial resources indeed, we have to set the priorities for public policies and endeavour to ensure that every cent of public expenditure spent is value for money. A review of infrastructure projects with unsatisfactory effects indeed gives no cause for criticism and is consistent with the overall interest of Hong Kong.

The transport infrastructure is one of the most important infrastructure projects in Hong Kong with the largest amount of investments, in particular, the railway development project has a total investment of \$200 billion and a new rail link is completed almost every year. However, it does not follow that each of the many railways are cost effective and meets the most pressing needs of society. The SAR Government would rather spend huge amounts on the construction of the Lok Ma Chau Extension of the Kowloon-Canton Railway than advancing the construction of the Northern Link which is more cost-effective. We can see clearly from this example that there is a very serious problem with the government mechanism of determining the priority of infrastructure projects. In fact, after the Northern Link is commissioned, the patronage of the Lok Ma Chau Extension will decline and I am afraid we can only sigh that the \$10 billion investment in the Long Valley line will be washed down the drain. It is even

more incomprehensible to the public why the Government would rather support expediting the construction of the Southern Link to compete with buses and the Mass Transit Railway for business than actively promoting the Northern Link. Hence, the whole railway development strategy obviously emphasizes south-bound traffic over north-bound flow. It underestimates the enormous demand of mainland travellers going south and local travellers going north and violates the commercial principle of the sustained development of the West Rail. Evidently, although the Government keeps saying that it will consider in detail such important factors as the appeals of various sectors in the community, and the urgency and cost-effectiveness of the projects when setting the priority of works projects, it is an evident fact that the Government has failed to do so. The Government must establish an objective and scientific mechanism that can achieve the objective so as to enhance the quality of policy-making.

Madam Deputy, besides prioritizing infrastructure projects, the Government must strictly control the costs of infrastructure development to avoid wastage. The relatively high costs of infrastructure will undermine the economic benefits of infrastructure and the competitiveness of Hong Kong. The Chek Lap Kok Airport, Airport Express, the Light Rail, the Western Harbour Crossing and Route 3 have suffered losses as a result of high costs and low cash recovery abilities. The Government must learn a lesson from them and try its best to reduce costs, and it must not produce any more big white elephants. The wastage in connection with public works projects is also glaring. For instance, the Government has recently suspended the installation of noise barriers along Tolo Highway which has cost \$140 million, and the report of the Audit Commission stated earlier that the Island South sewage project of the Drainage Services Department had wasted over \$200 million. Moreover, there have been delays in many projects under the 10-year RPIS minor works programme and there has been a cost overrun of \$600 million. Furthermore, I believe the substandard piling incident in public housing remains fresh in our memory. All these incidents clearly reflect that there is a very big loophole in the existing government mechanism for monitoring public works and improvements are warranted.

Lastly, the Government has invested a lot in infrastructure and this should theoretically provide more business and job opportunities to the local industry and workers. Yet, is it true? In the past few years, there were quite a few government infrastructure projects but the livelihood of local professionals and



workers has still gone from bad to worse and there has been a high rate of unemployment of workers. The emergence of this situation is closely related to the way in which the Government awards projects. Foreign consortiums have all along monopolized many major infrastructure projects and local professionals and companies actually have benefited little from all of these projects. To rectify the situation, the tender system for major projects must be improved. If the Government can divide the construction items under works contracts into smaller projects, it will increase the opportunities of participation and bidding by local small and medium enterprises. It will then help increase the job opportunities for local companies, professionals and workers. Furthermore, requiring foreign companies to effect technology transfer can really broaden the horizons of our engineering sector and enhance their understanding of new engineering technologies, which is very helpful to enhancing their knowledge and upgrading. Of course, the Government must make more efforts to combat illegal workers to safeguard the job opportunities of local workers, otherwise, its pledge to "increase infrastructure projects and create employment" will only degenerate into empty talk. I so submit.

**MS LI FUNG-YING** (in Cantonese): Madam Deputy, in October the Financial Secretary said to the media that a review would be made of the progress of infrastructure projects. The remarks aroused much controversy in society and in the end, at the request of the Public Works Subcommittee and the Finance Committee of the Legislative Council, the Financial Secretary clarified that for the period from now to the year 2006-07, the average annual expenditure by the Government on infrastructure projects would be maintained at about \$29.4 billion. The controversy then calmed down. Why would an increase or reduction in the allocation of resources for infrastructure would have caused such strong reactions? It is because not only are the infrastructure projects closely related to the overall development of public facilities and the people's livelihood, more importantly, infrastructure development is an effective means to create employment, especially at a time of job insecurity and high unemployment. Thus the development of infrastructure and promotion of employment would naturally become the focus of attention in society.

It may be a little bit premature to speculate on how this undertaking on \$29.4 billion of annual expenditure on infrastructure is to be realized. Last month, the Government announced plans to suspend the production of Home Ownership Scheme (HOS) flats and imposed a moratorium on operation of the

Application List. The latest figures on unemployment and underemployment as released by the Government show a slight drop in the jobless rate to 7.2%. This drop is good news to the community, especially the wage earners. However, the plight of workers in the construction industry has not improved. They are still plagued by unemployment and underemployment. Take figures released last month as an example, the rise in the underemployment rate is mainly due to insufficient work for construction workers. Information from the November issue of the *Hong Kong Monthly Digest of Statistics* published by the Government shows that the number of unemployed people in the construction industry has topped the list of unemployment in all the industries in Hong Kong for six months in a row during the first half of this year, with the number of unemployed people each month being over 50 000. With policies like the suspension of HOS flats production and the Application List, it can be envisaged that the problem of unemployment in the construction industry will only go from bad to worse.

Worse still, we worry not only about the jobs of workers in the private sector construction industry, but those in the related trades in the government departments are likewise threatened. It is because the Buildings Department has plans of resources restructuring, with the aim of contracting out 90% of the works within seven years. As of end September, the Department has contracted out more than half of its basic works items and maintenance works, giving rise to general fears among staff of the Department. This is a true depiction of the life of workers in the construction industry despite the pledge made by the Financial Secretary not to reduce infrastructural investments. As the construction industry covers a host of other economic activities like raw materials supplies, transportation, decoration and furnishing, and so on, so the slightest move will affect the economy as a whole.

From the experience of carrying out large-scale infrastructure projects in Hong Kong, even if the infrastructural investments are not reduced, that does not necessarily mean that the employment opportunities of local workers will be increased. For example, when the works projects in the "Rose Garden" project for the Chek Lap Kok airport, the Airport Express, the Tsing Ma Bridge, and so on, all commenced at the same time, the result was that there was no co-ordination of various work types in the construction industry as required. A mismatch occurred when workers had to be imported for some work types while workers in some other work types became underemployed or were forced out of their jobs.

Madam Deputy, I support an increase in infrastructural investments, and that applies to the Chief Executive's pledge made last year to invest \$600 billion in infrastructure projects over the next 10 years as well as the remarks made by the Financial Secretary earlier to make an average annual investment of \$29.4 billion. However, I hope that the Government would not repeat its past mistakes in infrastructure development. There should be holistic consideration made on the part of the Government on the injection of capital, technology transfer and giving priority to employing local workers in the promotion of employment opportunities, in order that the community as a whole will reap the greatest benefits.

I so submit.

**MR IP KWOK-HIM** (in Cantonese): Madam Deputy, according to legend, the Buddha was tested before he became the Buddha and he had to cut out all his flesh in exchange for the eagle not eating the pigeon. The Buddha sacrificed himself for the sake of others and he finally rescued the life of the pigeon. Had the then British Hong Kong Administration elected not to include a clause to protect the local economy when it executed the Agreement on Government Procurement of the World Trade Organization since it had to give play to the spirit of sacrificing its own interests for the sake of others? Its generosity at that time has become a burden today. Since Hong Kong is one of the parties to the Agreement on Government Procurement of the World Trade Organization, now that we have executed the Agreement, we have to fulfil our commitments. What has passed has passed and we will not affix the motives and responsibilities for executing the clauses at that time, but we should consider what the SAR Government could do without breaching the Agreement. The Democratic Alliance for Betterment of Hong Kong (DAB) asks the Government to try its best to support the development of the local economy without breaching the Agreement in order to increase job opportunities.

As specified in the Agreement on Government Procurement of the World Trade Organization, construction projects of over HK\$50 million should strictly abide by the tender procedures under the Agreement. As far as I understand it, other countries have policies on the treatment of nationals such as the Buy American Act for procurement activities below this threshold amount. According to the Buy American Act, procurement items below the agreed

threshold amount must purchase the products of domestic suppliers in the United States. However, Hong Kong is so honest that we fully comply with the Agreement regardless of whether the procurement amounts are above or below this threshold and it has failed to protect the local construction industry.

The DAB hopes that priority can be given to the employment of local workers for projects below the threshold amount and, at the policy formulation level, the SAR Government should encourage conduct of the work processes of projects below the threshold amount in Hong Kong to increase job opportunities.

For instance, can the Government encourage the establishment of plants for the manufacture of precast components in Hong Kong? Such plants are now established in the Mainland and Mr Albert CHAN has just said that the precast components are manufactured in Dongguan before being transported by barges to Hong Kong. Can the SAR Government offer preferential land prices to attract the relocation of precast component plants back to Hong Kong? If so, the Government will be able to attract them to return to Hong Kong with reduced transportation costs and increase job opportunities. As estimated by the sector, the industry can provide 1 000 to 2 000 job opportunities.

Why are we so concerned about the livelihood of people in the construction industry today? Actually, the figures below make it impossible for the DAB not to show concern. At present, the unemployment rate in the local construction industry is 15.8%, that is, more than 50 000 people are unemployed, and 40% of some 100 000 construction workers are underemployed or unemployed. The nine extraordinary measures recently announced by the Government, that is, the so-called "SUEN's nine strokes" such as suspending the construction and sale of HOS flats and suspending land auctions and the Application List for one year, have led the construction industry into an ice age. Therefore, the DAB earnestly hopes that the Government will not apply the tenth stroke and even suspend infrastructure projects, otherwise, the consequences will be very serious.

Of course, while Hong Kong faces serious fiscal deficits, we cannot spend without restraint. Standard and Poor's, an international rating agency, has pointed out that the fiscal deficits have constituted sustained financial pressure on the Government and if they are not resolved within two to three years, they may affect the existing credit rating of Hong Kong.

Therefore, the DAB hopes that the Government can consider making better use of the forces of the private market to carry out infrastructure projects. The Government also adopted the BOT mode for the Cross-Harbour Tunnel in Hung Hom in the past, under which private organizations were responsible for financing. The advantage with this is that the Government could carry out infrastructure projects without spending a lot of public money. It merits the Government's consideration whether it should adopt such a method for the construction of the Hong Kong-Macao-Zhuhai Bridge and the container terminal on Lantau Island. The DAB hopes that the Government will carry out infrastructure projects in a targeted and selective manner including the establishment of the position of Hong Kong as a logistics centre or the cross-boundary transport trunk routes or facilities to speed up the integration between China and Hong Kong. The Government's strategies should avoid launching small-scale works that are not urgently required in different areas of Hong Kong.

Infrastructure projects should be carried out in order of importance and urgency, but the Government cannot suspend such projects at once, otherwise, it will turn the whole construction industry into a prehistoric dinosaur. Therefore, with the enormous fiscal deficits looming over us, we hope that the Government can determine the priority of the projects and make prudent use of the tight resources.

I so submit. Thank you, Madam Deputy.

**MR NG LEUNG-SING** (in Cantonese): Madam Deputy, the Composite Consumer Price Index, a major indicator reflecting the economic performances and changes of Hong Kong, began to come down in November 1998 and has since continued to fall. Over the past four years or so, a deflation has prevailed in Hong Kong, and the accumulated deflation rate has exceeded 12%. This shows a continued shrinkage in the overall consumption and capital investment in the Hong Kong economy. If this situation persists, a negative message would likely be struck home and it would be interpreted as a lack of confidence among the enterprises and the general public in our economic prospects.

At present, in the economy of Hong Kong, government expenditure accounts for as high as 20.2% of the Gross Domestic Product, in which infrastructure expenditure takes up 2.74%. Therefore, the Government's investment on infrastructure has considerable influence on the local economy in

terms of demand. Trimming down this area of investment would naturally create an adverse impact on the recovery of the economy as a whole. Certainly, given tight public finances at present, caution is warranted in any spending out of public coffers. But infrastructure is an essential long-term investment. It cannot be assessed solely by short-term economic benefits. Rather, consideration must be given to its contribution to the long-term development of Hong Kong. In other words, long-term economic and social benefits are the essential criteria for assessment of the necessity of infrastructure projects.

Moreover, while considering the current status of public finances, we must at the same time conduct a reasonably clear analysis of the fiscal deficit. Government revenue and expenditure are divided into recurrent or non-recurrent categories. Expenditure on infrastructure works comes under capital investment, and is a major expenditure in the non-recurrent accounts of the Government. As the Financial Secretary said in the 2002-03 Budget, for investors and international rating agencies, a balance of the recurrent accounts is more important than a balance of the non-recurrent accounts. In fact, insofar as the non-recurrent accounts of the Government are concerned, a deficit was recorded in seven of the past 10 years. In other words, the non-recurrent accounts of the Government may not necessarily achieve a balance even when the economy is thriving, let alone in the current economic conditions, particularly at a time when the revenue from land sale has drastically decreased. Therefore, in dealing with the deficit problem, the Government should, as a priority task, endeavour to achieve a balance of the recurrent accounts expeditiously, rather than suppressing infrastructure expenditure. While the latter may make up for the deficit in the recurrent accounts with a reduction of the non-recurrent expenditure that may achieve a balance of the Consolidated Account, this will only cure the symptoms rather than tackling the problem at root, and will not be helpful to resolving the fiscal deficit and maintaining the confidence of investors.

Madam Deputy, I remember that I moved a motion in this Council in February last year on expediting the implementation of public works projects, and won support from Honourable colleagues of this Council. So, today, I will certainly support the original motion of Dr Raymond HO. I so submit.

**MR LAU PING-CHEUNG** (in Cantonese): Madam Deputy, although the overall unemployment rate in Hong Kong has dropped for two consecutive months, the unemployment rate in the construction industry is still on the high

side. According to statistics for July to September, the figure stood at 15.6%, far higher than the overall unemployment rate of 7.4%. Therefore, I speak in support of Dr Raymond HO's motion which urges the Government to maintain its commitment to infrastructure development.

I agree that the Government, in the face of a fiscal deficit, has to increase revenue and cut expenditure. On cutting expenditure, I think the Government should examine from a higher level the impact of the measures adopted to cut expenditure, so that they would not deal an unbearable blow to any particular industry or group in society. On the other hand, when launching development projects, the Government should consider all feasible options with a view to creating a positive impact on society, so that the expenditure can stimulate the economy and create employment opportunities.

The Secretary for Housing, Planning and Lands announced earlier nine measures to stabilize the property market. They include cessation of the construction of HOS flats, a moratorium on land sale, co-ordinating the supply of housing by the two railway corporations, and so on. I support these measures which are conducive to the healthy development of the property market in the long term. But in the short term, they will affect the construction industry to some extent. Therefore, the Government must pay close attention to the progress of construction projects in the private sector and adjust government projects accordingly, in order not to deal a double blow to the construction workers at the same time.

I wish to point out that infrastructure includes not only roads, bridges, airport, piers, and so on, but also community facilities, such as schools and libraries. Insofar as government projects are concerned, apart from their cost-effectiveness, consideration must also be given to their economic and social benefits. Moreover, in respect of financial arrangements, particularly in view of tight government finances, it is all the more necessary to find ways to encourage as much participation from private consortia as possible, so as to capitalize on the talents and capital of private consortia, thereby expediting the implementation of works projects and creating more employment opportunities, and hence increasing the multiplier effect of the projects in stimulating the economy. If private consortia are further allowed to participate in the future operation, management and the maintenance of such infrastructure, it would be even more conducive to streamlining government structure.

Madam Deputy, I wish to cite an example to illustrate the impact of infrastructural investment on the economy and employment.

Early last year, the Government organized a planning and design competition in relation to the project on developing an integrated arts, culture and entertainment zone in West Kowloon. While the results of the competition had already been announced early this year, no progress has since been made with regard to the entire project. Had the Government linked the development and operating rights of the business and cultural sites in the area with the planning and design of this zone at the outset, that is, if the contestants were required to submit also the financing, operational and management proposals, then after the results of the competition were announced, the winning consortium could immediately proceed with its plan, which would then provide employment opportunities. In that case, capital injection by the Government would be unnecessary, and the Government would not have to worry about the future operating costs. This could even help streamline the management structure of the Government.

Madam Deputy, in the middle of last month I asked a question in this Council, urging the Government to allow more participation by private consortia in public works and service delivery. While the official who answered my question stated that the Government would encourage participation from the private sector, he did not say specifically which projects could be introduced for private participation and investment in the coming year. According to reports in the media, a private consortium once expressed willingness to build the Government Headquarters at Tamar at its own costs in exchange for the lease of the Headquarters building by the Government on a yearly basis for a specified number of years in the future. If that is true, and if the relevant consortium could guarantee the creation of a certain number of job opportunities in the territory, then I think the proposal is worthy of detailed consideration by the Government.

On the amendment proposed by Mr Albert CHAN, which urges that all the work procedures of the infrastructure projects be undertaken in Hong Kong and priority be given to local workers, I support it in principle, for more job opportunities can be created. But there will be difficulties in implementation and enforcement. For example, some companies might easily transfer the design work to overseas with the use of information technology, or they might assign certain production procedures, such as the production of prefabricated



parts, to the Mainland. So, the proposal would be restricted by the objective circumstances and might increase the production costs. Therefore, everything has to be decided by the market.

Madam Deputy, I so submit.

**MS MIRIAM LAU** (in Cantonese): Madam Deputy, Hong Kong has over 2 000 km of roads, three cross-harbour tunnels, three sea channel bridges, nine vehicular tunnels, and more than 140 km of rail. These are vital assets which have been slowly built up over the past decades. Their vital importance lies in the fact that all through the fat and lean years, Hong Kong has been maintaining its investments in the transport infrastructure and this has never stopped. The transport infrastructure facilitates the smooth flow of passengers and goods and contributes to Hong Kong's leading position in freight transport as a hub for the same.

For four years in a row Hong Kong has been in a mire of deflation and in this is expected to continue for some time in the future. The economic restructuring and sluggish economy have served to push up our jobless rate. Therefore, it is very important that the Government should think about how to honour its pledge on infrastructural investments in order to stabilize the overall economy and to prevent further contractions in economic activities and rise in the unemployment rate.

The Liberal Party welcomes the proposal made in the Chief Executive's policy address last year to invest in the next 10 years a total of \$600 billion in infrastructure projects jointly with the two rail corporations. Such projects include a vigorous expansion of the domestic rail system and cross-boundary facilities, especially enhancing the integration and co-operation with the Pearl River Delta Region. All these would offer an important way out for the economic development of Hong Kong in the future.

The Chief Executive has mentioned that the intention to develop the logistics industry and the Financial Secretary has also pointed out in this year's Budget that Hong Kong should make use of its edge in sea and air transport to consolidate its position as an international logistics centre. He also pledged to speed up the completion of the Shenzhen Western Corridor, the improvement works to border facilities at the Lok Ma Chau Control Point and the extension

works at the cross-boundary facilities. All these are moves in the right direction. As China, our Motherland, is a great hinterland for us and as it has turned into a factory of the world, the vital role played by the Pearl River Delta (PRD) Region in the production of export goods will become more noticeable. With an ever-increasing volume of export goods produced in the region, there is a need to vigorously develop the logistics facilities to match these developments.

With the economic takeoff of the Mainland, there will be more frequent contact between residents of the PRD and Hong Kong. An enhanced investment in the cross-boundary infrastructure in Hong Kong and Guangdong will facilitate this interflow, and this will be beneficial to the economic development of Hong Kong. The fact that our cross-boundary facilities were unable to cope with the crowds when the Mainland relaxed its control on its residents travelling to Hong Kong proves that we really have to improve or enhance the relevant infrastructure construction.

If the Government does not increase its investment in such hardware at this time of an economic downturn so as to enhance our advantages, not only will we be unable to meet the rapid growth in demand when the economy picks up again, our competitive advantages as opposed to that of our neighbours will also be undermined. If we should, out of our concern for the huge fiscal deficits, suspend some important works projects, we may have to pay a heavy price as we will lose more than we can gain in the end. Therefore, we welcome the attempt by the Administration in clarifying the earlier remarks made by the Financial Secretary on "economic benefits", explaining that the works projects will not be abandoned, and the pledge made to the effect that a total of infrastructural investment of \$147 billion will be maintained over the next five years.

In order to ease the financial pressure of the Government and increase the benefits of these works projects, we agree with Dr Sarah LIAO that positive consideration will be made to introduce private sector participation. This is in line with the view expressed by Premier ZHU Rongji when he visited Hong Kong last month. Premier ZHU gave the green light when he showed his support for the building of the bridge linking up Hong Kong, Zhuhai and Macao. Since some consortia have shown interest in building the bridge a long time ago, the Government should make efforts to make this plan a reality. Furthermore, the Liberal Party has always supported this plan, for presently Hong Kong has more transport links with the central and eastern parts of the PRD but it is not so

with the western part. The bridge can link Hong Kong up with the western part of the PRD and Macao. This will help us gain access to more resources and further consolidate our leading position in freight transport in the PRD and our position as a bridgehead in China's trade with the world. Moreover, more foreign investments can be attracted to Hong Kong.

Madam Deputy, the amendment mentions that works projects should be subject to the requirements found in the World Trade Organization Agreement on Government Procurement. We agree that as an international city, Hong Kong should open our works projects to all interested contractors over the world for bidding in a fair and open manner. But if we make it compulsory requirement in our invitation to tender that all works procedures must be undertaken in Hong Kong, this will not be practicable as we have limited land, plus the problem of the availability of related technology and professionals. It is likely to add to the costs and hence affect the economic benefits if the requirement is to be imposed as compulsory.

On the question of giving priority to employing local workers, in the view of the Liberal Party, the most important thing is that certain leeway should remain in that contractors are not required to employ all their staff in Hong Kong. For if not, the contractors may not be able to hire all the staff they need and hence the progress of the projects would be affected. This will in turn adversely affect our economy and employment opportunities. The Liberal Party will support this priority in employment idea provided that it will not affect the progress of the works concerned.

With these remarks, I support the original motion.

**MR ABRAHAM SHEK:** Madam Deputy, in early October, the Financial Secretary suggested that he would cut public works projects that were not cost-efficient. His comment triggered widespread concern about the Government's funding commitment to infrastructure projects. Under strong public pressure, the Secretary later reassured us that the Government remains firmly committed to all currently planned projects. From now to 2007, the Government's capital works expenditure will total \$147 billion (or an average annual spending of \$29.4 billion).

I welcome the Government's reassurance. But I do not feel reassured at all. My reason is simple. Hong Kong's deficit, which has become the Government's biggest headache, does not show any signs of weakening. If the deflationary situation does not improve as hoped, or if the planned expenditure-control measures fail to reduce government spending, the Government would likely resort to more radical ways to restore fiscal balance. The Financial Secretary's earlier comment, then, suggests what the potential last resort is. There is reasonable concern that the Government might disregard the economic and social benefits of infrastructure projects and unilaterally halt the implementation of the currently planned public works in the next two to three years.

Besides, the Government does not exactly have an excellent track record of keeping promises. There is precedent of other broken government promises with regard to the construction sector. The Government had committed to creating 20 000 posts in the construction and civil engineering sectors between 2001 and 2002. So far, only 5 000 positions have materialized.

In my view, to maintain Hong Kong's long-term competitiveness, the Government should not, and must not, so hastily surrender any infrastructure items and should, instead, do the opposite by investing into the future by embarking on more projects.

For one, Hong Kong's economic success is built on our sound infrastructure network. By heavily investing in our foundation over the past few decades, Hong Kong has secured a leading role as Asia's hub in road, sea and air traffic. The Government fully understands the economic significance of infrastructure, and proudly promotes Hong Kong's achievement to overseas investors. Recently, the Chief Secretary for Administration and the Financial Secretary, on separate business trips to Japan and Europe respectively, have again promoted Hong Kong's first-rate infrastructure in the Pearl River Delta Region. Delaying or cutting certain projects due to current financial considerations may relieve the Government's burden in the short term. But it will hurt us in the long haul. What the Government should do is to make even more investments in infrastructure to improve cross-border traffic, internal transit systems and local community facilities.

I suggest that the Government should study the formula of success among the rapidly emerging mainland cities in the Pearl River Delta Region. Many of

these local governments in the Region have placed great emphasis on infrastructure building. They are determined to overcome their budget constraints and launch new projects through securing foreign investments or even loans. Their determination is based on an understanding and confidence of the long-term benefits of these projects. Presently, Hong Kong enjoys financial stability that is supported by a depleting surplus. I believe that we are in an even better position to overcome financial constraints than the cities in the Pearl River Delta Region. Some may argue that it is not feasible to use Hong Kong's reserves to launch more infrastructure projects. But there are other possible funding methods, such as encouraging private investment and participation.

This approach is commonly known as Private Funded Initiative (PFI). The private sector will finance, design and build the PFI projects. The Government then repays, in regular instalments, for the use of the facilities over a fixed period of time. By tapping the massive reserve of private enterprises, the Government can help cut its budget deficit as well as encourage greater construction quality. It should be noted that local private sector has been crying for greater participation in public infrastructure. But they can do so only if they are given the opportunity. I am happy as, in this very afternoon, the Secretary assured us that the Government was seriously considering this route.

In addition, maintaining infrastructure investments will help relieve the unemployment problem. The present jobless rate in the construction sector is nearly 16%. With the Government's decision to cease the Home Ownership Scheme and slow down the construction of public rental units, the sector's jobless rate will likely climb even further. I hope that the Government will take heed of this debate and encourage more work in promoting the infrastructural development of Hong Kong.

**MR ABRAHAM SHEK** (in Cantonese): Madam Deputy, I also wish to respond to the support and care expressed by Mr Albert CHAN for the seven Members of the Breakfast Group. I know that Mr CHAN has been subject to a lot of pressure recently. If he is interested in finding out how the seven Members of the Breakfast Group work for the people of Hong Kong and the community of Hong Kong, he is welcome to join us for breakfast at 7.45 am on every Tuesday morning. In this Chamber, he is not the only hero. Every hero here is dedicated to working for this society of Hong Kong, the people of Hong Kong and their constituents. Although I may not see eye to eye with him on some issues, we are all working for the benefit of Hong Kong. If Mr CHAN is interested in joining the seven Members of the Breakfast Group in their work, he is always welcome. Thank you.

**MS AUDREY EU** (in Cantonese): Madam Deputy, the development of infrastructure has all along been widely considered a miraculous cure for vitalizing the economy. Soon after the outbreak of the 4 June Incident, the development of the Rose Garden Project announced by former Governor of Hong Kong, Sir David WILSON, successfully boosted the weak popular faith and produced a time of fervent economic development.

After the reunification, the SAR Government also liked to employ this strategy. After the burst of the bubble economy, Mr TUNG Chee-hwa has continuously proposed the development of large infrastructural projects such as the Cyberport, Disney theme park, various large-scale major trunk roads and railway projects, a brand new international exhibition centre, and so on, but unfortunately they have failed to bring about economic prosperity. Conversely, we have only seen government officials trying to expeditiously launch the "pet projects" advocated by the Chief Executive at all costs. For instance, with the Cyberport project, the Administration destroyed the consistently fair tender mechanism, the development of the Disney theme park has encountered many problems including the pollution from the Cheoy Lee Shipyard, and the Government bypassed this Council in making its own decision to subsidize with dividends the construction of the Penny's Bay Railway by the MTR Corporation Limited. Taxpayers have to pay the price of hundreds of millions of dollars for these incidents even before they can enjoy economic benefits.

The vigorous infrastructure development by the Government will inevitably increase the financial burden on the public coffers. Mr TUNG proposed in his policy address last October a "new Rose Garden" infrastructure project of a total value of \$600 billion in an effort to vitalize the economy. Less than a year later, Mr Antony LEUNG, the Financial Secretary, indicated that another review would be conducted on infrastructure projects and projects that lacked economic benefits would be halted. It gave people an impression that "the present is different from the past" and I believe this is the background that lined the motion debate today.

Madam Deputy, infrastructure projects may not necessarily be able to vitalize the economy, and I do not agree with increasing job opportunities through infrastructure development. The fact before us is that the public has not enjoyed the benefits of vitalizing the economy as a result of the economic benefits of the infrastructure development. Given the worsening fiscal deficits,

the Government needs to spend money more prudently. In a nutshell, it must spend where it is worth, otherwise, taxpayers will ultimately be victimized.

For the reasons above, I do not oppose reviewing the priorities of infrastructure projects and I do not agree with the proposal in the original motion that the Government must adhere to its commitment of investing an average of \$29.4 billion in infrastructural investments in the coming five years. Of course, I absolutely support the Government if it can attract more private investments in infrastructure projects. But if it fails in such bids and decide to give low priority to the development of certain infrastructure projects, it must give convincing reasons rather than shelving some projects just because of the strong opposition of some people.

Financial Secretary Antony LEUNG has said that priority should be given to competitive infrastructure projects, but I am sorry that I cannot readily subscribe to his view if he is saying that competitiveness is equal to economic benefits. However, I agree with the original motion in this regard, that is, in reviewing the priority of infrastructure projects, the Government should not only focus on the economic benefits. In fact, many minor projects such as works on road or estate facilities in the districts or flood prevention works in the rural areas may not have very high economic benefits but will benefit the public direct.

On the whole, in reviewing infrastructure projects, the Government should consider both the economic and social benefits of these projects. The Government should make more prudent consideration for some projects of enormous scale and with considerable investments such as major trunk road projects and it is the best if it can introduce private capital as suggested by many colleagues. It has recently been reported that the Government will co-operate with private developers in the construction of a "walk of fame" in Tsim Sha Tsui in the hope of developing the place into a new popular tourist spot. Similar modes of development are worth examination indeed. Certainly, when the Government and the business sector negotiate over any project agreements, they should do so under the premise of public interest and there can definitely not be any illicit transfer.

Madam deputy, I have recently noted the Financial Secretary as indicating in a recent television report on his visit to the Netherlands that Hong Kong has a \$300 billion reserve at its disposable and that it can absolutely cope with the

construction of the Hong Kong-Macao-Zhuhai Bridge. I was very astonished at learning about this remark. Although Secretary Antony LEUNG has mentioned private sector participation in connection with the construction of the bridge, the report has given people a message that Hong Kong is very rich and it can definitely construct the bridge on its own. Given that private consortiums are willing to participate in the construction of the bridge, the Government should actively consider how it can co-operate with the private and business sectors and it should not say that there should be a tax increase or civil service pay reduction, or give people a message, while there are very serious fiscal deficits, that the Government has a huge reserve and it can definitely construct the bridge on its own. It seems somewhat unwise to give such a message at this time.

Madam Deputy, I am sorry that I cannot support the original motion and the amendment. I will withdraw from the Chamber during the voting later on to avoid impeding the passage of the original motion or the amendment. Thank you, Madam Deputy.

**MR ANDREW CHENG** (in Cantonese): Madam Deputy, I rise to speak on behalf of the Democratic Party in support of the amendment of Mr Albert CHAN who has just withdrawn from the party and may have breakfast with some other people every day to prove that there can be plenty of room for co-operation among Members belonging to different parties and groups.

Madam Deputy, under the principle of compliance with the Government Procurement Agreement of the World Trade Organization, all work processes of infrastructure projects should be carried out in Hong Kong and the requirement of giving priority to the employment of local workers must be met. I am going to present to the Government four points on infrastructure investments on behalf of the Democratic Party:

Firstly, addressing squarely the reduction of public sector construction sites and construction workers.

Information of the Census and Statistics Department of the Government on the quarterly statistics report related to employment and vacancy at construction sites indicates that, as at the end of June this year, there are a total of 394 public sector construction sites in the territory including building and civil engineering



sites, reduced by around 11% as compared to 443 sites recorded during the same period in 2000, and reduced by approximately 6.2% as compared to the number recorded during the same period in 2001. There were a total of 31 823 construction workers employed at public sector construction sites up to the end of June this year, representing obvious reductions of 27% and 13.2% as compared to 43 782 workers during the same period in 2000 and 36 645 workers recorded during the same period in 2001. Evidently, the numbers of public sector construction sites and construction workers employed by the Government for infrastructure projects have reduced year on year during the past two years.

Concerning the data on the unemployment rate, the unemployment rate between June and August 2000 and 2001 was equally 4.9% and the unemployment rate between June and August this year rose to 7.6%. The information on the analysis of the breakdown by industry data on the unemployed population indicates that the percentage of unemployed construction workers in the past two years accounted for 22% to 25% of the overall unemployed population and the median period of their sustained unemployment was 59 days and 55 days, and the number increased to 66 days in the past three quarters this year. Madam Deputy, the series of numbers above illustrate the fact that the numbers of new public sector construction sites are declining, affecting the livelihood of construction workers. With the recent tightened housing policy and the influence of the suspension of HOS programme and reduction of public housing construction, the numbers of public sector construction sites and the construction workers to be employed in future would certainly decrease further. Therefore, the Government should consider increasing the infrastructure projects to make up for the numbers of public sector construction sites and construction worker posts lost.

(THE PRESIDENT resumed the Chair)

Madam President, secondly, co-ordination of infrastructure projects with the training policy.

Today, one of the solutions to the unemployment problem adopted by the governments of various countries is promoting the training and retraining policies to enhance the competitiveness of nationals, but the effectiveness such policies depends on whether the relevant policies are suitably matched. Taking

the year 2002-03 as an example, the Construction Industry Training Centre has offered construction industry training and retraining courses and it is projected that the total number of new trainees on full-time training courses will reach 3 384 and there will be 160 000 attendances for other part-time courses. In other words, the human resources in the market joining the construction industry are continuously increasing but the relevant policies of the Government on the creation of job opportunities for construction industry workers, for example, the policy for the construction of public housing and infrastructure projects have failed to tie in with these increased manpower resources. As a result of the lack of co-ordination between various policies made by the Government, the relevant policies will fail to give play to their due efficiency, thus wasting resources and obstructing the pace of economic recovery. Thus, the Democratic Party suggests that the Government must discuss with the training organizations and make estimates of the supply and demand of workers when it makes plans for infrastructure projects. Nevertheless, the Government should after all encourage and assist the contractors of projects to implement the employment of construction workers on permanent basis to enable the more effective implementation of the relevant training policies, better attract young people to join the construction industry and promote the diversified development of the labour market.

Thirdly, the Government should honour its pledge of creating jobs.

A month or so ago, the media reported that the Financial Secretary intended to halt infrastructure projects that were not cost-effective with the objective of solving the fiscal deficit problem by cutting expenditure. In the face of the prevailing deflation, the Democratic Party thinks that the Government should not delay the timetable for the implementation of infrastructure projects and it should conversely pace up the launch of infrastructure projects and spare no effort in honouring its pledge in the 2001 policy address of creating 30 000 jobs. In fact, information provided by the Task Force on Employment shows that the pace of job creation by the Government has not been satisfactory and it could only provide 5 900 jobs up to the end of September this year, that is, 19.6% of the 20 000 jobs that it should originally create in respect of such projects. The remaining 80% of jobs will only be created next year or even the year after next. In view of the existing progress of the creation of jobs by infrastructure projects, one of the important reasons why the Government has still failed to achieve the objective despite the long lapse is that the contractors of infrastructure projects have moved the work processes for completion to places

outside Hong Kong. Hence, the Democratic Party suggests that the Government should require the completion of all work processes of infrastructure projects in Hong Kong and jobs will then naturally increase. We believe that the steady increase in construction industry jobs is the basis for the comprehensive implementation of a system of permanent employment in the construction industry.

Fourthly, not underestimating the social benefits of infrastructure projects.

Every government should be obligated and committed to making investments in huge infrastructure projects and they should make plans for and implement such projects regardless of the costs so long as the infrastructural investments are consistent with public interest. If the Government only lays emphasis on the economic benefits and overlooks the social benefits and delays certain infrastructure projects, it may have to pay a very high price. We think that the Government must continue to make investments in infrastructure projects so that local and foreign investors will be assured of making investments in Hong Kong to promote the long-term economic development of Hong Kong. On the contrary, another definite adverse effect of reducing investment in infrastructure projects is aggravating the local consumer market which is already extremely weak. How can people have confidence in spending if even the Government, the biggest employer in Hong Kong, is reluctant to increase expenditure on infrastructure?

Lastly, the Democratic Party would like to take this opportunity to call on the Government to look squarely at the problem of the wages in arrears of the workers for outsourcing work initiated by infrastructure projects. According to a rough estimation made by us, during the 11 months since the beginning of this year, the wages in arrears of construction industry workers at public and private sector construction sites reach \$173 million, involving at least 3 400 workers. These workers who are exploited by unscrupulous employers can only seek help from the Protection of Wages on Insolvency Fund. If this trend continues, the income of the Fund will persistently fail to meet its expenditure, which is extremely unfair to law-abiding employers and workers who have toiled hard. The Democratic Party urges the Government to expeditiously plug the loopholes of the legislation on the applications for Protection of Wages on Insolvency Fund to avoid abuse of the Fund.

Madam President, I so submit.

**MR AMBROSE LAU** (in Cantonese): Madam President, last year, the Government announced a commitment of \$600 billion for infrastructure projects. Given a worsening deficit, the Financial Secretary, Mr Antony LEUNG, stated that infrastructure projects which were not cost-effective would be "dropped" or infinitely deferred. This has aroused some concern in all sectors of the community. Some worry that this will indirectly cause the unemployment rate to rise. Some consider that the Government has been changing its policies all the time and that this will undermine the people's confidence in the Government.

There is indeed a need for the Government to examine what infrastructure projects are less cost-effective. The Financial Secretary has also stated that given the volatility of the economy, he would study with various Policy Bureaux every year to see which projects in the view of the Government should be launched, which should be deferred and which should be dropped. But if the Government considered solely their cost-effectiveness and adopted a policy to cut infrastructure projects across the board, the employment situation and long-term development of Hong Kong would be adversely affected.

Therefore, the Hong Kong Progressive Alliance considers that the Government should formulate the infrastructure policy and plans based on a diversity of factors.

Firstly, in view of the economic downturn and sustained deflation, the Government should not cut its infrastructure programmes. The Government is already grossly inefficient in launching infrastructure projects, because a project will have to be endorsed first by the Territory Development Department and then by the Planning Department. Then it will have to go through public consultation and gazettal procedures; then it will have to be vetted by the Highways Department, Drainage Services Department, Environmental Protection Department, and so on. This red tape steeple chase is very long, with lots and lots of barriers, and it often takes several years for the entire process to complete. This will invariably caused long delays, where there is all thunder but no rain. The matching connection on the Hong Kong side with the Shenzhen Western Corridor, the fisherman's wharf in Aberdeen, the Lok Ma Chau Spur Line and the cable car system in Tung Chung are some examples showing that the Government has launched infrastructure projects at a snail's pace. Under such circumstances, if the projects would have to be "dropped" or deferred infinitely, all such projects would be going nowhere and would turn out to be just empty words in the end. As a result, the deflation would only be aggravated to the detriment of employment.

Secondly, the economic benefits of infrastructure programmes should be viewed from a broader perspective and from how they can benefit the long-term development of Hong Kong. In order to enhance the linkage with and the support facilities for infrastructure in the Pearl River Delta, the relevant infrastructure programmes cannot be delayed or shelved. On the contrary, they must be launched at a quicker speed. If a smooth and free flow of passengers, cargoes and vehicular traffic could be achieved between the two places, Hong Kong would be the biggest beneficiary. Regarding the construction of checkpoints, the Shenzhen Western Corridor, and a bridge linking up Hong Kong, Zhuhai and Macao, we must seize the opportunity, make sound preparations, and embark on these projects as soon as possible. Delays in these infrastructure projects would only undermine the competitiveness of Hong Kong and let slip the opportunity to ride on the economic momentum of the Mainland to spur the recovery of Hong Kong.

Thirdly, given the tight finances, the Government must encourage private investment in developing infrastructure programmes. This can not only ease the pressure of the fiscal deficit, but also enable the community to obtain business opportunities. Furthermore, if commercial principles can be introduced into the relevant infrastructure programmes, the cost can be reduced and the progress of the works be expedited. In the past, the cross-harbour tunnel in Hung Hom also allowed the investor to enjoy franchise for a certain period of time. The Disney theme park as well as the Cyberport have also introduced private sector participation in different ways. This will be better than a "solo performance" by the Government in terms of efficiency and benefits.

Fourthly, the value of infrastructure development in creating jobs and counteracting deflation cannot be brushed aside because of the fiscal deficit. The job opportunities to be created should be an important criterion determining whether an infrastructure project should be launched or abandoned. According to statistics, one in every six people engaging in the construction industry is out of work, and the jobless rate in the industry is far higher than that in other industries. So, with regard to the \$600 billion infrastructure programme, it is inappropriate to shelve and defer the projects before they actually commence.

Madam President, I so submit.

**MISS CHAN YUEN-HAN** (in Cantonese): Madam President, the Hong Kong Federation of Trade Unions (FTU) supports the original motion and the amendment today because, as we can see, many places and countries attach importance to infrastructure when the economic situation is not promising or when they are set to embark on economic development. The SAR Government stated in the policy address last year that \$600 billion worth of infrastructure projects would be carried out within 15 years and that this would be one of the measures to solve our unemployment problem.

We have recently had discussions on the future development related to infrastructure in Hong Kong, Macao and the Mainland for many times and we have also considered the development of Western China. In other words, infrastructure projects are carried out not only for the sake of future development but also to create job opportunities. Therefore, we welcomed this proposal made by the SAR Government last year. However, the Financial Secretary had made some other proposals soon afterwards that caused us to fear. So all this has induced the debate today.

I hope the SAR Government can implement a very strong and explicit policy. Now that the Government has made some proposals, it cannot say something today and say something else tomorrow for it will inevitably make people have doubts about the actual situation. As regards the business sector, it sometimes does not know what the Government wants to do. Since the Government stated specifically in the policy address last year that the relevant infrastructure projects would be developed in the future not only to address the problem of our future development but also to solve the unemployment problem, I hope that the Government will give us a very clear account in this respect.

Moreover, I wish to say something about infrastructure. In the past, Dr Raymond HO and other Honourable colleagues, including Mr Edward HO, a former Member of this Council, did ask time and again why the benefits from our infrastructure had very often not benefitted Hong Kong. In other words, Hong Kong people do not necessarily carry out the work processes and designs of quite a number of infrastructure projects. The issue has all along been discussed in the Legislative Council and officials in charge of public works have been repeatedly asked to consider how Hong Kong people can participate in infrastructure projects including the employment of local workers and the use of local products in the light of the actual circumstances in Hong Kong.

The Government must think about this issue now. Although there are good infrastructure projects that can promote future economic development and create job opportunities, if there are no corresponding measures to meet the requirements of the Procurement Agreement, we believe Hong Kong will ultimately not be benefitted through any infrastructure projects that may be carried out. Even if we invest hundreds of billions of dollars in infrastructure projects, if the Government does not think of ways to meet the requirements of the Procurement Agreement, I am still very worried because it will affect whether we can instantly address the employment of grass-roots workers, professionals and other people. Therefore, I really hope that the Government will think about that.

After the Chief Executive had formed a new team for the SAR Government in the second term this year, officials in charge of employment affairs visited this Council to discuss the Procurement Agreement that the Government must observe, that is, the agreement that we must observe after our succession to the WTO in 1996. Due to this Agreement, many things cannot be produced or carried out in Hong Kong. At that meeting, some Members reminded the Government to think over it before giving us an answer, but it is now December and the Government has still not given us an answer at the last meeting of the Panel on Manpower. It is my usual practice to become worried if the Government has not given an answer because the road to happiness must be strewn with setbacks.

I am worried that Mr Frederick MA, the Secretary for Financial Services and the Treasury, may finally say that we have to withdraw from the WTO (some Members have made such a suggestion) but quite a few Honourable colleagues think that we have to consider it carefully for we will be criticized by the others if we withdraw from the WTO just like the case when the United States withdrew from other international provisions. We have to make such a step very carefully and the FTU thinks that there will be difficulties regardless of whether we withdraw from the WTO or not. How can a balance be struck between the two? When we make up our mind to carry out infrastructure projects, we can fight for more projects but there will be very serious problems if we can ultimately not allow local workers and professionals to carry out such projects. How can local people be assured of participation in the projects? In my view, Mr Frederick MA, the Secretary for Financial Services and the Treasury, and his peer officials must free the Government from the restraints to which it is subject to after executing the Procurement Agreement upon accession to the WTO.

They must think of ways to let local people carry out infrastructure projects valued at tens of millions of dollars and participate in procurement contracts worth millions of dollars locally. The amendment proposed by Mr Albert CHAN today is precisely about this.

The Government has so far failed to give us an answer and I guess — I merely guess — that the Government may all along have the concept of not intervening in the market because this is the eighth or ninth year that Hong Kong has won the reputation of being the freest trading region in the world. Nevertheless, I wish to tell the Secretary that a price has to be paid for this freedom. Under globalization of world economy, freedom will certainly lash at Hong Kong in the process of development. We are now already considered as a developed rather than a developing place because the wages and materials in our neighbouring regions are cheaper than ours. What can we do now that we have executed the WTO agreement? Under the present circumstances, Hong Kong will certainly not benefit from the employment, economic and infrastructural activities ultimately. Thus, I hope the SAR Government can get rid of the concept that Hong Kong is the freest place and refrain from doing nothing in blind embrace of the vanity of being the freest place.

I wish to tell the Government that Hong Kong is certainly different from the United States and Japan. For instance, the Federal Government of the United States has executed the Government Procurement Agreement and procurement is open within the scope of the Federal Government, but the State Governments will take measures to protect employment within the scope of the States. How is the situation in other countries and Hong Kong? What can such a small place as Hong Kong do? The labour sector and professionals have suggested that the contracts can be divided into smaller contracts or different projects for bidding. I really wish to say that I guess the Government will say that this cannot be done for we will have bypassed the Procurement Agreement executed by the Government with the WTO and the others will criticize us. I do not think that may be the case and any projects may not necessarily be approved under the same contract and they may be approved under many divided contracts. Actually, the Government can absolutely adopt some ways such as the practice of the United States to solve the problem, and it should not cling to the concept that Hong Kong is the most open and freest place. Otherwise, in the face of globalization, this prosperous place will leave workers to the mercy of unemployment. Even if the Government acts according to the Agreement, it is not a good policy or policy objective. I hope the SAR Government will pay



attention to problems in this respect and discuss more with the relevant sectors in the course of considering the matter.

I support the original motion and the amendment. Thank you, Madam President.

**MR HUI CHEUNG-CHING** (in Cantonese): Madam President, the Government has just announced its financial position as at October in the current financial year. There is a fiscal deficit of \$72.4 billion, a record high in years. The fiscal reserves have also gone down to \$300 billion, which is already very close to the alarm level of \$260 billion, or roughly one year of expenditure, as envisaged by the Financial Secretary. But the Government's infrastructure expenditure is an investment in our future; it will not only boost the economy, but also help maintain the confidence of the public and investors in the prospects of Hong Kong. If the Government decides to reduce its infrastructural investments for the sake of reducing the fiscal deficit, then I must say it is virtually "putting the cart before the horse". This will make people think that the Government lacks confidence in the future of Hong Kong. If even the Government does not have any confidence in the prospects of Hong Kong, then how can it convince the public and investors that they should continue to make investments here? Even if the Government reduces its annual infrastructural investments by 10%, 20% or even 30%, it can at most save several billion dollars a year. But the result will be that private consumption and investments will also drop like government investments. The economy of Hong Kong is now "on the drip", and the Government's infrastructure investments are precisely "the drip"; when even "the drip" is removed, how can the economy of Hong Kong possibly come to life again? What is more, once the Government easily succeeds in stabilizing the fiscal deficit by reducing infrastructural investments, then given its lukewarm attitude towards slimming, will it use that as an excuse and simply do less with reducing the wastage of public money and cutting the salaries of civil servants?

I am certainly not asking the Government to spend money just for the sake of spending it. The point is not so much about reducing infrastructural investments, but about how to maximize the effectiveness of our investments. The Government spends annually \$25 billion to \$30 billion on infrastructural investments. They may not be the key to our economic revival, but they are at least enough to pave the way for economic revival, and this way to economic

revival is the cross-boundary infrastructure. All along, the Government's strategy on infrastructural investment has been biased towards domestic demand, ignoring its outward extension and failing to make use of the cross-boundary infrastructure as a means of channelling the flows of people, goods, logistic activities and capitals towards Hong Kong. The drawback of such an internally-oriented strategy of infrastructural investment has been exposed completely at this time when the Hong Kong economy is declining and that of the Mainland taking off. Following the reunification, Hong Kong continues to possess a competitive edge in terms of its financial, legal and management systems as well as its network of international connections. This, together with the increasingly prosperous mainland market, should have offered enormous opportunities of development to us. But the opposite has been the case in reality. I am afraid the main reason is that the infrastructure of Hong Kong has failed to integrate itself into the overall development of the Pearl River Delta (PRD), and so Hong Kong has been unable to grasp the first opportunities of attracting the flows of people and logistic activities from the Mainland. When Hong Kong wakes up from its dream now, neighbouring places like Shenzhen and Guangzhou have already grown considerably in strength, thus driving the cross-boundary development of the Hong Kong economy into a most passive position.

There are three major problems with Hong Kong's cross-boundary infrastructure. When the Government re-assess the priority of its infrastructural investments every year, it should seek to rectify these problems. At the same time, it should also accord top priority to the cross-boundary infrastructure.

First, the Lo Wu checkpoint has long since been saturated. The Government should construct the Northern Link as soon as possible instead of waiting until 2010, so as to re-affirm the function of the West Rail in diverting cross-boundary passengers from Lo Wu. The Government and the authorities concerned should not put the cart before the horse. They should not avoid the northbound boulevard and hasten instead to construct a Southern Link which goes southward to compete with buses and the MTR for passengers in a market with very little potentials.

Second, although the Shenzhen Western Corridor linking northwestern Hong Kong and Shekou will be completed three years later, the Corridor is at best confined within Hong Kong and Shenzhen. Meanwhile, cities in western PRD such as Zhuhai, Zhongshan, Shunde and Panyu have already surpassed

cities in the eastern part like Shenzhen and Dongguan in economic growth. If the construction of a cross-boundary corridor between the western part of the PRD and Hong Kong is not launched as soon as possible, then I am afraid we will once again lose the headway in attracting the flow of people and logistic activities from the region. I hope the Hong Kong-Zhuhai-Macao Bridge can be accorded top priority in the list of government infrastructure projects, so that it can be completed as soon as possible.

Third, since the capacity of cross-boundary passings on land is very limited, priority is now given to container lorries and large passenger coaches only. And, private cars have to apply for permits. As a result, the number of cross-boundary vehicles has long been subject to over-restriction, thus affecting the commercial and trade exchanges of the two places. I have learnt that the Governments of Hong Kong and Shenzhen are thinking about the construction of new vehicle checkpoints in Liantang and the river bend area. I hope that the idea can be realized as soon as possible.

Madam President, all major ports in the world nowadays enjoy the advantage of being linked to a huge hinterland. Though Hong Kong is situated at the heart of the PRD, it must still develop a well-connected cross-boundary infrastructure before it can capitalize on its geographical advantage. I hope that the Government can accord priority to the cross-boundary infrastructure without reducing its overall infrastructural investments. That way, Hong Kong will enjoy increased access to wealth. Madam President, I so submit.

**MRS SELINA CHOW** (in Cantonese): Madam President, the economy is currently in the doldrums, and from a macroscopic viewpoint, the Government's infrastructural investment in Hong Kong is vital, in that it can not only give impetus to the overall economic activities, but also increase job opportunities and stabilize investor confidence. But meanwhile, given tight finances, greater emphasis should be put on the economic benefits of every cent spent. We should consider not just the economic benefits after the completion of works, but also the economic benefits during the construction process. Therefore, it is understandable that the Financial Secretary had emphasized this very consideration. However, I think our greatest concern is that investment should not be reduced, or there should not be any case of a "stop-go", so to speak, which means that certain works projects have to be halted because a budget deficit has suddenly sprung up. I believe this is not what we wish to do, but in

our consideration of cost-effectiveness, I think Members will not have strong views against this, for this is an effective measure to protect public revenue. As tourism is an important pillar of the Hong Kong economy, we very much support the Government expediting the development of tourism-related infrastructure projects.

In fact, the Government should make use of the geographical advantages of Hong Kong to speed up the development of a cruise terminal. It is because the East and West routes can absorb European and American visitors, whereas the North and South routes can serve visitors from China and Southeast Asia. As Hong Kong is determined to develop high value-added services, if Hong Kong can become a terminus of the cruise market, the cruise passengers who often have strong spending power can stimulate consumption to the benefit of all other relevant service sectors, such as hotels, tourism, retail, and so on. To remain as an ideal tourist destination, Hong Kong should also expeditiously develop golf tourism, which can retain visitors with strong spending power. Hong Kong, being a world-class city, is visited by many tourists who would expect high quality of service and resorts with comprehensive facilities. Many visitors from Japan, Taiwan, mainland China and Southeast Asia, particularly those on business trips and visitors with strong spending power, are developing an increasing liking for golf. If Hong Kong fails to make up for the inadequacy in this area, how can we compete with our neighbours which are growing stronger and stronger?

Hong Kong is a melting pot of the East and the West with unique chapters of history. The Government should expeditiously approve the project on developing an integrated arts, culture and entertainment zone in West Kowloon, as mentioned by an Honourable colleague earlier on. This can attract cultural tourists on the one hand and make the Victoria Harbour more attractive on the other. Furthermore, Hong Kong lacks a world-class arts performing venue and faces increasingly fierce competition from other Asian countries. For example, the completion of the Esplanade-Theatres on the Bay in Singapore in October is a good example. In the meantime, the Government should also quicken the pace of infrastructure projects, big and small, which are already underway. Examples include beautification of the promenades that line the two shores of the Victoria Harbour, tourism facilities in Island South, or improvement works on the Peak. In fact, the improvement most needed in respect of government projects is the determination of target completion dates and a system should be put in place whereby completion of works ahead of schedule will be rewarded,

whereas penalties will be imposed for delays, in an effort to encourage the good practice of early completion of works.

Convention and exhibition facilities will help attract international conventions and exhibitions to Hong Kong and this will attract business visitors and their families to come to Hong Kong for business trips and spending, thus promoting tourism and the retail industry, facilitating the development of professional business services such as marketing and public relations, and upgrading the image of Hong Kong as a cosmopolitan in Asia. Last year, over 460 000 people came to Hong Kong from all parts of the world to take part in conventions, exhibitions and corporate activities. This type of visitors stayed for 4.8 nights on average and spent an average of \$15,000 each, while other visitors normally stayed for about three nights and spent some \$4,000 each. From this, we know that this type of visitors surpasses the general visitors by a large margin, whether in terms of their spending or the duration of their stay. Every year, about 50 large-scale exhibitions will be held in Hong Kong and the number of participants have continued to climb; and mainland visitors coming here for exhibitions have even increased by 35%, compared with last year. This shows that there is readily a large demand for international convention and exhibition venues in Hong Kong. More importantly, after China's accession to the WTO, we must consolidate Hong Kong's role as a regional hub and trade centre. In respect of software, Hong Kong has the advantage of being highly efficient and a provider of quality services. But in respect of hardware, complementary efforts by the Government is required. We must have international exhibition and convention venues before we can successfully consolidate Hong Kong's unique status as a hub.

However, the Government, when making infrastructural investments, must at the same time minimize the nuisances of the works to all parties concerned, so as to avoid creating a negative impact on Hong Kong's reputation as a Shopper's Paradise or cosmopolitan. Moreover, the progress of works must be expedited as far as possible, in order to compress the timeframe to the shortest the possible and minimize the adverse impact associated.

To enhance efficiency and alleviate the burden, it is indeed imperative for the Government to introduce a system for private sector participation. I entirely agree with what a number of colleagues have said earlier, and from what the Secretary has said, I am also convinced that the Government is indeed committed to this area of work. But my greatest fear is that the Government has the

ambition but not the capability, in that even though a policy is formulated, the procedures will still drag along perpetually; and this is sometimes so baffling. Indeed, speeding up the development of hardware infrastructure can certainly give impetus to the development of software and hence create job opportunities earlier. Imagine if the Disneyland can be completed one day earlier, jobs would be created for the service sectors one day earlier. If other projects, such as the development of a logistics centre, exhibition venues, and so on, can be launched expeditiously, would this not be the best way to promote the development of the service industry as a whole? So, it is indeed necessary for the Government to come up with an effective policy to shorten the entire process for private sector participation in public works. If that could be achieved, the progress of infrastructure projects would be expedited effectively to also provide job opportunities.

I so submit. Thank you, Madam President.

**DR DAVID CHU** (in Cantonese): Madam President, I think no one will contest the point that infrastructural investments can promote economic development and improve the people's livelihood. The only essential point is that infrastructure projects must bring economic and social benefits. In the past 10 years, the Japanese Government also launched many different infrastructure projects, but since many of these projects could not create much economic and social benefits, they eventually imposed a very heavy financial burden on society. We must draw a lesson from the failure of Japan. In particular, at this time of an imminent fiscal crisis, we must seriously consider our own means and ability when launching public works projects, lest we may waste our resources. I support the Government's commitment to infrastructure projects, for these will after all play a very significant role in developing Hong Kong into a logistics centre, increasing the competitiveness of its tourism industry, enhancing its status as a trading and financial centre and upgrading its people's quality of life. However, the Government is obligated to ensure that such money is spent where it is worth, and that resources are spent on the most urgently required infrastructure projects. Cross-boundary infrastructure projects are one of the most urgent tasks.

As we all know, the existing cross-boundary facilities are already stretched beyond capacity, and this has led to losses in terms of both time and money.

The Government forecasts that cross-boundary traffic will increase by 300% to 400% in 2006. Therefore, the Government must give priority to economically important cross-boundary infrastructure items, such as roads and railways, so as to promote the economic integration of Hong Kong and the Mainland. Road transport is the main means of logistic flow between Hong Kong and the PRD. However, the road networks in North District connecting to checkpoints at Lo Ma Chau, Sha Tau Kok and Man Kam To are obviously unable to handle the ever-increasing lorry traffic flow. The number of vehicles moving between Hong Kong and the Mainland through these three land crossings every day has gone up by 73%, from 18 000 in 1992 to 31 000 last year, thus leading to frequent congestion. Therefore, the authorities should continue to improve the cross-boundary road networks, with a view to enhancing the road connections of Hong Kong and the Mainland. Besides, a bridge linking up Hong Kong, Zhuhai and Macao must be constructed as soon as possible to achieve their geographical integration. At the same time, the Government must expeditiously improve immigration and customs clearance facilities and raise their efficiency. For example, the number of clearance passages should be increased and the clearance procedures streamlined. The Government has drawn up a plan to implement the "co-location clearance" at the Huanggang checkpoint, but it should allocate resources for the implementation of "co-location clearance" in other checkpoints.

Likewise, in the case of cross-boundary railways, the Government should also expedite the pace. Although the Lok Ma Chau Spur Line will be completed in 2007, its function of diverting passengers from the East Rail will still be very limited, because residents of the western New Territories wanting to leave Hong Kong will still need to take the East Rail. These residents will have to wait until the commissioning of the Northern Link between 2010 and 2016 before they can leave Hong Kong directly at Lok Ma Chau. The Government must therefore speed up the construction of the Northern Link, for only this can perfect the cross-boundary railway networks. The SAR Government is now exploring the feasibility of a Guangzhou-Shenzhen express train service together with the relevant mainland authorities. With this service, the journey time can be reduced from one hour and 40 minutes now to shorter than one hour. This will greatly increase the economic benefits and improve the flow of people between Guangzhou and Hong Kong. I hope that the Government can finalize this plan as soon as possible. The MTR Penny's Bay extension is so controversial in terms of cost-effectiveness and return rate, but the Government

has still finalized the whole project very quickly. So, why is it so irresolute in the case of cross-boundary railways despite their obvious economic benefits?

Madam President, I wish to add one last point. Given the tight resources now, the Government should conduct in-depth studies on private sector participation in infrastructure projects, so as to reduce the pressure on the public coffers. This can offer more business opportunities to private investors and also upgrade works quality with the help of market forces. I so submit.

**MR LEE CHEUK-YAN** (in Cantonese): Madam President, on behalf of the Hong Kong Confederation of Trade Unions, I speak in support of the original motion and the amendment, because both the motion and the amendment seek to achieve social benefits and employment benefits. I think members of the community are very concerned about the current situation of infrastructural investments, because as we all know, the current unemployment rate in the construction industry is the highest. Construction workers are living in very straitened circumstances. Added to this are the so-called "SUEN's nine strokes", which have condemned construction workers to dire plights. Mr Abraham SHEK certainly supports "SUEN's nine strokes", but in his another capacity, namely, representative of the Hong Kong Construction Association, he may not consider these measures desirable, because the number of flats to be built will decrease definitely. To the construction workers, once the housing construction is reduced, it would be tantamount to rubbing salt into their wounds, for this would only cause the already serious unemployment to further deteriorate.

Under such circumstances, and if we note recent remarks on infrastructural investment which suggested putting off or dropping infrastructure projects, the situation does give cause for concern. I do not know whether or not the construction workers would ask the Government if it is trying to victimize them. I believe the Secretary will certainly say that they have no intention to victimize them. But the problem is that after this message is given, the construction workers, who are already very worried about losing their jobs, are all the more overwhelmed by their worries about becoming jobless.

Therefore, I very much hope that the Government will review their remarks. I am not suggesting that infrastructure projects should be taken forward blindly. I absolutely do not mean that. But my point is the remarks



on infrastructure made by the Government recently have reflected the problem of wavering position and frequent changes in policy. This I disagree. If Members wish to refresh their memories of what the Government had said, I can cite a few examples here. In the 2001 policy address, the Chief Executive expressly stated that the Government would take the lead to create over 30 000 short-term job opportunities and embark on over 100 infrastructure projects immediately. This is an undertaking made by the Chief Executive. Then, in February this year, the Chief Executive stated that \$600 billion would be invested in the next 15 years for planning and implementing over 1 600 infrastructure projects, and that 30 000 jobs were expected to be created by the end of this year. This is what the Government has told the people categorically. It did say that infrastructure projects would be launched to facilitate continued economic development, stimulate the economy, and create job opportunities. All these are remarks made by the Chief Executive.

Much to our surprise, the Secretary issued an internal circular to all departments on 3 September this year, asking them to defer or discontinue some non-essential infrastructure projects. Then another bombshell was dropped when the Financial Secretary, Mr Antony LEUNG, on a train to Guangzhou on 14 October, told the media that the Government would keep a close eye on projects on which spending was not absolutely necessary, and that such projects would either be dropped or deferred. Later, at the presentation ceremony of the Hong Kong Awards for Industry on 15 October, he told the reporters that infrastructure projects which were conducive to the economy would be worthy of investment; but if the overall economic return was not high, then he would consider it appropriate to put off the projects for a while. In his letter dated 17 October to the Chairman of the Legislative Council Public Works Subcommittee (PWSC), Dr Raymond HO, the sponsor of this motion today, he said that the Government had no plan to cut the public works expenditure from now until 2006-07, and that economic benefits were not their only consideration. What the Government said then appeared to have changed a little. The Secretary for the Environment, Transport and Works, Dr Sarah LIAO, said on 15 October that the Hong Kong Government had no intention to pare down its infrastructural investment, only that the projects would be prioritized. I do not understand what she meant by that. What does "prioritize" mean? Is the Government going to implement them or not? For all these remarks, I only wish that the Government can give them some thoughts. Each and every word uttered by the Government, or even every sneeze it makes will throw the public into quite a fright.

Just now I said that the Government changes its policies all the time. Is it that Mr TUNG's policies are now changed by Mr Antony LEUNG? The Chief Executive stated in express terms his commitment to infrastructure projects, but Mr Antony LEUNG said that the projects would have to be dropped or put off. Furthermore, I think the Financial Secretary has been somewhat unfair, because he said that he had to keep a close eye on the need to implement some infrastructure projects. Does it mean that he had been lax in his job before? He said that if a project was found to be not cost-effective, then it would have to be dropped. Is it that cost-effectiveness was not taken into account when infrastructure projects were considered in the past? Is it that of the 180 000 civil servants, those who are responsible for public works have hastily implemented infrastructure projects without considering their cost-effectiveness at all? If he now said that he has to keep a close eye on the projects or he has to take account of cost-effectiveness, it means that no consideration was given to that before. His words are unfair to previous planners of infrastructure projects. They are also unfair to the PWSC too. Have we in the PWSC not given consideration to cost-effectiveness before? Was pool pulled over our eyes? Could it be that the PWSC will grant approval right at the sight of infrastructure projects? No. There are many clever Members sitting on the PWSC and they will consider the benefits. In what right was Antony LEUNG saying that benefits would be considered? Would we give a green light to a project even if it is not cost-effective? What exactly does he mean?

I hope that tonight, the Secretary can clearly explain all this for him. When the Government comes out to say something, I think the worst thing is that remarks are made all too casually and when confusion is caused, attempts would then be made to make amends. But in the end, I still do not understand what the Government is trying to say. Just see how the Secretary is going to explain to us tonight.

Finally, I would like to speak on the amendment. Regarding the wording of the amendment, basically I find it perfectly fine, and Mr Albert CHAN does know about this. I certainly consider it utterly important that local workers should be given priority in employment. Just that I do not like one sentence of it, but still, I will support the amendment. I am not sure whether Mr Albert CHAN had not yet withdrawn from his former party when he drafted that sentence about the WTO. Frankly speaking, I think the signing of the WTO by Hong Kong does not do Hong Kong any good at all. There are only some 20 countries in the world that are signatories to the WTO. Why does Hong Kong

have to sign it for no reason, and consequently have its hands tied and all its freedom taken away? So, I do not quite like that sentence of Mr Albert CHAN about giving priority to employing local workers under the principles of the WTO. Indeed, we should also review why the Government signed the WTO at the time, which has caused our hands to be tied. For the money that we spent on infrastructural investments, just as Mr Antony LEUNG has said, every dollar spent by Hong Kong can only generate a return of 50 cents. Why? It is because the rest of the money has gone somewhere else.

Madam President, I trust that Members do see my point. Thank you.

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

(No Member responded)

**PRESIDENT** (in Cantonese): Dr Raymond HO, you may now speak on Mr Albert CHAN's amendment.

**DR RAYMOND HO** (in Cantonese): Madam President, I would like to take this opportunity to thank the more than 10 Honourable colleagues who have taken part in this motion debate. They have made many valuable suggestions in the discussion. Many Honourable colleagues are worried that if the Government reduces its infrastructural investments, it may have a negative impact on employment opportunities, especially those for the construction industry.

Apart from employment considerations and giving impetus to the economic recovery of Hong Kong, maintaining infrastructural investments is also important because it is critical to the future development of Hong Kong. I therefore hope that the Government will adhere to the pledge that it has made on infrastructural investments. If Hong Kong is to continue to enjoy its competitive advantage in infrastructure, investments in infrastructure must be maintained.

I believe Mr Albert CHAN also shares this view when he proposes the amendment. However, I have reservations about the amendment he makes to the original motion. This applies especially to his proposal in the amendment

that "all the work procedures of such projects will be undertaken in Hong Kong and priority will be given to employing local workers". Doubtless more local employees would benefit if all the work procedures were undertaken in Hong Kong. However, there is often a disparity between the ideal and the reality. When Mr CHAN adds "all the work procedures of such projects will be undertaken in Hong Kong", I am afraid he is more on the ideal side than giving proper consideration to the objective reality. Put it simply, this is a layman's point of view. It is something idealistic, but it is inconsistent with the fact that contracts for works projects and invitation to tender documents cannot specify the method or place which work procedures will be undertaken. Furthermore, this is also a violation of the stipulations under the World Trade Organization Agreement on Government Procurement. Such consideration as found in Mr CHAN's amendment is, I am afraid, self-contradictory and hard to comprehend. Even for those projects which carry a smaller price tag and therefore not subject to regulation by the World Trade Organization Agreement on Government Procurement, it would be not practical at all to specify that all work procedures must be undertaken in Hong Kong.

In recent years there has been an increasing use of prefabricated parts by the local construction industry. Most of these prefabricated parts are manufactured in places outside the territory, especially on the Mainland. The reason for this is that adequate supply of land is available on the Mainland and land costs and wages of workers are cheaper than those in Hong Kong. It is due to this shortage of land and cost considerations that it has become very difficult for a lot of work procedures to be undertaken in Hong Kong. It remains, of course, that the Government may consider offering more favourable matching facilities to encourage the related companies to undertake more of their work procedures in Hong Kong. However, if this aim is achieved through the imposition of some mandatory requirements, not only will this be undesirable, but it will deviate from the established mode of operation in the industry which is completely in line with that in other advanced countries.

On the issue of ensuring that priority will be given to employing local workers, the Government has a policy in place in this respect. Should vacancies appear, the employer must accord priority to employing local workers. It is only when the employer is certain that local workers are not available to fill the vacancies concerned that permission is given under some schemes to import workers from other places. In fact, the principles and enforcement mechanisms

are already in place and I therefore see no need to insert this condition into the original motion.

In view of the above considerations, I hope Honourable colleagues can lend their support to the original motion to urge the Government to maintain its infrastructural investments in order to provide more employment opportunities and stimulate the economy. I also hope that Honourable Members can oppose the amendment moved by Mr CHAN, for the amendment is not in line with the mode of operation in the industry, as well as the stipulations under the World Trade Organization Agreement on Government Procurement.

Madam President, I so submit. Thank you.

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, it is said right at the beginning of the motion that as the local economy remains in the doldrums and the unemployment rate is high, this Council urges the Government to adhere to its commitment to infrastructural investments.

The Government has always adhered firmly to its commitment to infrastructural investments. We maintain that sound infrastructure facilities will play a very important role in boosting economic development and promoting investments. In recent years, the Government has actually been spending an average of \$27 billion annually on infrastructure projects, including the Tsing Yi North Coastal Road, a public health inspection complex, the reclamation and infrastructure works underway at Penny's Bay, school improvement projects and Phase 1C of Science Park at Pak Shek Kok. In the next few months, we will launch other large-scale works projects, including the redevelopment and extension of Pok Oi Hospital, some important sections of Route 9, and so on. We believe all these works projects will create more job opportunities in the construction industry and others.

In his letter dated 17 October this year and addressed to the Public Works Subcommittee, the Financial Secretary already made it very clear that \$147 billion had been set aside in the Budget announced in March this year for various public works projects in the five financial years commencing from 2002-03 and ending in 2006-07. This means on average an expenditure provision of about \$29.4 billion per annum. This amount represents a marked increase over the

\$27 billion for each of the past five years. The Financial Secretary has just started to consult Members on the Budget next year. To form a basis of writing up the upcoming Budget, the Government will seriously consider Members' opinions, including those put forward in the discussion today, because all these are very valuable views.

The motion today also says that in reviewing the allocation of resources for public works projects, the Government should not only focus on the economic benefits generated by the projects concerned, but must also take into account their social benefits, as well as their effectiveness in stimulating the economy and providing more employment opportunities. Dr Raymond HO also said that we should take account of the people's needs of living such as sports and library facilities. The Government very much agrees with him.

Let me quote the letter sent by the Financial Secretary to Dr Raymond HO on 17 October: "When they set down the priority of works projects under their respective portfolios, all Policy Bureaux will carefully consider the wishes of different social sectors, the urgency of the projects concerned and other important factors like cost-effectiveness." In other words, the Financial Secretary actually says that besides economic benefits, he will also consider other factors. And cost efficiency and economic benefits are not the only factors.

The Government will conduct a resource allocation review every year on all those items which fail to get any funding approval from the Finance Committee of the Legislative Council. The Secretary concerned will take part directly in the review, and quite a number of factors must be considered in the process. In weighting the benefits of a particular works projects, as I mentioned a moment ago, economic benefits are naturally very important, because as pointed out by Ms Audrey EU, we must make sure that the money is spent where it is worth. But this should not be the only criterion. The justifications for the projects, their technical feasibility, the financial ability of the Government and the wishes of various social sectors are all similarly important factors. We will definitely consider them altogether.

Faced with the sluggish economy and the acute financial position of the Government, we must exert a tight control on our expenditure. That is why the Government has to be not only doubly careful in its allocation of resources, but also encourage greater private sector participation in infrastructural investments,

so as to lighten its own burden. We believe all infrastructure projects, whether privately-financed or funded by the Government with appropriations from the Legislative Council, will produce positive impact on boosting the economy and increasing employment opportunities.

Some Members have advanced a number of very good points, such as the need for the Government to expedite the progress of infrastructure construction and eliminate delay. We agree with them entirely. I also fully support Members' view on more private funded initiatives. Within the Government, efforts are also being made to expedite the work in this respect. For this, I must thank Members today. Some Members have pointed out that when launching infrastructure projects, the Government should try to create as many jobs in Hong Kong as possible, that it must control its expenditure very tightly, and that there should be appropriate technical transfer. We are prepared to accept these views, because they are very good ones.

The amendment states that the Government should also ensure that subject to the principles of the World Trade Organization Agreement on Government Procurement, all the work procedures of such projects should be undertaken in Hong Kong and priority should be given to employing local workers; at the same time. We totally agree that the procurement policy of the Government must be in line with the World Trade Organization Agreement on Government Procurement. This means that the Government must make public works arrangements under the principles of fairness, openness, and high transparency. As for whether work procedures should be undertaken in Hong Kong, or whether local workers should be employed, we do not think that there should be any rigid requirements. Instead, under the premise of not violating the "non-discriminatory" principle of the World Trade Organization Agreement on Government Procurement, all should be decided by market competition in the light of the needs of different works projects.

Some Members have urged the Government to consider the effects of the World Trade Organization Agreement on Government Procurement on local employment. I understand that the Panel on Manpower of the Legislative Council has held in-depth discussions on this topic. I just wish to reiterate that it will be most negative for an international city like Hong Kong to withdraw from the World Trade Organization Agreement on Government Procurement. Other parties to this Agreement, including the United States and the European Union, may in that case withdraw the undertakings they have made to Hong

Kong under the Agreement. The trade of Hong Kong may then be subjected to discrimination in the government procurement market. For this reason, I hope Members can support the Hong Kong's continued compliance with the World Trade Organization Agreement on Government Procurement.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the amendment, moved by Mr Albert CHAN to Dr Raymond HO's motion, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Dr Raymond HO rose to claim a division.

**PRESIDENT** (in Cantonese): Dr Raymond HO has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mr WONG Yung-kan, Dr LAW Chi-kwong, Ms LI Fung-ying, Mr Michael MAK and IP Kwok-him voted for the amendment.



Mr Kenneth TING, Mr James TIEN, Dr Raymond HO, Mr Eric LI, Mrs Selina CHOW, Mr Bernard CHAN, Mrs Sophie LEUNG, Mr Howard YOUNG, Ms Miriam LAU, Mr Abraham SHEK and Dr LO Wing-lok voted against the amendment.

Mr HUI Cheung-ching abstained.

Geographical Constituencies and Election Committee:

Ms Cyd HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr TAM Yiu-chung, Mr Albert CHAN and Mr YEUNG Yiu-chung voted for the amendment.

Mr NG Leung-sing and Mr MA Fung-kwok voted against the amendment.

Dr TANG Siu-tong, Dr David CHU and Mr Ambrose LAU abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 19 were present, seven were in favour of the amendment, 11 against it and one abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 21 were present, 15 were in favour of the amendment, two against it and three abstained. 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): Dr Raymond HO, you may now reply.

**DR RAYMOND HO** (in Cantonese): Madam President, under gloomy economic circumstances, many countries will launch more infrastructure projects to help economic recovery, but I believe none of the 60 Honourable colleagues will ask the Government to spend money on infrastructure projects indiscriminately because all of us are very responsible Members.

I also agree that the Government has to review the priorities of the projects from time to time and determine when certain projects should be launched, but the Financial Secretary has suddenly proposed in a high profile that some projects warrant a review. I had asked the Financial Secretary why he had done so at a Panel meeting, but he told me that he was only answering a question raised by a reporter. It is certainly high profile for the Financial Secretary to talk to a reporter and he has also said that he is not sure about the whereabouts of many bridges and roads being constructed. I think that he is severely criticizing the works departments of the Government, the Legislative Council and the District Councils because they have approved the projects. The Financial Secretary has said that he was only discussing the situation in Japan. But why must he talk about Japan now that we do not have enough time to talk about Hong Kong?

Actually, I think that it is most important for the Government to review its administrative procedures and revise them, and it must also consider whether it is necessary to review the Environmental Impact Assessment Ordinance. Dr Sarah LIAO has said that a review should be conducted. Most importantly, the bureaucratic style and rigid practice of the Government must be changed in order to enhance the efficiency of its work and avoid wastage of resources. The Government should also try its best to introduce private investments so that private investors are willing to put forward innovative ideas rather than the Government conducting a public tender after it has accepted the very good suggestions made by such investors, depriving those who originally put forward such ideas of the opportunities to take part in the projects. I think the Government must carefully consider this point, otherwise, everyone in Hong Kong will only look after their own business and nobody will be willing to spend money on working for the Government. Furthermore, the Government has not given them opportunities for them to participate more in government projects, hence, mere talk is useless and some suitable ways must be devised.

I am very grateful to those Honourable colleagues who have participated in this discussion. I hope the Government will really become more efficient and

can better look after the people's livelihood after this motion debate having regard for the proposals made by Honourable colleagues. We are not asking the Government to spend indiscriminately but we hope the Government will take the situation of the sector into account.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Dr Raymond HO, as set out on the Agenda, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr Albert CHAN rose to claim a division.

**PRESIDENT** (in Cantonese): Mr Albert CHAN has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Mr Kenneth TING, Mr James TIEN, Dr Raymond HO, Mr Eric LI, Mrs Selina CHOW, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr Bernard CHAN, Mrs Sophie LEUNG, Mr WONG Yung-kan, Mr

Howard YOUNG, Ms Miriam LAU, Dr LAW Chi-kwong, Mr Abraham SHEK, Ms LI Fung-ying, Mr Michael MAK, Dr LO Wing-lok and Mr IP Kwok-him voted for the motion.

Geographical Constituencies and Election Committee:

Ms Cyd HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr TAM Yiu-chung, Dr TANG Siu-tong, Dr David CHU, Mr NG Leung-sing, Mr YEUNG Yiu-chung, Mr Ambrose LAU and Mr MA Fung-kwok voted for the motion.

Mr Albert CHAN 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, 19 were present and 19 were in favour of the motion; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 21 were present, 19 were in favour of the motion and one against it. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the motion was carried.

## **NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 11 December 2002.

*Adjourned accordingly at twenty-two minutes past Seven o'clock.*

**Appendix****WRITTEN ANSWER****Written answer by the Secretary for Financial Services and the Treasury to Mr HUI Cheung-ching's supplementary question to Question 5**

In regard to the supplementary question on the progress of establishment of the Commercial Credit Reference Agency (CCRA), the reply is as follows:

There is not a universal definition on small and medium enterprises (SMEs). Employment size, annual business turnover, and assets of a company are the most common criteria in defining SMEs. For statistical purposes, the Government defines SMEs by number of employees. However, turnover is being used as the criterion by many authorized institutions (AIs) for the classification of their commercial borrowers.

The Working Party has studied the various criteria. According to the Hong Kong Monetary Authority's Survey on Desirability and Feasibility of a Commercial Credit Reference Agency in 2000, most respondents (70%) preferred the use of business turnover to the use of other criteria for defining an SME. Furthermore, some AIs are concerned about the accuracy of using number of employees as the criterion, and they pointed out that there were difficulties in verifying the figures, particularly when the SMEs had employees in the Mainland. Turnover is thus a preferred choice as such figure for each company is readily available in its audited accounts.

Having considered all options, the Working Party has concluded that annual business turnover should be used for defining an SME for the purpose of identifying those enterprises whose credit information would be held by the CCRA.

There is at present no official statistics on the number of companies by amount of turnover. However, according to available statistics from the Census and Statistics Department which show the amount of turnover for

**WRITTEN ANSWER** — *Continued*

"establishments", the number of "establishments" with turnover less than \$50 million in 2000 was 168 614 (out of 172 053 in total) for 10 selected industries\*, and it accounted for over 98% of all establishments in these industries. These statistics suggest that using \$50 million as the threshold, the CCRA should cover a major part of the SME sector.

\* These are wholesale, retail, import/export, manufacturing, construction, transport, business services, financing (except banking), communications and storage industries.